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## **CRCC HEAN LIMITED**

*(Incorporated with limited liability in Hong Kong under the Companies Ordinance)  
as Issuer*

**US\$300,000,000 1.875% Guaranteed Notes Due 2026  
(Stock Code: 40686)**

**and**

**EUR300,000,000 0.875% Guaranteed Notes Due 2026  
(Stock Code: 40687)**

*unconditionally and irrevocably guaranteed by*



**中国铁建**

**中國鐵建股份有限公司**

**China Railway Construction Corporation Limited**

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

(Stock Code: 1186)

**Publication of the Offering Circular**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the offering circular dated 12 May 2021 (the “**Offering Circular**”) appended herein in relation to the issuance of US\$300,000,000 1.875% Guaranteed Notes due 2026 and EUR300,000,000 0.875% Guaranteed Notes due 2026 of CRCC Hean Limited, an indirect wholly-owned subsidiary of China Railway Construction Corporation Limited, and unconditionally and irrevocably guaranteed by China Railway Construction Corporation Limited (the “**Notes**”). As disclosed in the Offering Circular, the Notes were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

By order of the Board  
**China Railway Construction Corporation Limited**  
**WANG Jianping**  
*Chairman*

Beijing, the PRC  
21 May 2021

*As at the date of this announcement, the directors of China Railway Construction Corporation Limited are Mr. WANG Jianping (Chairman and Executive Director), Mr. ZHUANG Shangbiao (President and Executive Director), Mr. CHEN Dayang (Executive Director), Mr. LIU Ruchen (Executive Director), Mr. WANG Huacheng (Independent Non-executive Director), Mr. Patrick SUN (Independent Non-executive Director), Mr. CHENG Wen (Independent Non-executive Director) and Ms. Amanda Xiao Qiang LU (Independent Non-executive Director).*

*As at the date of this announcement, the directors of CRCC Hean Limited are Ms. QIAO Guoying and Mr. GAO Jihong.*

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**IMPORTANT: You must read the following before continuing.** The following applies to the offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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**THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS OR TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

**Confirmation of your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities referred to in the Offering Circular, investors must be Non-U.S. Persons outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that (1) you are not (a) a U.S. Person as defined in the Executive Order as any “United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States”, or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers (as defined below) to enter into any transactions for or on behalf of any U.S. Person and in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with you, any of your subsidiaries/affiliates, any of your parent companies or any of their subsidiaries/affiliates which relates to the Offering Circular, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order; (2) you and any customers you represent are Non-U.S. Persons outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) that you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver, circulate, forward or distribute the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Guarantor (each as defined in the Offering Circular), ICBC International Securities Limited, Bank of China (Hong Kong) Limited, DBS Bank Ltd., BNP Paribas, CCB International Capital Limited, ABCI Capital Limited, BOCOM International Securities Limited, CLSA Limited and Société Générale (the “Joint Lead Managers”) in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers or any person who controls a Joint Lead Manager, nor any director, officer, employee nor agent of each of the Joint Lead Managers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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**EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “EU MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (as modified or amended from time to time, the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

STRICTLY CONFIDENTIAL

# CRCC HEAN LIMITED

(incorporated in Hong Kong with limited liability)

U.S.\$300,000,000 1.875 per cent. Guaranteed Notes due 2026

EUR300,000,000 0.875 per cent. Guaranteed Notes due 2026

unconditionally and irrevocably guaranteed by



## 中国铁建

# CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED

(incorporated in the People's Republic of China with limited liability)

Issue Price for the USD Notes: 99.881 per cent.

Issue Price for the EUR Notes: 99.786 per cent.

The U.S.\$300,000,000 1.875 per cent. Guaranteed Notes due 2026 (the "USD Notes") and the EUR300,000,000 0.875 per cent. Guaranteed Notes due 2026 (the "EUR Notes", and together with the USD Notes, the "Notes") will be issued by CRCC Hean Limited (the "Issuer"). Each series of Notes will be unconditionally and irrevocably guaranteed (the "Guarantee of the Notes") by China Railway Construction Corporation Limited (the "Company" or the "Guarantor"). The Guarantor will enter into a deed of guarantee (each a "Deed of Guarantee" together, the "Deeds of Guarantee") on or around the Issue Date (as defined below) in respect of each series of Notes. The Guarantor is a joint stock limited company incorporated in the People's Republic of China with limited liability and is listed on both the main board of the Shanghai Stock Exchange (Stock Code: 601186) and the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (Stock Code: 01186).

The USD Notes are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The EUR Notes are in registered form in the denomination of EUR100,000 and integral multiples of EUR1,000 in excess thereof.

The USD Notes will bear interest from and including 20 May 2021 (the "Issue Date") at the rate of 1.875 per cent. per annum. The EUR Notes will bear interest from and including the Issue Date at the rate of 0.875 per cent. per annum. Interest on the USD Notes is payable semi-annually in arrear on 20 May and 20 November in each year, commencing on 20 November 2021. Interest on the EUR Notes is payable annually in arrear on 20 May in each year, commencing on 20 May 2022.

The USD Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (Negative Pledge) of the "Terms and Conditions of the USD Notes" (the "Terms and Conditions of the USD Notes")) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The EUR Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (Negative Pledge) of the "Terms and Conditions of the EUR Notes" (the "Terms and Conditions of the EUR Notes", together with the Terms and Conditions of the USD Notes, the "Terms and Conditions of the Notes")) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

In this Offering Circular, references to the Notes are to the USD Notes and the EUR Notes, and references to "a series of the Notes" or "a series" are to the USD Notes or the EUR Notes separately. References to the section "Terms and Conditions of the Notes" are to the section "Terms and Conditions of the USD Notes" and/or the section "Terms and Conditions of the EUR Notes", as the case may be. References to the "Terms and Conditions of the Notes" are to the Terms and Conditions of the USD Notes or, as the case may be, the Terms and Conditions of the EUR Notes.

The Guarantee of the Notes will constitute a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (Negative Pledge) of the Terms and Conditions of the Notes) unsecured obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for the Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the PRC or its local counterparts (the "NDRC") on 14 September 2015 which came into effect immediately (the "NDRC Circular"), the Issuer has registered the issuance of the Notes with the NDRC and has obtained a certificate from the NDRC on 26 May 2020 evidencing such registration and will undertake under the Terms and Conditions of the Notes to file the requisite information and documents with the NDRC within the time period prescribed by NDRC or under the NDRC Circular after the issue of each of the USD Notes and the EUR Notes.

The Guarantor will (i) file or cause to be filed with the State Administration of Foreign Exchange or its local branch ("SAFE") in accordance with the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 ("Cross-Border Security Registration"), and any implementation rules as issued by SAFE from time to time, (ii) use its best endeavours to complete the Cross-Border Security Registration and obtain a registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

Payments on the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong (each, a "Relevant Jurisdiction") to the extent described in "Terms and Conditions of the Notes".

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Professional Investors") only. This document is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.**

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the USD Notes at its principal amount on 20 May 2026 (the "USD Notes Maturity Date") and the EUR Notes at its principal amount on 20 May 2026 (the "EUR Notes Maturity Date", and together with the "USD Notes Maturity Date", the "Maturity Dates" and each, a "Maturity Date"). At any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (as defined in the Terms and Conditions of the Notes) of the relevant series (which notice shall be irrevocable), the Issuer may redeem the Notes of the relevant series in whole, but not in part, at their principal amount, together with interest accrued to, but excluding, the date fixed for redemption, in the event of certain changes affecting taxes of any Relevant Jurisdiction. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Notes), the Holder of any Note of the relevant series will have the right, at such Holder's option, to require the Issuer to redeem all but not more than 10% of the Holder's Notes on the Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount (in the case of redemption for a Change of Control Event (as defined in the Terms and Conditions of the Notes) or at 100 per cent. of their principal amount (in the case of redemption for a Non-Registration Event (as defined in the Terms and Conditions of the Notes)), in each case together with interest accrued up to, but excluding, such Put Settlement Date. Each series of the Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on or after 20 April 2026, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (in accordance with Condition 15 (Notices) of the Terms and Conditions of the Notes) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption. See "Terms and Conditions of the Notes - Redemption and Purchase".

Investing in the Notes involves risks. See "Risk Factors" beginning on page 19 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such transaction is not prohibited from the Executive Order. Accordingly, the Notes and the Guarantee of the Notes are being offered and sold only outside the United States to Non-U.S. Persons. Unless otherwise specified, references to "U.S. Persons" in this Offering Circular shall include any person that is a U.S. Person as defined in Regulation S under the Securities Act and any person that is a U.S. Person as defined in Executive Order 13959 (as amended by Executive Order 13974 or from time to time, the "Executive Order"). References to "Non-U.S. Person" means any person other than a U.S. Person. For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee of the Notes and the distribution of this Offering Circular, see "Subscription and Sale".

Each series of Notes will be represented by beneficial interests in a global note certificate (each, a "Global Note Certificate" and together, the "Global Note Certificates") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), together with Euroclear, the "Clearing Systems". Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual note certificates for each series of the Notes will not be issued in exchange for interests in the relevant Global Note Certificate.

The Notes are expected to be rated "A-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Guarantor is rated "A3" by Moody's Investors Services ("Moody's") and "A-" by S&P.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

ICBC

Bank of China  
(Hong Kong)

DBS Bank Ltd.

BNP PARIBAS

Joint Lead Managers and Joint Bookrunners

CCB  
International

ABC  
International

BOCOM  
International

CLSA

Société Générale  
Corporate & Investment Banking

Offering Circular dated 12 May 2021

## IMPORTANT NOTICE

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere.

Investors are advised to exercise caution in relation to the offering of the Notes (the “**Offering**”) described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor’s subsidiaries taken as a whole (collectively, the “**Group**”), the Notes and the Guarantee of the Notes which is material in the context of the issue and offering of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes and the Guarantee of the Notes), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes are in all material respects true and accurate and not misleading, (iii) the opinions and intentions relating to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other material facts relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes the omission of which would, in the context of the issue and offering of the Notes and the giving of the Guarantee of the Notes, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (each as defined in the “*Terms and Conditions of the Notes*”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, the Guarantor giving the Guarantee of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular. Each of the Issuer, the Guarantor, the Joint Lead Managers and their respective affiliates, reserves the right to reject any offer to purchase the Notes, in whole or in part, for any reason.

No person has been or is authorised in connection with the issue, offer or sale of the Notes to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. **Only Non-U.S. Persons outside the United States are eligible to receive the Offering Circular. Recipients of this Offering Circular are reminded to ensure that they are not engaging in a prohibited transaction under the Executive Order and associated subsequent guidance. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing and is deemed to have represented to the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, advisors and affiliates that (i) such offeree and any customers it represents are Non-U.S. Persons outside the United States and therefore not (a) a U.S. Person as defined in the Executive Order as any “United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States”, or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers, the Trustee or any Agent to enter into any transactions for or on behalf of any U.S. Person and (ii) in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with such offeree or any customer it represents, any of their respective subsidiaries/affiliates, any of their respective parent companies or any of their subsidiaries/affiliates which relates to this Offering Circular or any Note, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order.**

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. The Joint Lead Managers, the Trustee and the Agents and the irrelative affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

The Issuer and the Guarantor are making the offering in reliance upon exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. For a further description of certain restrictions on the offering and sale of the Notes, see “*Subscription and Sale*”.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, advisors and affiliates, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors and affiliates, advisors or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 30913(1)(a) and 30913(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (as modified or amended from time to time, the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

**EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “EU MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.



## FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Company’s and the Group’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company or the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negatives thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company’s or the Group’s control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Company’s and the Group’s present and future business strategies and the environment in which the Company or the Group will operate in the future. Important factors that could cause the Company’s or the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- industry risks;
- general economic, political, social conditions and developments in China;
- the Group’s business and operating strategies;
- the Group’s capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group’s operations and business prospects;
- the Group’s financial condition and results of operations;
- fluctuation in price and availability of raw materials;
- availability and charges of bank loans and other forms of financing;
- changes in competitive conditions and its ability to compete under these conditions;
- changes in currency exchange rates; and
- other factors beyond the Group’s control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. The Issuer and the Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements’ view only as at the date of this Offering Circular. Neither the Issuer nor the Company undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

## PRESENTATION OF FINANCIAL INFORMATION

### The Guarantor

The audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular have been extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 (the “**Audited Financial Statements**”) included elsewhere in this Offering Circular. The Audited Financial Statements have been prepared and presented in accordance with the Accounting Standards for Business Enterprises and other relevant provisions issued and revised from time to time by the Ministry of Finance of the PRC (“**PRC GAAP**”) and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

This Offering Circular includes certain consolidated financial information of the Guarantor as at and for the three months ended 31 March 2020 and 2021. Such financial information has not been audited or reviewed by the Group’s independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Consequently, none of the Joint Lead Managers, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Company’s financial condition, results of operations and results. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Company for the full financial year ending 31 December 2021.

On 7 December 2018, the Ministry of Finance of the PRC (“**MOF**”) revised and issued the “Accounting Standards for Business Enterprises No. 21 – Leasing” (the “**New Lease Standards**”), requiring enterprises listed at home and abroad as well as those listed overseas and using international financial reporting standards or accounting standards for business enterprises to prepare financial statements, effective from 1 January 2019, superseding the relevant standards issued previously. According to the requirements of MOF, the Guarantor has implemented the New Lease Standards from 1 January 2019 and has adjusted the retained earnings at the beginning of the year of the first implementation of the New Lease Standards and the amount of other related items in the financial statements, without adjusting the information of the comparable period. The accounting policy change has no significant impact on the Group’s financial situation, operating results, cash flow and future operating performance. However, historical financial information prior to 1 January 2019 may not be directly comparable against their respective financial information after 1 January 2019. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2019 against the historical financial figures of the Guarantor and when evaluating its financial condition, results of operations and results.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards (“**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, see “*Description of Certain Differences between PRC GAAP and IFRS*”.

## CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC, “**U.S. dollars**”, “**U.S.\$**” and “**USD**” are to the lawful currency of the United States of America, “**EUR**,” “**Euro**” or “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, “**Hong Kong dollars**”, “**HK\$**” and “**HKD**” are to the lawful currency of Hong Kong, the “**U.S.**” or “**US**” means the United States of America, the “**PRC**” and “**China**” mean the People’s Republic of China which for the purpose of this Offering Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, “**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC, and “**Macau**” means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

This Offering Circular contains translations of certain Renminbi amounts, Hong Kong dollars amounts and Euro amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless indicated otherwise, all translations from Renminbi into U.S. dollars in this Offering Circular were made at the rate of RMB6.5250 to U.S.\$1.0 based on the noon buying rate as set forth in the H.10 statistical release of the US Federal Reserve Board on 31 December 2020, and all translations from Euro into U.S. dollars in this Offering Circular were made at the rate of U.S.\$1.2230 to EUR1.0 based on the noon buying rate as set forth in the H.10 statistical release of the US Federal Reserve Board on 31 December 2020. No representation is made that the U.S. dollars or Renminbi amounts referred to in this Offering Circular could have been or could be converted into Renminbi or U.S. dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see “*Exchange Rate Information*”.

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## SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled “Risk Factors”, before making an investment decision.*

### Overview

Originally founded as the Railway Corps of the People’s Liberation Army, the Company was formally established on 5 November 2007 with the Controlling Shareholder as the sole promoter approved by the State Council and the SASAC. The Company is one of the strongest and largest-scale integrated construction companies globally, and is under SASAC’s direct supervision. The Group was included among the “Top 250 Global Contractors” consecutively for 10 years by Engineering News Record (ENR), an American magazine, and ranked No. 3 in 2020. It was listed among the Fortune “Global 500” consecutively, ranking No. 54 in 2020. It was listed among the “Top 500 Enterprises of China” consecutively, ranking No. 14 in 2020.

The Group operates a wide range of business, covering construction, survey, design and consultancy, manufacturing, real estate development, materials and logistics, investment, finance and other emerging industries. The Group has established its industry leadership in the fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. In addition, the Group manufactures equipment used in engineering and construction projects, provides logistics and materials trading services, and develops real estate projects. This allows the Group to provide extensive services and products covering scientific research, planning, survey, design, construction, supervision and management, maintenance, operation as well as investment and financing. As a result, the Group has upgraded itself from an established market leader in China to a global competitor in the industry of engineering design and construction of plateau railways, high-speed railways, highways, bridges, tunnels and urban rail transits.

The Group has participated in the construction of almost all railway lines in China since 1949. The Group is one of the strongest and largest-scale integrated construction groups in China and in the world. It was included among the “Top 250 Global Contractors” consecutively for 10 years by ENR, an American magazine, and ranked No. 3 in 2020. The Group has engaged in the metropolitan railway projects in almost all cities in China that have developed metropolitan railway. The Group is a pioneer in the survey, design and consultancy industry in China. The Group is also one of the largest manufacturer for the production of large rail track maintenance machinery in China and Asia with over 80.00 per cent. of the domestic market share in 2020. The Group owns a world-leading excavating machine manufacturing base with an annual capacity that commands half of the total capacity in China. In particular, its TBM commanded a market share of over 85% in China.

The Group is led by a professional team consisting of one member of the Chinese Academy of Engineering, 11 National Survey and Design Masters, 12 national candidates of the “Bai Qian Wan Talents Project” and 264 experts who are recipients of special subsidies granted by the State Council. As at 31 December 2020, the Company has cumulatively received 87 National Prizes for Science and Technology, 161 “Four Excellence” National Prizes in Survey, Design, 112 Zhan Tianyou Civil Engineering Awards, 444 National High-Quality Projects Awards and 148 Luban Prizes for China Construction, 3,460 engineering methods above provincial level and 31 China Patent Awards, and four A score and Excellent Performance Awards from the SASAC. As at the same date, the Group cumulatively held 19,072 patents.

The following table sets forth the breakdown of the Group's revenue and gross profit by segment for the years indicated:

	Year ended 31 December								
	2018			2019			2020		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
Construction . . . . .	634,748.0	46,168.4	7.27	724,545.1	54,024.2	7.46	813,334.0	58,640.0	7.21
Survey, design and consultancy . . . . .	16,705.9	5,700.4	34.12	18,084.9	5,798.8	32.06	18,460.2	6,157.6	33.36
Manufacturing . . . . .	16,482.3	4,279.8	25.97	18,104.6	4,120.1	22.76	18,049.2	4,327.0	23.97
Real estate development . . . . .	36,913.8	9,080.9	24.60	41,297.4	8,825.0	21.37	40,928.9	8,319.0	20.33
Other businesses . . . . .	64,607.1	7,415.0	11.48	71,857.3	8,730.4	12.15	76,624.6	7,446.0	9.72
Inter-segment elimination . . . . .	(39,334.1)	(1,232.7)	-	(43,437.2)	(1,411.4)	-	(57,072.2)	(552.0)	-
<b>Total . . . . .</b>	<b>730,123.0</b>	<b>71,411.8</b>	<b>9.78</b>	<b>830,452.2</b>	<b>80,087.1</b>	<b>9.64</b>	<b>910,324.8</b>	<b>84,337.5</b>	<b>9.26</b>

As at 31 December 2020, the Group had operations in 32 provinces, autonomous regions and municipalities as well as Hong Kong, Macau and Taiwan. As at 31 December 2020, the Group also had operations in 134 foreign countries. As at 31 December 2020, the Group had 8,657 projects under construction, 8,027 of which were located in the Mainland China while the other 630 were located abroad. The following table sets forth the Group's revenue by geographic regions for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Revenue	Gross Profit Margin	Revenue	Gross Profit Margin	Revenue	Gross Profit Margin
Mainland China . . . . .	694,568.6	9.60	794,857.5	9.58	871,621.8	9.22
Overseas . . . . .	35,554.5	13.34	35,594.7	11.16	38,703.0	10.31
<b>Total . . . . .</b>	<b>730,123.0</b>	<b>9.78</b>	<b>830,452.2</b>	<b>9.64</b>	<b>910,324.8</b>	<b>9.26</b>

In 2020, the Group's new contract value amounted to RMB2,554.3 billion, representing an increase of 27.28 per cent. from 2019, and the Group's revenue and net profit amounted to RMB910.3 billion and RMB25.7 billion, respectively, representing growth of 9.62 per cent. and 13.64 per cent., respectively from 2019. The value of the Group's newly-signed overseas contracts in 2020 amounted to RMB232.8 billion. As at 31 December 2020, the Group's backlog was RMB4,318.9 billion. For the years ended 31 December 2018, 2019 and 2020, the gross profit margin of the Group was 9.78 per cent., 9.64 per cent., and 9.26 per cent., respectively. The total assets of the Group reached RMB1,242.8 billion as at 31 December 2020, representing an increase of RMB161.6 billion from that as at 31 December 2019.

The Company was established as a joint stock company with limited liability under PRC law on 5 November 2007 with a registered capital of RMB8.0 billion. As at 31 December 2020, the Controlling Shareholder, which is wholly owned by SASAC, held 51.13 per cent. of the shares of the Company. The Company was listed on the main board of the Shanghai Stock Exchange on 10 March 2008 and listed on the main board of the Hong Kong Stock Exchange on 13 March 2008. As at the date of this Offering Circular, the registered share capital of the Company is RMB13,579,541,500.0 divided into 13,579,541,500 ordinary shares of RMB1.0 par value each and its issued share capital is RMB13,579,541,500.0 consisting of 13,579,541,500 ordinary shares of RMB1.0 par value each.

The Group mainly conducts the following businesses:

- **Construction**, the traditional and core business of the Group. The Group's construction operations mainly include railways, highways, urban rails, water conservancy and hydropower, housing construction, municipal engineering, bridges, tunnels, airports and wharfs;
- **Survey, design and consultancy**, covering civil engineering and infrastructure construction related to railway, urban rail transits, highways, municipal administration, industrial and civil buildings, water transport, water conservancy and hydropower and civil aviation whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection;
- **Manufacturing**, including three core businesses, i.e. equipment manufacturing, material production and precast concrete production. The business scope covers large railway track, maintenance machinery, underground construction equipment, rail construction equipment, concrete construction equipment, lifting equipment, bridge construction equipment, compacting equipment, concrete products, bridge steel structures, turnout and spring bar fastener, and electric contact wire and parts;
- **Real estate**, including the development, construction and sale of real estate; and
- **Material, logistics and other businesses**, including logistics, warehousing and distribution, spot trading and international trading, financial insurance, concession, mining resources development and railway operation and management.

### Competitive Strengths

The growth and development of the Group can be primarily attributed to the following competitive strengths:

- The Group is the world's largest integrated engineering contractor focusing on infrastructure construction.
- The Group plays a critical role in the PRC infrastructure construction industry and receives strong support from the Controlling Shareholder.
- The Group has expanded into diversified businesses in both domestic and international markets by effectively leveraging its experience, facilities and resources, which enables it to improve profitability.
- The Group benefits from the PRC Government's promotion of policies supporting the domestic and international expansion of the railway industry, such as the "Belt and Road Initiative", Synergetic Cooperation in the Beijing-Tianjin-Hebei region and the "Golden Waterway Yangtze River Economic Belt" initiative, Xiong'an New Area Initiative and Guangdong – Hong Kong – Macau Great Bay Area Initiative.
- The Group has large backlog signed with quality customers, which enables it to steadily grow its businesses and revenue.
- The industry-leading research and development capabilities and strong construction capabilities allow the Group to undertake strategically important projects.

- The Group has a sound capital structure and efficient capital management which enable it to achieve solid financial performance.
- The Group benefits from its experienced management team, its widely-recognised brand name and excellent corporate culture.

### **Business Strategies**

The Group aims to develop into a globally-competitive and progressive company with a principal focus on its construction business, construction survey, design and consultancy business, and manufacturing business, as well as large-scale construction projects development and management business. The Group believes that the following strategies will enable it to leverage its strengths to capture future growth opportunities in China's construction industry, increase the globalisation of its operations, enhance its core competitiveness and maintain its industry leading position in China.

- Leverage the synergy of diversified business model of the Group to forge "high-quality CRCC" to achieve the goal of becoming a comprehensive construction industry group with valuable creativity.
- Continue to enhance its leading position and increase its market share in China's infrastructure construction industry.
- Continue to pursue economic benefits from dual circulation and interaction between domestic and overseas operations to achieve high-quality overseas development.



## THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this summary. For a complete description of the terms of the Notes, see “Terms and Conditions of the Notes” in this Offering Circular.

Issuer . . . . .	CRCC Hean Limited
Guarantor . . . . .	China Railway Construction Corporation Limited
USD Notes . . . . .	U.S.\$300,000,000 1.875 per cent. Guaranteed Notes due 2026
EUR Notes . . . . .	EUR300,000,000 0.875 per cent. Guaranteed Notes due 2026
Guarantee of the Notes . . . . .	The Guarantor has in the Deed of Guarantee for each series of Notes unconditionally and irrevocably guaranteed the due and punctual payment in full of all sums in respect of each series of Notes.
Issue Price . . . . .	USD Notes: 99.881 per cent. EUR Notes: 99.786 per cent.
Form and Denomination . . . . .	The USD Notes will be issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.  The EUR Notes will be issued in registered form in the denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof.
Interest . . . . .	The USD Notes will bear interest from 20 May 2021 at the rate of 1.875 per cent. per annum, payable semi-annually in arrear on 20 May and 20 November in each year, subject as provided in Condition 6 ( <i>Payments</i> ) of the Terms and Conditions of the Notes.  The EUR Notes will bear interest from 20 May 2021 at the rate of 0.875 per cent. per annum, payable annually in arrear on 20 May in each year subject as provided in Condition 6 ( <i>Payments</i> ) of the Terms and Conditions of the Notes.
Issue Date . . . . .	20 May 2021.
Maturity Dates . . . . .	USD Notes: 20 May 2026 EUR Notes: 20 May 2026
Status of the Notes . . . . .	Each series of Notes constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3(a) ( <i>Negative Pledge</i> ) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Guarantee of the Notes . . . . .	The Guarantee of the Notes constitutes a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) ( <i>Negative Pledge</i> ) of the Terms and Conditions of the Notes) unsecured obligation of the Guarantor which will at all times rank at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge . . . . .	Each series of Notes will contain a negative pledge provision as further described in Condition 3(a) ( <i>Negative Pledge</i> ) of the Terms and Conditions of the Notes.
Redemption at Maturity . . . . .	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the relevant Maturity Date, subject as provided in Condition 6 ( <i>Payments</i> ) of the Terms and Conditions of the Notes.
NDRC Filing . . . . .	For each series of Notes, the Guarantor will undertake to: <ul style="list-style-type: none"> <li>(a) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period in accordance with the Notice on Promoting the Reform of the Filing and Registration System on the Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the “<b>NDRC Post-issue Filing</b>”) and comply with all applicable PRC laws and regulations in connection with the relevant series of Notes; and</li> <li>(b) within ten PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Trustee with a certificate in English signed by any Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issue Filing and (ii) give notice to the Noteholders in accordance with Condition 15 (<i>Notices</i>) of the Terms and Conditions of the Notes.</li> </ul>
SAFE Registration . . . . .	For each series of Notes, the Guarantor will undertake to: <ul style="list-style-type: none"> <li>(a) file or cause to be filed with SAFE for the registration of the Deed of Guarantee of the relevant series of Notes in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “<b>Cross-Border Security Registration</b>”), and any implementation rules as issued by SAFE from time to time;</li> <li>(b) use its best endeavours to complete the Cross-Border Security Registration and obtain a registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE on or before the Registration Deadline;</li> </ul>

- (c) comply with all applicable PRC laws and regulations in relation to the provision of the Guarantee of the Notes; and
- (d) within ten PRC Business Days after receipt of the registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE (i) provide the Trustee with a certificate signed by any Authorised Signatory of the Guarantor, confirming the completion of the Cross-Border Security Registration and (ii) give notice to the Noteholders confirming the completion of the Cross-Border Security Registration in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes.

Taxation . . . . . All payments of principal and interest in respect of each series of Notes and under the Guarantee of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC or such other taxing jurisdiction the Issuer or the Guarantor becomes subject to at any time (each, a “**Relevant Jurisdiction**”) or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law.

Where such withholding or deduction is required by law and is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 12 May 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer or the Guarantor is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction or any political subdivision thereof or authority therein or thereof having power to tax except the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Tax Amount**”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts referred to in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes shall be payable in respect of any Notes in the limited circumstances as further described therein.

Redemption for Tax Reasons . . . . . Each series of Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with the Terms and Conditions of the Notes (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Redemption for Relevant Event . . . . . At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Notes), the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Note on the Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount (in the case of a redemption for a Change of Control Event (as defined in the Terms and Conditions of the Notes)) or at 100 per cent. of their principal amount (in the case of a redemption for a Non-Registration Event (as defined in the Terms and Conditions of the Notes)), in each case together with interest accrued up to, but excluding, such Put Settlement Date, as further described in Condition 5(c) (*Redemption for a Relevant Event*) of the Terms and Conditions of the Notes.

Redemption at the Option of the Issuer . . . . . Each series of the Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on or after 20 April 2026, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes and in writing to the Trustee and Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption.

Events of Default . . . . .	Upon the occurrence of certain events as described in Condition 8 ( <i>Events of Default</i> ) of the Terms and Conditions of the Notes, the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes of the relevant series or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions of the Notes), shall (subject to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes of the relevant series to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. See “ <i>Terms and Conditions of the Notes – Events of Default</i> ”.										
Cross-default of Issuer, Guarantor or Subsidiary . . . . .	Each series of Notes will contain a cross-default provision as further described in Condition 8(c) ( <i>Events of Default – Cross-default of Issuer, Guarantor or Subsidiary</i> ) of the Terms and Conditions of the Notes.										
Clearing Systems . . . . .	Each series of Notes will be represented by beneficial interests in a Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificates will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, individual note certificates for the relevant series of Notes will not be issued in exchange for beneficial interests in the relevant Global Note Certificate.										
Clearance and Settlement. . . . .	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes:  <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">ISIN:</td> <td>USD Notes: XS2340539142</td> </tr> <tr> <td></td> <td>EUR Notes: XS2340538680</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Common Codes:</td> <td>USD Notes: 234053914</td> </tr> <tr> <td></td> <td>EUR Notes: 234053868</td> </tr> </table>	ISIN:	USD Notes: XS2340539142		EUR Notes: XS2340538680			Common Codes:	USD Notes: 234053914		EUR Notes: 234053868
ISIN:	USD Notes: XS2340539142										
	EUR Notes: XS2340538680										
Common Codes:	USD Notes: 234053914										
	EUR Notes: 234053868										
Legal Entity Identifier . . . . .	The Issuer’s Legal Entity Identifier is: 655600JBL38JBHLO9190.										
Governing Law . . . . .	English law.										
Trustee, Principal Paying Agent, Registrar and Transfer Agent . . . . .	China Construction Bank (Asia) Corporation Limited 中國建設銀行(亞洲)股份有限公司										
Listing . . . . .	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.										
Rating . . . . .	The Notes are expected to be rated A- by S&P. Security ratings are not recommendations to buy, sell or hold the Notes. Ratings are subject to revision or withdrawal at any time by the rating agency.										
Use of Proceeds . . . . .	See “ <i>Use of Proceeds</i> ”.										

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

*The consolidated financial statements of the Company as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular have been extracted from the audited financial statements contained in the Company's 2019 annual report and 2020 annual report. Historical results of the Company are not necessarily indicative of results to be expected for any future periods.*

*The audited consolidated financial statements of the Company as at and for the years ended 31 December 2018, 2019 and 2020 have been prepared and presented in accordance with PRC GAAP and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent auditor of the Company.*

### Consolidated Statement of Profit or Loss and other Comprehensive Income

	Year ended 31 December		
	2018	2019	2020
		<i>(RMB'000)</i>	
		<i>(audited)</i>	
<b>Revenue</b> . . . . .	<b>730,123,045</b>	<b>830,452,157</b>	<b>910,324,763</b>
Less: Cost of sales . . . . .	658,711,266	750,365,068	825,987,266
Taxes and surcharges . . . . .	4,805,880	4,633,550	3,733,320
Selling and distribution expenses . . . . .	4,431,330	5,432,855	5,667,867
General and administrative expenses . . . . .	17,235,632	18,151,260	19,038,444
Research and development expenses . . . . .	11,571,783	16,527,801	18,605,952
Finance costs . . . . .	3,910,313	3,632,348	3,252,809
Including: Interest expenses . . . . .	5,680,164	6,693,276	5,621,495
Interest income . . . . .	3,077,852	3,982,445	3,684,788
Add: Other income . . . . .	260,140	415,139	941,516
Investment income/(losses) . . . . .	(226,251)	(420,036)	(929,925)
Including: Share of profits of associates and joint ventures . . . . .	1,257,184	2,396,480	1,637,477
Losses from derecognition of financial assets measured at amortised cost . . . . .	(1,627,411)	(2,908,505)	(2,639,464)
(Losses)/Gains on fair value changes . . . . .	(226,347)	656,543	105,833
Impairment losses on assets . . . . .	(179,635)	(1,893,643)	(1,023,339)
Impairment of credit losses . . . . .	(4,292,765)	(3,117,515)	(2,701,879)
Gains on disposal of assets . . . . .	529,783	279,016	589,278
<b>Operating profit</b> . . . . .	<b>25,321,766</b>	<b>27,628,779</b>	<b>31,020,589</b>
Add: Non-operating income . . . . .	1,096,998	974,713	1,068,358
Less: Non-operating expenses . . . . .	1,313,502	576,842	598,395
<b>Profit before tax</b> . . . . .	<b>25,105,262</b>	<b>28,026,650</b>	<b>31,490,552</b>
Less: Income tax expenses . . . . .	5,266,854	5,402,959	5,781,878
<b>Net profit</b> . . . . .	<b>19,838,408</b>	<b>22,623,691</b>	<b>25,708,674</b>
<b>Classified by the continuity of operation</b>			
Net profit from continuing operations . . . . .	19,838,408	22,623,691	25,708,674
Net profit from discontinued operations . . . . .	/	/	/
<b>Classified by the ownership</b>			
Net profit attributable to owners of the Company . . . . .	17,935,281	20,197,378	22,392,983
Net profit attributable to non-controlling interests . . . . .	1,903,127	2,426,313	3,315,691

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
		<i>(RMB'000)</i>	
		<i>(audited)</i>	
<b>Other comprehensive income/(expense), net of tax</b>			
Other comprehensive income/(expense) attributable to owners of the Company, net of tax . . . . .	(338,677)	446,984	(1,228,318)
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Remeasurement of defined benefit, net of tax . . . . .	48,750	13,015	7,966
Changes in fair value of other equity instrument investments . . . . .	(380,451)	301,561	15,905
Other comprehensive income/(expense) to be reclassified to profit or loss			
Shares of other comprehensive income/(expense) that will be reclassified subsequently into profit or loss by the investee under equity method . . . . .	13,550	251,093	(197,315)
Changes in fair value of other debt investments . . . . .	513	(417)	(1,164)
Exchange differences on translation of foreign operations . . . . .	(21,039)	(113,186)	(1,054,850)
Others . . . . .	–	(5,082)	1,140
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax . . . . .	(11,579)	(25,487)	(15,902)
Total comprehensive income . . . . .	<u>19,488,152</u>	<u>23,045,188</u>	<u>24,464,454</u>
Including:			
Total comprehensive income attributable to owners of the Company . . . . .	<u>17,596,604</u>	<u>20,644,362</u>	<u>21,164,665</u>
Total comprehensive income attributable to non-controlling interests . . . . .	<u>1,891,548</u>	<u>2,400,826</u>	<u>3,299,789</u>
<b>Earnings per share:</b>			
Basic earnings per share <i>(RMB/share)</i> . . . . .	<u>1.26</u>	<u>1.40</u>	<u>1.50</u>
Diluted earnings per share <i>(RMB/share)</i> . . . . .	<u>1.23</u>	<u>1.33</u>	<u>1.44</u>

## Consolidated Statement of Financial Position of the Company

	As at 31 December		
	2018	2019	2020
		(RMB'000)	
		(audited)	
<b>Current assets</b>			
Cash and bank balances . . . . .	143,801,598	156,887,177	187,997,046
Held-for-trading financial assets . . . . .	3,344,458	3,587,646	587,022
Bills receivable . . . . .	7,636,443	10,305,274	18,242,816
Receivables at FVTOCI . . . . .	2,143,802	2,654,263	3,683,653
Trade receivables . . . . .	99,382,305	112,138,537	125,696,204
Advances to suppliers . . . . .	18,591,945	24,335,981	24,316,491
Other receivables . . . . .	63,474,288	60,100,338	66,383,081
Inventories . . . . .	159,891,368	194,891,575	232,358,730
Contract assets . . . . .	123,938,151	154,903,081	165,030,475
Current portion of non-current assets . . . . .	10,836,740	18,109,883	16,311,081
Other current assets . . . . .	17,236,252	17,900,227	20,161,207
<b>Total current assets . . . . .</b>	<b>650,277,350</b>	<b>755,813,982</b>	<b>860,767,806</b>
<b>Non-current assets</b>			
Loans and advances to customers . . . . .	2,145,000	2,730,000	2,772,645
Long-term receivables . . . . .	54,442,045	60,804,614	74,472,408
Long-term equity investments . . . . .	28,978,555	49,644,634	70,621,039
Debt investments . . . . .	41	41	41
Other debt investments . . . . .	100,513	–	1,003,745
Other non-current financial assets . . . . .	779,049	1,643,494	2,839,530
Other equity instrument investments . . . . .	8,268,378	10,038,609	10,510,397
Investment properties . . . . .	5,644,080	5,357,757	7,254,240
Fixed assets . . . . .	50,300,597	50,891,768	56,111,920
Construction in progress . . . . .	4,428,384	5,614,803	7,552,112
Right-of-use assets . . . . .	/	5,678,711	5,292,332
Intangible assets . . . . .	50,667,006	59,871,943	70,372,417
Development expenditure . . . . .	–	9,436	28,612
Goodwill . . . . .	228,713	118,841	541,705
Long-term prepayments . . . . .	384,745	420,477	499,927
Deferred tax assets . . . . .	4,916,848	5,624,947	6,423,173
Other non-current assets . . . . .	56,109,278	66,975,156	65,728,750
<b>Total non-current assets . . . . .</b>	<b>267,393,232</b>	<b>325,425,231</b>	<b>382,024,993</b>
<b>Total assets . . . . .</b>	<b>917,670,582</b>	<b>1,081,239,213</b>	<b>1,242,792,799</b>
<b>Current liabilities</b>			
Short-term loans . . . . .	61,781,084	42,749,266	49,879,073
Due to customers . . . . .	5,881,497	3,820,235	4,815,608
Bills payable . . . . .	51,036,428	69,601,977	84,290,956
Trade payables . . . . .	274,354,876	325,785,304	349,327,324
Advances from customers . . . . .	64,390	128,914	126,257
Contract liabilities . . . . .	89,276,585	108,506,589	131,058,617
Employee benefits payable . . . . .	11,280,571	11,880,367	11,973,312
Taxes payable . . . . .	6,948,114	6,970,004	8,392,379
Other payables . . . . .	55,429,042	70,116,812	79,595,459
Current portion of non-current liabilities . . . . .	23,218,971	34,672,076	28,573,343
Other current liabilities . . . . .	12,434,964	14,747,536	21,592,243
<b>Total current liabilities . . . . .</b>	<b>591,706,522</b>	<b>688,979,080</b>	<b>769,624,571</b>



	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
		<i>(RMB'000)</i>	
		<i>(audited)</i>	
<b>Non-current liabilities</b>			
Long-term loans . . . . .	69,840,477	87,936,038	111,018,145
Bonds payable . . . . .	37,458,422	26,143,894	26,111,854
Lease liabilities . . . . .	/	3,160,980	2,677,405
Long-term payables . . . . .	7,197,581	8,563,197	13,689,068
Long-term employee benefits payable . . . . .	407,145	233,175	151,359
Provisions . . . . .	145,810	417,208	590,932
Deferred income . . . . .	2,263,783	2,842,220	3,786,970
Deferred tax liabilities . . . . .	233,522	507,813	1,378,201
Other non-current liabilities . . . . .	1,082,465	434,034	125,204
<b>Total non-current liabilities . . . . .</b>	<b>118,629,205</b>	<b>130,238,559</b>	<b>159,529,138</b>
<b>Total liabilities . . . . .</b>	<b>710,335,727</b>	<b>819,217,639</b>	<b>929,153,709</b>
<b>Shareholders' equity</b>			
Share capital . . . . .	13,579,542	13,579,542	13,579,542
Other equity instruments . . . . .	20,392,922	40,189,093	68,258,403
Capital reserve . . . . .	40,434,270	44,154,726	44,158,849
Other comprehensive income . . . . .	(515,059)	(66,158)	(1,292,262)
Special reserve . . . . .	/	/	/
Surplus reserve . . . . .	3,229,881	4,613,506	6,139,569
Retained earnings . . . . .	92,768,356	107,488,965	123,453,661
<b>Total equity attributable to owners of the Company . . . . .</b>	<b>169,889,912</b>	<b>209,959,674</b>	<b>254,297,762</b>
Non-controlling interests . . . . .	37,444,943	52,061,900	59,341,328
<b>Total shareholders' equity . . . . .</b>	<b>207,334,855</b>	<b>262,021,574</b>	<b>313,639,090</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>917,670,582</b>	<b>1,081,239,213</b>	<b>1,242,792,799</b>

## RECENT DEVELOPMENTS

### Overview

As at 31 March 2021, the Group had operations in 134 countries and regions. Based on the unaudited management accounts of the Group, for the three months ended 31 March 2021, the Group recorded a total revenue from operations of RMB233,954.7 million, representing a 61.23 per cent. increase from RMB145,102.6 million in the first quarter of 2020. The Group's net profit increased by 59.59 per cent. from RMB3,534.6 million in the first quarter of 2020, to RMB5,640.9 million in the first quarter of 2021. The value of new contracts secured by the Group in the first quarter of 2021 was RMB458,919.7 million, representing an increase of 34.89 per cent. over the corresponding period in 2020.

### New Contract Value

The value of new contracts secured by the Group in the first quarter of 2021 was RMB458,919.7 million, representing an increase of 34.89 per cent. over the corresponding period in 2020, among which the value of the overseas contracts was RMB36.59 billion.

For the three months ended 31 March 2021, the new contract value for construction operations of the Group amounted to RMB371.31 billion, accounting for 80.91 per cent. of the total value of newly signed contracts.

The table below sets forth the breakdown of the new contract value for the construction operations of the Group:

	<b>For the three months ended 31 March 2021</b>	
	<i>(RMB in millions)</i>	<i>%</i>
Railways .....	56,997.2	15.35
Highways .....	53,866.5	14.51
Others .....	260,448.0	70.14
Total .....	371,311.7	100

For the first quarter of 2021, the new contract value for non-construction contracting operations of the Group amounted to RMB87.61 billion, accounting for 19.09 per cent. of the total new contract value among which, the new contract value of the survey, design and consultancy business amounted to RMB10.01 billion; the new contract value for industrial manufacturing business amounted to RMB4.44 billion; the new contract value for logistics and materials trading business amounted to RMB39.47 billion; the value of newly signed contracts for the real estate development business amounted to RMB27.67 billion.

### Backlog

As of 31 March 2021, the total backlog of the Group amounted to RMB4,428.47 billion, representing an increase of 27.93 per cent. from that as at 31 March 2020. Among them, the backlog value of domestic contracts amounted to RMB3,597.74 billion, accounting for 81.24 per cent. of the total backlog, and the backlog of overseas contracts amounted to RMB830.73 billion, accounting for 18.76 per cent. of the total backlog.

### **Proposed Spin-Off and Separate Listing of a Publicly Traded Infrastructure Securities Investment Fund on Shanghai Stock Exchange**

On 21 April 2021, Gfund Management Co., Ltd. and Sinolink Securities Co., Ltd. submitted, among others, the application for the registration and listing of Guojin Railway Construction Chongqing Yusui Expressway Closed-end Infrastructure Securities Investment Fund and the transfer of the asset-backed securities of Sinolink Securities – Yusui Expressway Asset-Backed Special Scheme by way of public tender (the “**Infrastructure REITs**”) to the China Securities Regulatory Commission (the “**CSRC**”) and the Shanghai Stock Exchange, respectively, and received the corresponding acceptance letters from the CSRC and the Shanghai Stock Exchange on 23 April 2021.

The underlying asset of the Infrastructure REITs is the BOT project of Chongqing-Suining Expressway (Chongqing Section) held by Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), which is an indirect subsidiary of the Company.

## DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings.

<b>“13th Five-year Plan”</b>	the Thirteenth Five-year Plan Guidance for National Economic and Social Development of the PRC
<b>“14th Five-year Plan”</b>	the Fourteenth Five-year Plan Guidance for National Economic and Social Development of the PRC
<b>“Board of Directors” or “Board”</b>	board of Directors of the Company
<b>“CCECC”</b>	China Civil Engineering Construction Corporation, a wholly-owned subsidiary of the Company
<b>“Company” or “Guarantor”</b>	China Railway Construction Corporation Limited
<b>“Controlling Shareholder”</b>	China Railway Construction Corporation, the controlling shareholder of the Company
<b>“CRC”</b>	China Railway Corporation
<b>“Director(s)”</b>	director(s) of the Company
<b>“EIT Law”</b>	the Enterprise Income Tax Law of the PRC that came into effect on 1 January 2008
<b>“ENR”</b>	Engineering News Record
<b>“Group”</b>	the Company and its subsidiaries and where the context requires, its predecessor(s)
<b>“Holder”</b>	a holder of the Notes
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“IFRS”</b>	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
<b>“IIT Law”</b>	the Individual Income Tax Law of the PRC as amended on 30 June 2011
<b>“MOF”</b>	Ministry of Finance of the PRC

<b>“MOR”</b>	the former Ministry of Railways of the PRC. In the first meeting of the 12th National People’s Congress of the PRC held on 14 March 2013, the “Plan on Institutional Reform and Transformation of Government Functions of State Council Organs” was discussed and approved. The administrative functions and the commercial functions of the former Ministry of Railways of the PRC were separated. The administrative functions of the former Ministry of Railways of the PRC were incorporated into the MOT by forming a new State Railway Administration. Meanwhile, China Railway Corporation (“CRC”) was established to take up the commercial functions of the former Ministry of Railways of the PRC, which no longer exists
<b>“MOT”</b>	Ministry of Transport of the PRC
<b>“PBOC”</b>	People’s Bank of China
<b>“PRC GAAP”</b>	Accounting Standards for Business Enterprises and other relevant provisions issued and revised from time to time by the Ministry of Finance of the PRC
<b>“SAFE”</b>	State Administration of Foreign Exchange of the PRC
<b>“SASAC”</b>	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
<b>“SAT”</b>	State Administration of Taxation of the PRC
<b>“Shanghai Stock Exchange”</b>	The Shanghai Stock Exchange
<b>“sq.m.”</b>	square metre(s)
<b>“State Council”</b>	State Council of the PRC

## GLOSSARY OF TECHNICAL TERMS

<b>“BOO”</b>	“Build-Own-Operate” mode
<b>“BOT”</b>	“Build-Operate-Transfer” mode
<b>“engineering method”</b>	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology
<b>“EPC”</b>	Engineering, procurement and construction
<b>“PPP”</b>	“Public-Private-Partnership” mode
<b>“TBM”</b>	Tunnel Boring Machine
<b>“turnout”</b>	a component applied in railway tracks that is used for changing the route of a train where a single track splits into two tracks Turnout is applied in railway tracks

## RISK FACTORS

*Prospective purchasers of the Notes should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular. The risks described below are not the only ones that may affect the Issuer, the Guarantor, the Group or the Notes. Additional risks and uncertainties which the Issuer or the Guarantor is not aware of or that the Issuer or the Guarantor currently believes are immaterial may also adversely affect the Group's financial condition or results of operations. If any of the possible events described below occur, the Group's financial condition or results of operations could be materially and adversely affected. In such case, the Issuer or the Guarantor may not be able to satisfy their respective obligations under the Notes, and all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors.*

### **Risks Relating to the Group's Business**

***The Group generates a significant part of its revenue from a few customers. As a result, the Group is exposed to significant credit risks and has limited ability to obtain favourable prices for its services and products relating to infrastructure construction projects.***

Although the railway companies under China State Railway Group Co., Ltd were among the top five customers of the Group for each of the years ended 31 December 2018, 2019 and 2020, the Group seized the opportunities to diversify its business to develop its market in railway, highway, housing construction, municipal engineering, urban rail transit and therefore realised a more balanced and stable development. However, any deterioration of the business of China State Railway Group Co., Ltd, particularly its financial performance and financial position, will have an impact on the Group, including decreased investment in infrastructure projects and railway project bids, decreased funding for new railway projects or a delay or suspension of existing projects, delay in payments due to the Group, an increase in trade receivable turnover days and decrease in the cash position of the Group.

The Group's limited ability to obtain favourable prices for its services and products relating to railway construction and other infrastructure projects is attributable to market conditions and the fact that the Group deals with a very limited number of customers for some of its businesses. In addition, public construction projects are typically awarded through a public tender process in which aggressive prices are offered among bidders to attempt to win the tender.

***The Group receives payments in relation to construction projects in stages, and any delay or default in payments from its customers may affect the Group's working capital and cash flow.***

Most of the Group's construction projects usually take years to complete and therefore, contracts with respect to the construction operations of the Group generally require its customers to make payments in stages upon the Group achieving project milestones as agreed between the parties. However, the Group incurs costs associated with a project, primarily materials, equipment and labour costs, on an on-going basis, at the beginning of the project or before achieving the relevant project milestones. In the event that the customers do not make payments to the Group pursuant to the payment terms in the relevant contracts, the Group may bear the risk of not being able to recover the relevant costs and expenditures incurred by it.

In most cases, for the warranty of a project, either the Group secures a letter of credit issued by a licensed commercial bank or a portion of the contract value is withheld by its customer as retention money, usually between 5.00 per cent. to 10.00 per cent., to be paid or released after the warranty period (generally one to six years after completion of the relevant project).

Events such as late payment settlement resulting from changes in the government's estimates or delayed progress payments or the inability to receive payment as scheduled may result in a large amount of bills and accounts receivables and may impact the Group's cash flow, particularly, as it has to expend resources in advance of payment. As at 31 December 2018, 2019 and 2020, the Group's bills and accounts receivables were RMB107,018.8 million, RMB122,443.8 million and RMB143,939.0 million, respectively. The accounts receivables turnover days (calculated by dividing the Group's average balance of trade receivables by revenue, and then multiplied by 366 in 2020, and 365 in 2019 and 2018) were 61 days in 2018, 49 days in 2019 and 51 days in 2020.

Moreover, defaults in making payments to the Group on projects for which it has already incurred significant costs and expenditures can materially and adversely affect the Group's results of operations and reduce its financial resources that would otherwise be available to fund other projects. In general, the Group makes provisions for bad debts, including those relating to payments from customers on on-going or completed projects, based primarily on the period of delay of payment and other factors affecting the perceived likelihood of receivables collection. There is no assurance that the Group's customers will make payment in full on a timely basis or that the Group will be able to efficiently manage the level of bad debt arising from receipt of payments in stages, the failure of which could have a material and adverse effect on the Group's business, financial condition and results of operations.

***Any failure to obtain sufficient funding may materially and adversely affect the Group's business, financial condition, results of operations, growth prospects and expansion plans.***

A significant portion of the Group's business, including its construction operations, manufacturing operations and real estate development operations, is capital intensive. The Group requires significant capital to fund its construction and manufacturing activities, to build, maintain and operate its production and operation facilities and to purchase necessary production equipment. The Group also requires significant capital in relation to its real estate development operations where it usually invests in land and undertakes the construction of property sites before the relevant projects can start generating any revenue. In addition, pursuant to some of the Group's construction contracts, the Group is required to pay costs and expenditures relating to projects prior to receiving sufficient payment from its customers to cover such costs and expenditures. As the Group continues to expand its operations, any delay in the settlement of receivables may lead to a negative operating cash flow. While net cash flow generated from operating activities for the year ended 31 December 2020 was RMB40,109.2 million, there can be no guarantee that the Group will not experience negative operating cash flows in the future as a result of its continuing expansion. If the Group were to record negative operating cash flows in the future, its working capital may be constrained which may materially and adversely affect its business, financial condition, results of operations and growth prospects.

In addition, a significant amount of funding is also required for the further growth of the Group's operating scale, and the expansion into new business areas and geographic markets may call for increased capital expenditures, further increasing its funding requirements. For the years ended 31 December 2018, 2019 and 2020, the Group's capital expenditures to purchase the equipment and facilities, upgrade technology, as well as for the construction of PPP or BOT projects amounted to RMB33,571.6 million, RMB35,330.6 million and RMB30,846.9 million, respectively.

The following table sets forth the breakdown of the Group's capital expenditure by segment for the periods indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB in million</i>		
Construction . . . . .	18,740.4	18,560.6	16,755.2
Survey, design and consultancy . . . . .	520.1	314.1	195.5
Manufacturing . . . . .	1,416.2	2,248.3	934.9
Real estate development . . . . .	198.0	695.2	322.2
Other businesses . . . . .	12,696.9	13,512.4	12,639.1
<b>Total . . . . .</b>	<b>33,571.6</b>	<b>35,330.6</b>	<b>30,846.9</b>



To the extent that the Group's funding requirements exceed its financial resources, the Group will be required to seek additional debt or equity financing or to defer planned expenditures. The Group has historically financed its working capital requirements and capital expenditures through a combination of internal cash flow from its operations and external financing, including bank and other borrowings, as well as equity injection from its shareholders. The Group's ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including:

- the condition of financial markets in particular, the credit market;
- potential changes in monetary policies with respect to bank interest rates and lending policy;
- the Group's ability to obtain the PRC Government approvals required to access domestic or international financing; and
- the performance of each business sector of the Group.

As at 31 December 2018, 2019 and 2020, the Group had total borrowings (which represent the aggregate amount of short-term loans, short-term unsecured financing bonds, current portion of long-term loans and bonds payable, long-term loans and bonds payable) of RMB192,911.8 million, RMB187,309.1 million and RMB212,840.1 million, respectively, representing a debt-to-asset ratio (calculated by dividing the Group's total borrowings by consolidated total assets) of 21.02 per cent., 17.32 per cent. and 17.13 per cent., respectively. Given the high level of the Group's financial leverage over the years, any adverse change in the Group's cash flows from operating activities may weaken its financial condition and adversely affect its ability to repay its borrowings on a timely basis, obtain external financing or credit on time or on terms acceptable to the Group. As at 31 December 2020, 37.02 per cent. of the Group's loans were short-term loans with maturities of one year or less. If the Group is unable to obtain financing on a timely basis or at a reasonable cost, the Group may not be able to undertake new projects or expand into new business areas and geographic markets, and its business, financial condition and results of operations could be materially and adversely affected.

***If the Group is unable to accurately estimate or control its costs or the scope of work the Group is required to perform, the Group's profitability could be adversely affected.***

Substantially all of the Group's contracts relating to its construction operations, survey, design and consultancy operations and manufacturing operations require the Group to complete a project for a pre-agreed fixed price or price per unit. The Group is typically responsible for all of its own costs, and its ability to make a profit on any project or product is largely dependent on the Group's ability to effectively control these costs. The amount of total costs the Group incurs on a project is influenced by a variety of factors, including climatic conditions, variations in labour and equipment productivity and costs over the term of a contract, changes in project scope or conditions, fluctuations in the price of raw materials and components and inability or delay in obtaining the requisite permits and approvals, many of which are beyond the Group's control. The Group may not be able to effectively manage its costs, and any unexpected increase in costs may lead to lower than expected profits, or even losses, which could materially and adversely affect the Group's business, financial condition and results of operations.

Some of the Group's construction contracts contain price adjustment clauses, which allow it to reclaim additional costs incurred as a result of unexpected increases in raw material costs. However, the Group is typically required to bear a portion of the increased cost. From time to time, the Group may be required to perform extra or "change order" work under its contracts despite the absence of prior agreements with its customers on the scope or price of the work to be performed. See "*Risks Relating to the Industries in which the Group Operates*" The Group is exposed to risks in connection with contracting with public bodies. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications, or over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, the Group may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may impact the progress of the projects and the Group's ability to meet specific contract milestones or deadlines. The Group may also incur extra costs due to unapproved construction change orders or contract disputes. There is no assurance that the Group will be able to recover the extra costs in full or at all, which may lead to business disputes, or may otherwise adversely affect its business, financial condition, results of operations and prospects.

***The Group may be unable to continue to procure an adequate supply of raw materials and energy supplies at acceptable prices and quality in a timely manner.***

Successful operations of the Group depend on its ability to obtain from its suppliers sufficient quantities of raw materials, energy supplies and other commodities at acceptable prices and quality in a timely manner. The Group is exposed to the market risk of fluctuations in certain commodity prices for raw materials such as steel, cement, explosives, admixture, track materials, waterproofing materials, and other construction materials utilised in its infrastructure construction operations as well as for steel and electronic parts utilised in its machinery and equipment manufacturing operations. The price and availability of such raw materials may vary significantly from year to year due to factors such as China's import restrictions, consumer demand, producer capacity, market conditions and costs of materials. In particular, steel and cement, which are critical to the Group's operations, are subject to substantial pricing cyclicality and periodic shortages in China. The Group is also affected by increases in energy prices, including electricity and fuel prices, for the operation of its machinery and equipment.

There is no assurance that the Group will be able to continue to obtain sufficient raw materials from its existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. There is no assurance that the Group will not encounter difficulties in obtaining quality materials or shortages of raw materials, or that the Group will be able to absorb any increase in raw material prices or pass them on to its customers.

***The outbreak, or threatened outbreak, of any severe communicable disease in the PRC or globally could materially and adversely affect the Group's business and results of operations.***

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC or globally could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could have a material adverse effect on domestic consumption, labour supply and, possibly, the overall GDP growth of the PRC.

In 2020, the COVID-19 spread across the PRC and globally. The outbreak of COVID-19 has, amongst others, endangered the health of many people in China, resulting in a large number of confirmed cases and deaths and significantly disrupted economies in the PRC and globally. In order to contain the COVID-19 disease, the PRC Government introduced a series of continuous measures, including, but not limited to, restrictions on enterprises from resuming work, traffic control, travel bans, management, control over commencement schedules of construction in new and existing property development sites and quarantining affected areas. Such measures may severely affect and restrict the level of economic activities in the PRC, which, along with the disruption of business in major industries, may adversely and materially affect the overall business sentiment and environment in the PRC, which in turn, may lead to slower overall economic growth in the PRC. Any contraction or slowdown in the economic growth of the PRC could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

In addition, COVID-19, or any other adverse public health developments, are likely to have an adverse impact on the livelihood of the people in and the economy of the PRC and may, consequently, adversely impact the property market in the PRC. The outlook of the real estate market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the total investment in infrastructure, real estate development and the business operations and financial condition of the Group may be adversely affected. For instance, such events may disrupt the business operations and cause temporary suspension and shortage of labour and sub-contracting services for the Group's business operations, as well as delays in construction, sales and delivery of the projects. In addition, if any of the employees of the Group or staff of the subcontractors were suspected of contracting or contracted an epidemic disease, it could adversely affect or disrupt the operations or construction of the projects, as it may be required to quarantine some or all of the employees and subcontracting staff, disinfect the buildings or sites or even scale-down or close some of the Group's business to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the financial condition, or as the case may be, business operations of the customers, suppliers and other partners, which could in turn materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

It is uncertain as to when the COVID-19 disease will be fully contained, and it is also hard to predict if the impact will be short-lived, recurring or long-lasting. If the COVID-19 disease, or any similar adverse public health developments, are not effectively contained, the business operations and financial condition of the Group may be materially and adversely affected, which may make the Group fail to materialise the future growth as planned.

***The inherent hazardous nature of the Group's business exposes the Group to potential liabilities, which could harm its reputation and cause it to incur substantial costs.***

Due to the nature of the Group's business, it engages or may engage in certain inherently hazardous activities, including operations at high altitudes or in harsh geological conditions, tunnel construction, underground excavations, use of heavy machinery and working with flammable and explosive materials. Despite the Group's commitment to comply with the requisite safety requirements and standards, the Group is subject to risks surrounding these activities, such as geological catastrophes, toxic gas, equipment failure, industrial and railway accidents, fire, explosion and failure of employees and service contractors to follow proper safety procedures. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in damage to the Group's business reputation and corporate image, suspension of the Group's operations and the imposition of civil or criminal penalties.

***There may be circumstances where the Group is not fully covered by insurance policies for environmental liability, third-party liability, business interruption or loss of profit arising from disruptions of its operations.***

Many of the Group's contracts provide for various deadlines. If the Group fails to meet these deadlines on a project, it may be responsible for the payment of liquidated damages. It may also face liabilities associated with the subsequent use by its customers or third parties of facilities or products it has constructed after the completion of its projects. The Group normally seeks to limit exposure to such claims through contractual limitations of liability, indemnities from its customers, subcontractors and suppliers, and insurance as part of its risk management strategy. However, such measures may not offer sufficient protection and may be limited by various factors outside the Group's control, including:

- in some of the jurisdictions in which the Group operates, including China, environmental and workers' compensation liabilities may be assigned to the Group as a matter of law and may not be limited through contracts;
- customers and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to the Group;
- losses may arise from risks not addressed in the indemnity agreements; and
- insurance coverage of the Group may not be sufficient because it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms, or at all.

Insurance policies, in particular, have become increasingly expensive and sometimes very difficult to obtain. Moreover, there may be circumstances where the Group is not fully covered by insurance policies for environmental liability, third-party liability, business interruption or loss of profit arising from disruptions of its operations such as accidents at its construction sites or facilities, demonstrations and protests by its workers or third parties. Failure to effectively cover the Group against these risks for any of the above reasons could expose the Group to substantial costs and potentially lead to significant losses. Additionally, the occurrence of any of these risks could damage its reputation and relationship with regulators and other customers, which may materially hinder the Group's chance to win tenders for new projects.

***The Group's corporate structure, which consists of a large number of companies in multiple business sectors, exposes it to challenges to integrate and manage its business.***

The Group consists of portfolio companies operating in multiple industries and has grown rapidly in its business scale and geographical coverage in recent years. Due to the diverse characteristics of the Group's portfolio companies, the Group is exposed to business, market and regulatory risks relating to different industries. It needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected. As the Group continues to grow through acquisitions of businesses in an increasing number of industries across various jurisdictions, its operations will become more widespread and complex and project management may become more difficult, which could in turn result in management risks. Successful operation of the Group requires an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focused incentives for management.

In particular, it will become increasingly difficult for the Group to direct and monitor the day-to-day operations of its businesses and to prevent or detect any fraud and protect the Group's assets, both physical and intangible, and the Company may not be able to fully control the actions of its non-wholly-owned subsidiaries and affiliates, which could materially adversely affect the Group's business and financial condition.

***The Group's backlog may not be indicative of its future results of operations.***

The contract backlog figures as contained in this Offering Circular only represent the Group's estimate of the total contract value of work that remained to be completed pursuant to the terms of outstanding contracts as at a certain date. Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. See "*Description of the Group – Backlog*". As at 31 December 2020, the aggregate contract backlog for the Group was approximately RMB3,831.0 billion. However, this figure is based on the assumption that the relevant contracts will be performed in full in accordance with their terms. Many of the Group's contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the customer. The termination or modification of any one or more sizeable contracts may have a substantial and immediate effect on the Group's backlog. Projects may also remain in the Group's backlog for an extended period of time. There is no guarantee that the amount estimated in the Group's backlog will be realised in a timely fashion, or at all, or that, even if it is realised, it will result in profits. As a result, investors are warned against unduly relying on the Group's backlog information presented in this Offering Circular as an indicator of the Group's future earnings.

***The Group employs third-party labour sub-contractors to provide additional manpower for its projects, which may expose the Group to reputation and litigation risks.***

In the construction operations, the Group often engages third-party labour sub-contractors to provide additional manpower on large projects. Outsourcing a portion of its labour supplements the Group's capacity, reduces the need to maintain a large workforce and increases flexibility in carrying out contracts. The Group maintains relationships with a number of qualified labour sub-contractors located across China. However, qualified labour sub-contractors may not always be readily available when the Group's needs for additional labour arise. If the Group is unable to hire qualified labour sub-contractors or additional part-time labourers, the Group's ability to take on additional projects or complete its current projects on time could be impaired. In addition, if the cost for sub-contractors rises, the Group's profitability may be affected, particularly to the extent such increase causes its labour costs to exceed what the Group has estimated in fixed-price or fixed-unit-price type contracts with its customers. In addition, the Group may not be able to monitor the performance of sub-contracted labour as directly and efficiently as for its own staff. Outsourcing exposes the Group to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, the Group may experience deterioration in the quality or delivery of its relevant construction projects, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract for its subcontractor's performance. Such events could impact upon its profitability, financial performance and reputation, and result in litigation or damage claims.

***The Group's failure to adequately protect its intellectual property rights or any infringement claims brought by third parties against the Group may have an adverse effect on the Group's business, financial condition and results of operations.***

The Group relies on patents, trademarks, copyrights, construction methods and contractual rights to protect its intellectual property. As at 31 December 2020, the Group owned 19,072 valid patents and had earned above-provincial level recognition of 3,460 engineering methods in China. The Group markets its construction operations and manufacturing operations under the well-recognised brand name, CRCC, which it believes has been critical to its competitiveness and success. The Group has also developed numerous advanced systems, trade secrets, know-how, processes, technologies and other intellectual property that have enhanced its operational efficiency and enabled the Group to maintain its competitiveness. In addition, the legal regime governing intellectual property rights in China is still evolving and the level of protection of intellectual property rights in China may differ from those in other jurisdictions. In the event that the steps the Group has taken and the protection provided by law do not adequately safeguard its intellectual property rights, the Group could suffer losses due to the provision or the sale of competing services or products by others which exploit its intellectual property rights.

In addition, there can be no assurance that any of the Group's intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that the Group's competitors will not independently develop alternative technologies that are equivalent or superior to the Group's proprietary technologies. The Group may also be subject to claims for infringement of patents, trademarks or other intellectual property rights of others. Defending or otherwise dealing with any infringement claim, whether with or without merit, could be time-consuming, result in costly litigation or damages, undermine the value of the Group's brands and trademarks, reduce sales and/or require the Group to enter into royalty or licencing agreements that may not be on commercially acceptable terms.

***The Group's business may be adversely affected if it is unable to secure and retain qualified personnel for its operations.***

The Group's operations depend upon its ability to attract and retain experienced and qualified personnel, including executive officers and key technical personnel, who have the necessary and required experience, knowledge and expertise. Competition for qualified personnel is intense in the PRC. The Group may lose these persons to those competitors who are able to offer more competitive packages. The Group may have to significantly increase its related staff costs to remain competitive.

It is expected that, in order to comply with applicable construction regulations and to complete the construction projects on time and within budget, the Group will have to continue to train its employees and require additional qualified professionals. Demand for employees who have industry-related experience and expertise will increase as customers of the Group increase their capital expenditure and the use of the Group's services. The Group's future operating results will be dependent on its management's ability to maintain effective control over a large and diversified enterprise. To the extent the Group is unable to recruit personnel with the necessary skills locally, the attention of its management could be diverted. If the Group cannot recruit, train and retain the qualified personnel necessary to execute its contracts or to perform necessary corporate activities, its business operations may be adversely affected. In addition, failure to attract and retain personnel with technical or marketing expertise may result in the Group's non-compliance with applicable construction regulations and the inability to prevent misappropriation of its technology or maintain its client contacts.

***The Group may face unexpected difficulties in expanding into new industries and markets.***

To improve the Group's profitability and diversify potential risks, the Group has been growing its operations in industries and markets with potential for deriving favourable returns, including real estate development and other municipal works, both in the PRC and abroad. Expansion in these industries and markets carries with it many associated risks, including risks related to lack of operating experience in such industries and markets and lack of experienced management and employees to staff such expansion. Expansion may also place excessive pressure on the Group's financial, human and management resources that are otherwise available for the Group's current businesses. In addition, there might be many established incumbent players in these new markets who already enjoy significant market shares and competitive market positions, and it may be difficult for the Group to win market share from them. Some of the overseas markets that the Group is targeting may have high barriers of entry to foreign players. There can be no assurance that the Group's expansion plans will be successful.

The Group has grown rapidly in terms of its business scale and geographical coverage in recent years. As the Group continues to grow through acquisitions of businesses in an increasing number of industries across various jurisdictions, its operations will become more widespread and complex and project management may become more difficult, which could in turn result in management risks. For instance, such rapid expansion also creates challenges and increases the difficulty of implementing the Group's management and internal control system. In particular, it will become increasingly difficult for the Group to direct and monitor the day-to-day operations of its businesses and to prevent and detect fraud and protect the Group's assets, both physical and intangible. Moreover, the Company may not be able to fully control the actions of its non wholly-owned subsidiaries and affiliates. Any of these may materially and adversely affect the Group's business, results of operations and financial condition.

***The Group's business, financial condition and results of operations may be affected by adverse weather conditions, natural disasters, acts of war and terrorist attacks.***

Adverse weather conditions, such as extreme cold weather, snow, typhoons, floods and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, may prevent the Group from conducting its construction activities or otherwise affect its productivity, preventing the Group from completing its construction projects on schedule, delaying its receipt of payment and possibly causing the Group to incur increased operating expenses. Climatic conditions that are unusually severe or intense and occur at abnormal times or last longer than usual could therefore have a material adverse effect on the Group's business, financial condition and results of operations. Typically the Group's construction contracts allow the Group to claim for compensation of losses suffered as a result of adverse weather conditions or natural disasters. However, the Group does not normally receive full compensation and will bear some portion of the losses. Moreover, natural disasters and other acts of God which are beyond the control of the Group may adversely affect the economy, infrastructure and communities in the countries and regions in which it has operations.

Acts of war and terrorist attacks, including those in foreign countries in which the Group has overseas operations, may cause damage or disruption to the Group, its employees, subcontractors, operations, equipment and facilities, as well as to its markets, any of which could impact its public image, turnover and cost of sales. The potential for war or terrorist attacks may also create uncertainty and cause its business to suffer in ways that the Group cannot currently predict. Any of these will have a material and adverse effect on the Group's business, results of operations and financial condition.

***The Group faces litigation risks in the course of its business.***

In the ordinary course of the Group's business, claims from project owners, customers, labour subcontractors, joint venture partners and other parties may be brought against the Group or by the Group in connection with its contracts from time to time. Claims may be brought against the Group for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of the project. The claims can involve actual damages and liquidated damages. If the Group was found to be liable, the Group would have to incur a charge against earnings to the extent a reserve had not been established for the matter in its accounts, or to the extent the claims were not sufficiently covered by its insurance. Claims brought by the Group against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between the Group and its labour sub-contractors and vendors may include claims similar to those described above.

Both claims brought against the Group and by the Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings which could also be disruptive to the Group's normal business operations. The results of these legal proceedings are often difficult to predict and the amounts ultimately realised from project claims by the Group could differ from the balances included in the Group's financial statements. Moreover, legal proceedings resulting in judgments or findings against the Group may harm its reputation, cause economic losses and damage its prospects for future contract awards. Such claims could therefore have a material and adverse impact on the Group's financial condition, results of operations and cash flow. See "*Description of the Group – Legal Proceedings*".

***The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.***

The Group may be exposed to fraud or other misconduct, including violations of anti-corruption laws, committed by its employees, representatives, agents, customers or other third parties that could subject it to litigation, financial losses and sanctions imposed by governmental authorities, which will in turn affect its reputation. These misconducts could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper or illegal activities such as offering bribes to, and receiving bribes from, counterparties in return for any type of benefits or gains;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all, and from time to time certain of the Group's jointly controlled entities, employees, representatives, agents, customers and other third parties involved in or associated with its projects have engaged in instances of such misconduct which have resulted in proceedings against them ranging from internal disciplinary measures to payments of fines and criminal prosecutions. In addition, increased recent anti-bribery law enforcement activity in various jurisdictions, including China, may lead to further such proceedings against them. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective in all cases. For instance, one of the former employees (the "**Employee**") of the Company's subsidiary in Hong Kong, namely China Railway Construction (HK) Limited, was charged with bribery for facilitating a HK\$75 million letter of credit fraud and money laundering scheme by the Independent Commission Against Corruption of Hong Kong on 5 June 2020 (the "**Incident**"). The investigation of the Incident is still ongoing. However, the misconduct was carried out by the Employee on his own account and regardless of the investigation result of the Incident, the Group did not suffer and not expects to suffer any material impact on the Group. Nonetheless, there is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity and damage to the public image of the Group.

***The Group's offshore operations are subject to economic and political uncertainties in overseas markets.***

The Group has been expanding its operations in overseas countries and regions, including less developed areas. For the years ended 31 December 2018, 2019 and 2020, approximately 4.87 per cent., 4.29 per cent. and 4.25 per cent., respectively, of the Group's revenue was generated from its overseas operations. The Group's business is therefore subject to changing international economic and political conditions, and local conditions, including Central Asia, Middle East, Latin America and Africa where political and economic conditions are often subject to instability. As at 31 December 2020, the Group had operations in 134 foreign countries as well as Hong Kong, Macau and other regions. The Group expects that a significant amount of its revenue and profits will continue to be derived from its overseas projects in the foreseeable future. As a result of its overseas operations, the Group is exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;

- expropriation and nationalisation of its assets in foreign countries;
- natural disasters;
- inflation;
- currency value fluctuations and conversion restrictions;
- tax increases, confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights;
- governmental activities that may result in the inability to obtain or retain licences required for operations;
- competition from other international large-scale construction companies;
- adverse labour conditions;
- negative media and investor attention to the Group;
- cyclical nature and demand of international construction markets;
- social and community relationships; and
- lack of a well-developed or independent legal system in the foreign countries in which the Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

As the Group's overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in global economy, a variety of factors, many of which are beyond the control of the Group, could significantly affect the profitability and growth of these operations. The Group may be required to deploy management resources and personnel to high-risk areas where its overseas projects are located. As such, the Group may incur substantial costs to implement safety and security measures to protect its personnel and assets. Such measures may not always be adequate. The Group's level of exposure to certain risks varies with respect to each project, and is dependent on the particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm its international business operations, overall financial condition and profitability. In addition, any severe or prolonged slowdown of the global economy could result in reduced infrastructure development which could in turn affect the Group's overseas operations. Concerns over inflation, geopolitical issues, the availability and cost of credit, volatile oil price, the rise in anti-globalisation sentiment and the ambiguity of the policies of the United States administration have contributed to increased volatility for the global economy and the markets. The uncertainty of the interest rates in the United States have impacted global equity markets and commodity prices. More recently, the United Kingdom's exit from the European Union in January 2020 has created further challenges to regional stability, which may in turn adversely impact the world economy and subject the global market to a period of fluctuations and volatility. Further, the prolonged trade dispute between the United States and China may continue to weaken the global economy, raise prices for businesses and consumers, delay corporate investments and slow economic growth around the globe. Even though the United States and China entered into an initial phase of trade deal in early 2020, the impact of such agreement on the Chinese economy is still largely unknown as sources of tension remain in the U.S.-China trade relationship.



Furthermore, the Group may be subject to sanctions imposed by certain countries against transactions with other countries in which the Group conducts business, which may limit its ability to conduct such overseas operations or obtain funding. For example, the Group had entered into contracts to provide construction services in Sudan and Iran, both of which were expired as of the date of this Offering Circular without actual performance by the Group nor any further obligations of the Group. The Group confirms that it currently does not have any business transaction nor does it foresee or anticipate having any plans to undertake business transactions with any sanctioned entity or individual, and will not, directly or indirectly, use the proceeds of this Offering, or lend, contribute or otherwise make available such proceeds to any affiliates, subsidiaries or other person or entity, for the purpose of financing the activities of any person, entity or country currently subject to any Sanctions Laws. Nevertheless, any activities in the sanction countries may attract negative attention from the public or from the market, thus may have an adverse impact on the investment in the Notes. If any restrictions were imposed on or as a result of the Group's activities in these sanction countries, the ability for the Group to raise funds may be adversely affected and the Group may be required to incur additional costs and resources to manage and mitigate the negative impact caused thereby.

The Company cannot predict the interpretation or implementation of the government policies or sanctions law at the United States federal, state or local levels or any policy or sanctions law by any applicable jurisdiction with respect to any current or future activities of the Group in jurisdictions or with persons or entities that are the subject of sanctions. If the Group's existing business operations are determined by a government or regulatory authority to have violated any sanctions, it may be subject to investigations, legal proceedings, fines and penalties, which may divert management's attention and resources from the business of the Group, and could have a material adverse effect on the Group's business, results of operations and financial condition.

***Government control of currency conversion and exchange rate fluctuation may adversely affect our operations and financial results.***

Most of the Group's operations are located in the PRC, and most of the Group's income and costs are denominated in Renminbi, which is the Group's functional currency. However, the Group conducts part of the construction operations and survey, design and consultancy operations overseas and export some of the Group's products from the manufacturing operations. The Group is therefore subject to risks associated with foreign currency fluctuations and changes in the value of foreign currencies could affect the Group's results of operations. Currently, the Group does not engage in any hedging activities to manage its exposure to fluctuations in foreign exchange rates. Since 31 December 2020, there has been increased volatility in the value of the Renminbi and there can be no assurances on its impact to the Group's exposure to foreign currency exchanges. For the years ended 31 December 2018, 2019 and 2020, the Group recorded a net foreign currency exchange gain of RMB130.8 million, RMB473.9 million and RMB82.5 million, respectively. Changes in the value of foreign currencies could increase the Group's Renminbi costs for, or reduce the Group's Renminbi turnover from, its foreign operations, or affect the prices of its exported products and the prices of its imported equipment and materials, any of which could materially and adversely affect the Group's results of operations.

The value of the Renminbi is subject to changes of the PRC's governmental policies and international economic and political developments. Since 21 July 2005, the Renminbi is no longer pegged solely to the U.S. dollar. Instead, a managed floating exchange system has been introduced by the PRC Government which allows the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. Any appreciation of the Renminbi against any of these currencies may lead to an increase in the Group's costs or a decline in the Group's turnover. Fluctuations in exchange rates may adversely affect the value, when converted into U.S. dollars or Hong Kong dollars (which are pegged to U.S. dollars), of the Group's net assets and earnings.

***Some of the Group's operations are less profitable, and the Group may not be able to continue developing new operations that generate higher levels of profit in the future.***

Some of the Group's infrastructure construction projects, such as some of the conventional construction projects and public infrastructure projects, are less profitable than the Group's other businesses. The Group is often affected by government policies when it undertakes major public infrastructure construction projects. As public spending on such projects may be restricted due to governmental policies on public spending, profits generated from these projects may be limited. In addition, the Group may from time to time undertake various landmark projects involving high costs, high precision requirements, tight construction schedules and substantial capital investments, as well as the need to acquire new, expensive machinery and equipment, which collectively lead to increased costs and funding requirements. The undertaking of low-profit projects may expose the Group to short-term losses and could adversely affect its profit-generating abilities. In addition, the increased use of subcontractors is likely to further erode the Group's profitability. The Group's efforts to oversee cost management, make improvements to its technology and develop new operations to increase its profitability may not be successful.

Furthermore, the Group may not be able to continue developing new projects with high profit margins. For example, the Group plans to capture the opportunities created by favourable market conditions to continue to expand its operations in real estate development, with an emphasis on residential real estate development. The PRC Government has in recent years taken various measures to regulate the property market, please see “– *Risks Relating to the Industries in which the Group Operates – The Group's business is affected by the level of growth in the national and regional economies in the PRC, and the general level of activities and growth in the industries in which the Group operates*”. The Group intends to further expand its land reserves in China's coastal and affluent areas and scale of operations by increasing the capital expenditure in its real estate development business, forming strategic alliances and carefully selecting projects with promising prospects to benefit from synergies and economies of scale and secure stable sources of income. It plans to focus on developing real estate projects in large cities and municipalities with high economic growth potential, in the Pearl River Delta, the Yangtze River Delta and the Bohai Rim Economic Circle. See “*Business – Principal Products and Services – Real Estate Development*” for details of the Group's real estate development operations. However, there is no assurance that the Group's strategic plan will be successful.

***The development and utilisation of new technology may not always produce positive results.***

The Group is often engaged to undertake large, complicated projects that require it to design and develop new technologies and construction methods because of its strong research, design and development capabilities. There can be no guarantee that the Group would always successfully develop these new technologies and construction methods after substantial resources have been invested by the Group. The use of new technologies and construction methods could also result in experimental failures, increased costs, unstable conditions, affecting the profitability of some of its projects, which could materially and adversely affect the business and results of operations of the Group.

***The Group's infrastructure investment and operation projects may expose the Group to additional risks.***

The Group is involved in and plans to continue exploring opportunities in projects involving ownership and operation of the infrastructure in both domestic and international markets, which mainly include construction projects by way of BOT, BOO and PPP. The nature of infrastructure investment and operation projects may require the Group to fund the project upfront and make payments to suppliers and subcontractors. In undertaking infrastructure investment and operation projects, the Group may be exposed to payment delays or default of payment. The risks in connection with undertaking infrastructure investment and operation projects include the risk of an inaccurate forecast concerning cash inflows to be derived from the completed projects and the risks arising during the operational phase of such projects. Investment by the private sector in these projects is dependent on government policies and laws and regulations relating to public and private participation and the sharing of risks and returns of such projects. Undertaking infrastructure investment and operation projects also requires significant outlay of the Group's working capital over extended periods. Moreover, the introduction of infrastructure investment and operation projects in China's infrastructure construction industry is relatively recent, and the Group has limited management experience in carrying out and managing the risks involved in such projects. There is no assurance that the Group will be able to successfully and profitably carry out infrastructure investment and operation projects. Any inability to execute or handle such projects may adversely affect the Group's business and results of operations.

***The Group's business and financial results may be adversely affected by further increases in interest rates and the level of its indebtedness may limit its financing capabilities.***

The PBOC has in the past implemented interest rate increases in the PRC. These increases in interest rates and any further increases in interest rates may adversely affect the Group's business and financial results in a number of ways. The PBOC raised the benchmark one-year lending rate several times to 6.56 per cent. from 2010 to 2011. Since then, however, the PBOC has adjusted and lowered the benchmark one-year lending rate. Since 2015, the PBOC set the benchmark one-year lending rate at 4.35 per cent. However, there is no assurance that PBOC will not in the future again raise the benchmark lending rate further or otherwise discourage bank lending or that the Group's business, results of operations and financial position will not be materially and adversely affected as a result.

The Group is subject to a high degree of financial leverage. As at 31 December 2018, 2019 and 2020, the Group had total borrowings (represented by short-term loans, short-term unsecured financing bonds, current portion of long-term loans and bonds payable, long-term loans and bonds payable) of RMB192,911.8 million, RMB187,309.1 million and RMB212,840.1 million, respectively, representing debt-to-asset ratio (calculated by dividing the Group's total borrowings by consolidated total assets) of 21.02 per cent., 17.32 per cent. and 17.13 per cent., respectively. The lending interest rates of commercial banks are set based on the PBOC benchmark lending rate and further increases in the PBOC benchmark lending rate may lead to higher lending interest rates. Due to the size of the Group's borrowings, its results of operations will be materially affected by the effective interest rate of these borrowings. In addition, interest rates have a direct effect on the demand for real estate, and thus on the real estate development industry. A rise in interest rates could adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of the Group's properties. As a result, the demand for the Group's real estate development projects may be negatively affected. The Group's cost of borrowing would also increase as a result of interest rate increases, which would, in turn, adversely affect the Group's results of operations.

The Group's substantial indebtedness may affect its ability to secure funding for various projects, including current and future projects. The Group has relied upon both short-term and long-term borrowings to fund a portion of its capital expenditures and operations and the Group expects to continue to do so in the future. The Group may incur additional debt to fund its planned capital expenditures and future projects. The level of its indebtedness and the amount of its interest payments could limit its ability to obtain the financing required to fund future capital expenditure and working capital. A shortage of such funds could in turn impose limitations on the Group's ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing its competitiveness.

***Failure to complete property development projects on time or to applicable standards could adversely affect the Group's business.***

Property development is a long and complicated process, generally requiring large amounts of capital and involving numerous parties, including designers, construction material suppliers, contractors, developers and individual purchasers. In addition, to develop and complete a property development, a property developer must obtain a number of permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of property development. The progress and costs of a property development project can be adversely affected by many factors, including delays in obtaining necessary licences, permits, certificates or approvals from government agencies or authorities, shortages of materials, equipment, contractors and skilled labours, labour disputes, construction accidents, natural catastrophes, adverse weather conditions, and changes in government policies.

Failure to complete construction of a property development project on time, to specifications or within budget as a result of any or all of the above factors may materially and adversely affect the Group's financial condition and results of operations and may also cause reputational damage. There is no assurance that the Group will not experience any significant delays in completion or delivery of any of its property development projects or that the Group will not be subject to any liabilities for any such delays. Moreover, if the design or construction of a property development fails to meet applicable requirements, the Group's sales and brand name could be adversely affected. To the extent such failure is found to interfere with normal use of the property, the purchaser would be entitled to terminate the commercial property sale and purchase contract. The occurrence of any of the above mentioned incidents could bring the Group into legal disputes, which in turn could have an adverse effect on the Group's business and results of operations.

## **Risks Relating to the Industries in which the Group Operates**

*The Group's business is largely dependent on the level of the PRC Government's spending on transportation and other infrastructure.*

The Group's business largely depends on continuing spending by the relevant PRC Government agencies to build railways and other public transportation infrastructure, including roads, bridges and tunnels as well as other public projects. The PRC Government's spending on infrastructure has historically been, and will continue to be, cyclical in nature. Various factors affect the nature, scale, location and timing of the PRC Government's public investment plans in the transportation infrastructure sector of the PRC. These factors include the PRC Government's policy and priorities regarding different regional economies across China, the PRC Government's fiscal and monetary policies which affect the availability of credit and funding for projects, deregulation to encourage private sector participation in the transportation infrastructure sector and the general condition and prospects of the overall PRC economy. Any significant reduction in the PRC Government's investments in infrastructure development, particularly the transportation infrastructure sector, could have a material and adverse effect on the Group's business.

*The Group's business is affected by the level of growth in the national and regional economies in the PRC, and the general level of activities and growth in the industries in which the Group operates.*

The construction operations and the survey, design and consultancy operations of the Group are affected by the general level of activities and growth in the construction industry in the PRC. Factors which may influence the performance and growth of the construction industry include general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence. A downturn in economic activities in the PRC could lead to a recession in the construction industry. The Group's financial condition and results of operations could be materially and adversely affected by a downturn in the construction industry in the PRC or in any of the regional markets where the Group operates.

Success of the real estate development operations of the Group is dependent on the PRC property sector. Historically, the PRC property market has been a cyclical market with volatility in market conditions and fluctuations in property prices. The property prices in the PRC have experienced significant fluctuations since the 1990s. It is not possible to predict whether demand for properties in the PRC will increase or fall further, as many social, political, economic, legal and other factors may affect the development of the property market. In particular, the PRC Government has in recent years taken various measures to regulate the property market, such as raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to make loans to property developers, imposing additional taxes and levies on property sales, restricting foreign investment in the PRC property market and imposing restrictions on the purchase of properties by domestic individuals. There is no assurance that the PRC Government will not adopt additional and more stringent industry policies and regulations in the future. Any further weakening in the PRC property sector could adversely affect the financial condition and results of operations of the real estate development operations of the Group and the Group as a whole.

*The Group is required to comply with extensive environmental, safety and health laws and regulations and quality control standards and the compliance of which may be onerous or expensive.*

The Group is required to comply with extensive environmental, health and safety laws and regulations promulgated by the PRC Government and the governments of other overseas jurisdictions in which it operates, as well as quality control standards. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. If the Group fails to comply with these laws and regulations and industry standards applicable to its operations, it could be subject to suspension of its operations, failed evaluation when the project is delivered for review, substantial penalties, fines, suspension or revocation of its licences or permits to conduct business, termination of government contracts, administrative proceedings or litigation. Such events could have a material and adverse impact on its business, results of operations, financial condition and reputation. As these laws and regulations continue to evolve, there can be no assurance that the PRC Government or the governments of other overseas jurisdictions in which the Group has operations will not impose additional or more onerous laws or regulations, compliance with which may cause the Group to incur significantly increased costs, which the Group may not be able to pass on to its customers. In addition, some of the new overseas markets that the Group is seeking to enter may have more onerous environmental, safety and health regulations than in China, compliance with which may be costly and could hinder its endeavours to enter these new overseas markets.

***The Group is required to possess permits, certificates or licences to undertake its business operations and any loss, termination or non-renewal of these permits, certificates or licences could have a significant and adverse impact on its business.***

The Group is required to possess permits, certificates and licences issued by the relevant government agencies to conduct its business, including its construction operations and manufacturing operations, and it must comply with the restrictions and conditions imposed by various governmental authorities to maintain its permits, certificates and licences. The Group is subject to regular inspections, examination, inquiries and audits by governmental authorities as part of the process of maintaining or renewing these various licenses, certificates and permits. The Group is also subject to periodic and spot inspections conducted by governmental authorities at various levels. In the event that any of its or its subsidiaries' facilities or products fail such inspections, the Group's business, profitability and reputation may be materially and adversely affected. The Group may also be subject to fines or other financial penalties in such events. It cannot be assured that the Group will be able to maintain or renew its existing licenses, certificates or permits, or any other regulatory approvals or obtain new licenses, certificates, permits or other approvals required for its continuing operation on a timely basis or at all. Failure to comply with applicable laws and regulations or failure to maintain, renew or obtain the necessary licenses, certificates, permits or approvals could materially and adversely affect the Group's business, results of operations and financial condition.

***The Group faces significant and increasing competition in the markets in which it operates, and failure to compete effectively could adversely affect its business.***

The Group experiences significant competition in the markets in which it operates, in particular in the construction, survey, design and consultancy and the real estate development operations in the PRC. The Group's competition comes from various sources, including both large and local state-owned and private companies in China, as well as leading international companies. The Group competes with other domestic construction companies for railway construction projects and expects to face increasing competition from both local and international players in the future. Increased competition may result in loss of market share and may adversely impact the Group's results of operations and financial condition.

***The Group is exposed to risks in connection with contracting with public bodies.***

The PRC and overseas government agencies (which term shall include entities administered and financed by such agencies) at national, provincial and local levels are the largest group of investors in the transportation infrastructure industry, and they are the Group's core customer base. The Group is therefore exposed to risks in connection with contracting with such public bodies. For example, many of the Group's contracts with government agencies are for large and high profile infrastructure projects, which can result in increased political and public scrutiny of its work. Such public bodies may from time to time require the construction methods or equipment utilised to be changed, directing the Group to reconfigure its designs or purchase machinery and equipment for the relevant project, thereby subjecting the Group to additional costs. Due to the fact that most of the transportation infrastructure projects are funded by government agencies, these projects are sometimes subject to changes or postponement arising from factors such as changes in government budget, changes in policy considerations or changes of government in certain overseas jurisdictions, which could also lead to a withholding of, or delay in, payments to the Group. Government agencies generally exercise significant discretion in the performance of their contracts with us. If any public body terminates or fails to renew a contract with the Group, its backlog may be reduced. See "Business – Backlog". In addition, disputes with public bodies could potentially lead to contract termination if unresolved or may last for considerably longer periods of time than for those that occur with private sector counterparties, and we may not be able to receive payments from public bodies timely or at all as a result.

***The Group may not be able to identify, obtain or retain a sufficient land bank suitable for property development operations.***

With respect to the real estate development operations, the Group derives revenue from the sale of properties that it has developed. This revenue stream is dependent on the Group's ability to complete and sell its property developments. To maintain or grow its real estate development operations in the future, the Group needs to replenish its land reserve with suitable land sites for developments. The Group's ability to identify and acquire a sufficient land bank suitable for property development is subject to a number of factors that are beyond its control.

The PRC Government controls substantially all of the land supplies in China and regulates the means by which real estate developers, including the Group, obtain land sites for property developments. As a result, the PRC Government's land supply policies affect the Group's ability to acquire land use rights for sites it identifies and affects the costs of any acquisition. If the Group fails to obtain additional land sites for development at commercially acceptable prices or at all, its business, results of operations and financial condition will be materially and effectively affected.

Under PRC law, if a developer fails to develop land in accordance with the terms of a land use rights grant contract (including those relating to the payment of fees, the designated use of the land and the time for commencement and completion of the development), the relevant government authorities may issue a warning to or impose a penalty on the developer or confiscate the land. There is no assurance that circumstances leading to confiscation of land or delays in the completion of a property development will not arise in the future. If the Group's land is confiscated, it will be unable to continue its property development on the confiscated land or recover the costs incurred in the initial acquisition of the confiscated land or recover development costs and other costs incurred up to the date of confiscation. In addition, in the event that the government exercises its authority to confiscate any land use rights that have been legally granted to the Group, the Group may not be compensated for the full market value of the land.

Any inability to identify or acquire sufficient appropriate sites at reasonable costs or complete the development of real property projects in a timely manner could materially and adversely affect the Group's financial condition, profitability and future growth prospects.

### **Risks Relating to the PRC**

*The Group's business, financial condition, results of operations and prospects could be adversely affected by the PRC economy.*

A substantial part of the Group's revenue is derived in the PRC. The Group relies, to a significant degree, on domestic demand for railway, property and its other projects to achieve revenue growth. Such domestic demand is materially affected by industrial development, growth of private consumption and overall economic growth in the PRC.

According to statistics released by the National Bureau of Statistics of the PRC, the PRC's gross domestic product ("GDP") year-on-year growth rate was 2.30 per cent. in 2020, which decreased by 3.70 per cent. from the figure in 2019. Although the PRC Government has recently taken several measures with the intention of increasing investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC Government will continue to implement reforms which may conflict with such targeted growth. The Group's business, financial conditions and results of operations could be adversely affected by the PRC Government's inability to effect timely economic reforms.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition.

If the weakened global economic recovery continues or a global recession recurs, any slowdown of the PRC economy may create a credit tightening environment, increase the Group's interest expense, or reduce domestic demand for the Group's railway, property and other projects, resulting in an adverse negative effect on its business, results of operations and financial condition.

*Interpretation and enforcement of the laws and regulations in the PRC may involve uncertainties.*

Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practises in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and

prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainties. The interpretation of PRC laws may be subject to domestic political and policy changes.

***Adverse changes in political, social and economic policies of the PRC Government could have a material and adverse effect on the overall economic growth of the PRC, which could in turn affect the Group's business and prospects.***

The PRC economy differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange, and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC are still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that economic reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC Government may decide to change its current policies with respect to railway development and projects, property development and mining, and as such, this could have adverse impact on the Group's business and results of operations. The Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group's projects and business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

## **Risks Relating to the Issuer and the Company**

***The Issuer is a newly incorporated company.***

The Issuer was established specifically for the purpose of raising finance for the purposes of issuing the Notes and onlending the net proceeds from the issue of any Notes to the Guarantor's subsidiaries. The repayment obligations under the Notes remain the sole obligation of the Issuer. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Notes will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group. There is no assurance that the Issuer will be able to receive sufficient funds from the Guarantor and/or its subsidiaries and other members of the Group to make payments under the Notes. There is also no assurance on the Issuer's financial condition for its being owned or controlled by the State.

***The Company's obligations under the Guarantee of the Notes are structurally subordinated to all existing and future liabilities and obligations of each of the Company's subsidiaries, associates and jointly controlled entities.***

A substantial part of the Guarantor's operations are conducted through its subsidiaries, associated companies and jointly controlled entities. Accordingly, the Guarantor is and will be dependent on the operations of its subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including interest and principal on the Notes. The Company's obligations under the Guarantee of the Notes are structurally subordinated to all existing and future liabilities and obligations of each of the Company's subsidiaries, associates and jointly controlled entities. The Company's obligations will not be guaranteed by any of its subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over the Company and its creditors, including Holders of

the Notes seeking to enforce the Notes and the Guarantee of the Notes. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor. Moreover, the Company's interests in its subsidiaries, associates and jointly controlled entities could be reduced in the future. Neither the Notes nor the Guarantee of the Notes contain any restriction on the ability of the Company or its subsidiaries, associates or jointly controlled entities to incur additional indebtedness.

***The financial information as at and for the three months ended 31 March 2020 and 2021 has not been audited or reviewed.***

The financial information as at and for the three months ended 31 March 2020 and 2021 has not been audited or reviewed by the Group's independent accountants, or any other independent accountants, and may be subject to adjustments if audited and reviewed. Such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Consequently, none of the Joint Lead Managers, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Company's financial condition, results of operations and results. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Company for the full financial year ending 31 December 2021.

***The implementation of new and amendments to PRC GAAP after 1 January 2018 and 2019 renders the Guarantor's historical financial information prior to the relevant dates not directly comparable with the Guarantor's financial information after 1 January 2018 or 2019 as applicable.***

On 7 December 2018, MOF revised and issued the New Lease Standards, requiring enterprises listed at home and abroad as well as those listed overseas and using international financial reporting standards or accounting standards for business enterprises to prepare financial statements, effective from 1 January 2019, superseding the relevant standards issued previously. According to the requirements of MOF, the Guarantor will implement the New Lease Standards from 1 January 2019 and will adjust the retained earnings at the beginning of the year of the first implementation of the New Lease Standards and the amount of other related items in the financial statements, without adjusting the information of the comparable period. The accounting policy change has no significant impact on the Group's financial situation, operating results, cash flow and future operating performance. However, historical financial information prior to 1 January 2019 may not be directly comparable against their respective financial information after 1 January 2019. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2019 against the historical financial figures of the Guarantor and when evaluating its financial condition, results of operations and results.

### **Risks Relating to the Notes and the Guarantee of the Notes**

***Investors who are considered U.S. Persons for purposes of the Executive Order may not invest in the Notes.***

In November 2020, U.S. President Trump issued Executive Order 13959, subsequently amended by Executive Order 13974 (amended from time to time and together, the "**Executive Order**"), that prohibit, beginning on 11 January 2021, "U.S. persons" (defined under the Executive Order, as any United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States ("**U.S. persons**")) from engaging in any transactions in "publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities" (each a "**Restricted Security**") of the companies on any relevant list released by the U.S. Department of Defense, including the Guarantor, or those that the U.S. Secretary of Defense or U.S. Secretary of the Treasury identify as such a company in the future. The Executive Order includes a 10-month wind down period where purchases for value or sales made within the prescribed period by U.S. persons solely to divest, in whole or in part, from such Restricted Security are permitted. The Executive Order is a form of U.S. sanctions. Investors are responsible for ensuring that they comply with applicable provisions of Executive Order 13959 (and any future official guidance). Investors who are considered US persons for purposes of the Executive Order should consider whether this is an appropriate investment.



***The Notes may not be a suitable investment for all investors.***

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***An active trading market for the Notes may not develop, and liquidity of the Notes may be adversely affected if the Notes are held by or allocated to limited investors.***

Each series of Notes is a new issue of securities for which there is currently no trading market. Application will be made to the Hong Kong Stock Exchange for the Notes to be admitted for trading on the Hong Kong Stock Exchange. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Notes or the price at which Holders will be able to sell their Notes. There can be no assurance that certain of the Joint Lead Managers and/or their affiliates will not initially purchase a significant portion of the Notes for asset management and/or proprietary purposes but not with a view to distribution. Liquidity of the Notes will be adversely affected if the Notes are held by or allocated to limited investors. None of the Joint Lead Managers is obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

***Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.***

The denominations of the USD Notes are U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The denominations of the EUR Notes are EUR100,000 and integral multiples of EUR1,000 in excess thereof. Therefore, it is possible that the USD Notes may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000 or that the EUR Notes may be traded in amounts in excess of EUR100,000 that are not integral multiples of EUR100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 in respect of the USD Notes or a principal amount of less than EUR100,000 in respect of the EUR Notes will not receive a definitive certificate in respect of such holding of Notes (should definitive certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Holders should be aware that USD Notes with aggregate principal amounts that are not an integral multiple of U.S.\$200,000 and EUR Notes with aggregate principal amounts that are not an integral multiple of EUR100,000 may be illiquid and difficult to trade.

***The Issuer may issue additional Notes in the future.***

The Issuer may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes in respect of the relevant series (see “*Terms and Conditions of the Notes – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

***The Issuer may raise additional capital which affects the price of the Notes.***

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness or guaranteed indebtedness as set out in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Notes, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Notes and/or the ability of Holders to sell their Notes.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Potential investors should consult their legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***The liquidity and price of the Notes following the offering may be volatile.***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group’s turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the department store industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

***The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.***

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what Noteholders are accustomed to.

***The ratings of the Notes may be downgraded or withdrawn.***

Each series of Notes are expected to be assigned a rating of “A-” by S&P.

The ratings represent only the opinions of the rating agency and its assessment of the ability of the Issuer and the Guarantors to perform their respective obligations under the Notes and the Guarantee of the Notes and their credit risks in determining the likelihood that payments will be made when due under the Notes. Ratings are not recommendations to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer or the Guarantor is obligated to inform Noteholders if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Notes and the Issuer’s ability to access the debt capital markets.

***Changes in interest rates may have an adverse effect on the price of the Notes.***

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

***Investment in the Notes is subject to exchange rate risks.***

Investment in the Notes is subject to exchange rate risks. The value of the U.S. dollar and Euro against the Hong Kong dollar, the RMB and other foreign currencies fluctuates and is affected by changes in the United States, Europe and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the USD Notes will be made in U.S. dollars. All payments of interest and principal with respect to the EUR Notes will be made in Euro. As a result, the value of these U.S. dollar payments, in respect of the USD Notes, or Euro payments, in respect of the EUR Notes, may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar or Euro depreciates against the Hong Kong dollar, the RMB or other foreign currencies, the value of a Holder’s investment in Hong Kong dollar, RMB or other applicable foreign currency terms will decline.

***The Notes are redeemable in the event of certain withholding taxes being applicable.***

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, each series of Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021 where the Issuer or the Guarantor has or will become obligated to pay additional tax and such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it.

***The Trustee may request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.***

In certain circumstances, including without limitation giving notice to the Issuer pursuant to Condition 8 (*Events of Default*) of the Terms and Conditions of the Notes and taking enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Notes, the Trustee may, at its sole discretion, request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or pre-funded and/or provided with security to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security and/or pre-funding to it, in breach of the terms of the Trust Deeds, the Deeds of Guarantee or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law or regulations, it will be for the Noteholders of the relevant series to take such actions directly.

***Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders of the relevant series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of the relevant series including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders of the relevant series may be adverse to the interests of individual Noteholders.

***The Issuer may be unable to redeem the Notes.***

On certain dates, including the occurrence of an early redemption event and at maturity of the Notes of the relevant series, the Issuer may, and at maturity, will be required to redeem all of the Notes of the relevant series. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes of the relevant series in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Guarantor and its subsidiaries.

***The Issuer's ability to make payments under the Notes will depend on timely payments under on lent loans of the proceeds from the issue of the Notes to the Guarantor and its subsidiaries.***

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the principal purpose of issuing the Notes and will onlend the entire proceeds from the issue of the Notes to the Guarantor and its subsidiaries. The Issuer does not and will not have any net assets other than such on lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

***The Notes may be redeemed early at the Issuer's option.***

Each series of the Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on or after 20 April 2026, on giving not less than 30 or more than 60 days' irrevocable notice to the Noteholders (in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

***The Notes and the Guarantee of the Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.***

The Notes and the Guarantee of the Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's

existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee of the Notes or make any funds available therefore, whether by dividends, loans or other payments.

The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee of the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee of the Notes are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

***The PRC Government has no payment or other obligations under the Notes.***

The PRC Government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes, or in lieu of the Issuer or the Guarantor. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知,財金[2018]23號), (the “**MOF Circular**”) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the “**Joint Circular**”) promulgated on 11 May 2018 and which took effect on the same day.

The PRC Government controls the Guarantor and has limited liability in the form of its equity contribution in the Guarantor in accordance with the PRC Company Law. As such, the PRC Government does not have any payment obligations under the Notes or the Deeds of Guarantee. Each series of Notes is solely to be repaid by the Issuer and the Guarantee by the Guarantor, each as an obligor under the relevant transaction documents and as an independent legal person.

***Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Notes.***

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of each series of Notes may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Notes. The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within the prescribed time period after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. The Guarantor has obtained the NDRC Pre-Issuance Registration of Notes on 26 May 2020.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (《企業境外發行債券指引》) (the “**Guideline**”), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that, companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and commit to maliciously report foreign debt scale and provide fake information might be put on the blacklist of dishonest persons and sanctioned by PRC Government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that government will take.

Potential investors of the Notes are advised to exercise due caution when making their investment decisions. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed timeframe after the Issue Date.

*If the Guarantor fails to complete the SAFE registration in connection with the Guarantee of the Notes, there may be hurdles for cross-border payment under the Guarantee of the Notes.*

Under the Guarantee of the Notes, the Guarantor will unconditionally and irrevocably undertake to guarantee the due payment of all sums expressed to be payable by the Issuer due under the relevant series of Notes and the relevant Trust Deed of such series of Notes. The obligations of the Guarantor will be contained in the relevant Deed of Guarantee for each series of Notes.

The Guarantor is required by the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “**Cross-border Guarantee Rule**”) to register the Guarantee of the Notes with SAFE within 15 working days of the date of execution of the relevant Deed of Guarantee. Although the non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any crossborder payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks may require evidence of SAFE registration in connection with the Guarantee of the Notes in order to effect such remittance. The Guarantor intends to register the Guarantee of the Notes as soon as practicable and in any event before the Registration Deadline (being 45 PRC Business Days after the Issue Date) and in the opinion of the Guarantor’s PRC legal advisers, subject to any contrary interpretation by SAFE, there is no legal impediment to completion of such registration. A failure to complete the SAFE registration and satisfy the Registration Condition (as defined in the Terms and Conditions of the Notes) on or before the Registration Deadline would result in a Non-Registration Event, which constitutes a Relevant Event, and would also give the Holder of any Note to have the right, at such Holder’s option, to require the Issuer to redeem all but not only some of that Holder’s Note on the Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 100 per cent. of their principal amount, together with interest accrued up to, but excluding, the Put Settlement Date. Prior to the performance or discharge of its obligations under the Guarantee of the Notes, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee of the Notes.

The interpretation of the Cross-border Guarantee Rules (as well as any implementation rules as issued by SAFE from time to time, including the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) as per which funds raised offshore under Nei Bao Wai Dai (內保外貸) (“**NBWD**”) are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments) may involve uncertainty, such as the Policy Questions and Answers (second batch) of the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策回答(第二期)), under which an overseas debtor transfers funds of overseas loans under domestic guarantee in the form of foreign debt for domestic use, the domestic institution borrowing such funds shall meet the relevant current requirements for foreign debt administration, and complete foreign debt registration, to make equity investment in a domestic institution with funds of overseas loans under domestic guarantee, an overseas debtor shall meet the administrative provisions of the relevant competent departments on foreign direct investment. There is no assurance that the registration of the Guarantee of the Notes with SAFE can be completed or that the registration with SAFE obtained by the Guarantor will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee of the Notes in the PRC.

***The insolvency laws of Hong Kong, the PRC and other local insolvency laws may differ from those of other jurisdictions with which the Holders of the Notes are familiar.***

As the Issuer is incorporated under the laws of Hong Kong and the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or the Guarantor, even if brought in other jurisdictions, would likely involve insolvency laws of Hong Kong or the PRC, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders of the Notes are familiar.

***Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no established practice in the PRC courts for the recognition and enforcement of judgments of the Hong Kong courts in respect of English law governed matters or disputes.***

The Notes, the Trust Deeds, the Agency Agreements and the Deeds of Guarantee are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Although under the “Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned” or the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region signed by the Supreme People’s Court of China and the Hong Kong government on 18 January 2019 (which have not yet come into effect), judgments of Hong Kong courts should be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, the PRC courts could, albeit in limited circumstances, refuse to recognise and enforce a Hong Kong court judgment on the ground of the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in relation to documents governed by English law, there is no established practice in this area yet.

***Each series of Notes will be represented by a Global Note Certificate and holders of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing Systems.***

Each series of Notes will be represented by beneficial interests in a Global Note Certificate. Each Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in the relevant Global Note Certificate, investors of the relevant series of Notes will not be entitled to receive individual Note certificates. The Clearing System will maintain records of the beneficial interests in such Global Note Certificate. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While each series of Notes is represented by the Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the relevant series of Notes by making payments to the relevant Clearing System for distribution to their accountholders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing System to receive payments under the relevant series of Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any such Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes of the relevant series. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

***If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.***

If the Issuer or the Guarantor is unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the

Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure Holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

***The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.***

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The PRC subsidiaries, jointly controlled entities and associated companies of the Guarantor or its non-PRC subsidiaries, jointly controlled entities and associated companies are also required to set aside a portion of their post tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from 1 January 2008, dividends paid by such PRC subsidiaries, jointly controlled entities and associated companies to their non-PRC parent companies will be subject to a 10.00 per cent. withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding income tax. Pursuant to a double tax avoidance arrangement between Hong Kong and the PRC together with related implementation rules, if a non-PRC parent company is a Hong Kong resident and directly holds a 25.00 per cent. or more interest in a PRC enterprise for at least 12 consecutive months immediately prior to receiving the dividends, and subject to certain other requirements, this withholding income tax rate may be lowered to 5.00 per cent. Moreover, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust a preferential tax rate of an offshore entity to the relevant tax rate that it otherwise would have been eligible for. The Guarantor cannot provide assurance that the PRC tax authorities will grant approvals on the 5.00 per cent. withholding income tax rate on dividends received by it or its subsidiaries, jointly controlled entities and associated companies in Hong Kong from their respective PRC subsidiaries, jointly controlled entities and associated companies. As a result of such factors, the Guarantor could face difficulties in making payments required by the Notes or satisfying obligations under the Guarantee of the Notes.



***The Issuer may be treated as a PRC resident enterprise for PRC tax purpose, which may subject the Issuer to PRC income taxes on its worldwide income and interest payable by the Issuer to foreign investors and gains on the transfer of the Notes may be subject to income tax under PRC tax laws.***

The Issuer was incorporated under the laws of Hong Kong as a public company. Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose “de facto management bodies” are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Notes may be considered to be a source derived from within the PRC.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by Holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual Holders who are not PRC citizens or residents will be subject to PRC individual income tax. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer would be subject to PRC enterprise income tax at the rate of 25.00 per cent. on their global income, and interest paid on the Notes may be considered to be a source from within PRC. If such gains are subject to PRC income tax, the 10.00 per cent. enterprise income tax rate and 20.00 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes *minus* all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Holders who are Hong Kong residents, including both enterprise Holders and individual Holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. If a Holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Holders’ investment in the Notes may be materially and adversely affected.

***Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.***

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by Holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual Holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10.00 per cent. enterprise income tax rate and 20.00 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes *minus* all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Holders who are Hong Kong residents, including both enterprise Holders and individual Holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If a Holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Holders’ investment in the Notes may be materially and adversely affected.

On 23 March 2016, the MOF and the SAT issued the “Notice on the Comprehensive Roll-out of the Business Tax to Value Added Tax Transformation Pilot Program” (*CAISHUI [2016] No. 36*, “**Circular 36**”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT. VAT is unlikely to apply to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. However, Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Notes, the value of the relevant Holder’s investment in the Notes may be adversely affected.

*Investors shall be aware of the effect of changes of law.*

The “*Terms and Conditions of the Notes*” are based on English law in effect as at the date hereof. No assurance can be given as to the impact of any possible judicial decision or change to English law, or administrative practices after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

## TERMS AND CONDITIONS OF THE USD NOTES

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, substantially as they will appear on the reverse of each of the individual note certificates evidencing the USD Notes.*

The U.S.\$300,000,000 1.875 per cent. guaranteed notes due 2026 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) to be consolidated and forming a single series therewith) of CRCC Hean Limited (鐵建合安有限公司) (the “**Issuer**”) was authorised by a resolution of the Board of Directors (as defined below) of the Issuer passed on 12 May 2021. The Notes are guaranteed by China Railway Construction Corporation Limited (the “**Guarantor**”) pursuant to a deed of guarantee dated 20 May 2021 (the “**Deed of Guarantee**”). The giving of the Deed of Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 29 March 2019 and a resolution of the shareholders of the Guarantor dated 18 June 2019. The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 20 May 2021 (as amended, restated, replaced or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 20 May 2021 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agent named therein (the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), the paying agent named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory proof of holding by Noteholders during normal business hours (being 9:00 am to 3:00 pm) at the specified office for the time being of the Trustee, being at the date hereof 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below. All capitalised terms that are not defined in the Conditions have the same meanings given to them in the Trust Deed.

### 1. Form, Denomination, Status and Guarantee

- (a) *Form and denomination*: The Notes are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Notes*: The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the “**Guarantee of the Notes**”) constitutes a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the “**Global Note Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream and will be exchangeable for individual Note Certificates only in the circumstances set out therein.*

## **2. Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Note shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. Except as otherwise provided for in the Trust Deed, no person shall have any right to enforce any term or condition of the Notes, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

*Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.*

- (d) *Registration and delivery of Note Certificates:* Within five business days of receipt by the Registrar or (as the case may be) any Transfer Agent of a duly completed form of transfer, the surrender of a Note Certificate and provision of such evidence as the Registrar or (as the case may be) such Transfer Agent may require in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder. In this Condition 2 (*Register, Title and Transfers*), “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such payment or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

- (f) *Closed periods*: Noteholders may not require transfers to be registered:
- (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes; or
  - (ii) after a Put Option Notice (as defined in Condition 5(c) (*Redemption for a Relevant Event*)) has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) (*Redemption for a Relevant Event*); or
  - (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(e)).
- (g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder upon prior written request and satisfactory proof.

### 3. Negative Pledge and Other Covenants

- (a) *Negative Pledge*: So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.
- (b) *Notification to NDRC*: The Guarantor shall:
- (i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and comply with all applicable PRC laws and regulations in connection with the Notes; and
  - (ii) within 10 PRC Business Days after submission of such NDRC Post-issue Filing (A) provide the Trustee with a certificate in English signed by any Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the submission of the NDRC Post-issue Filing and (B) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the same.

The Trustee shall have no obligation or duty to monitor or ensure the completion of (or otherwise assist with) the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to the Noteholders or any other person for not doing so.

- (c) *Undertakings in relation to the Guarantee of the Notes*: The Guarantor shall:
- (i) file or cause to be filed with SAFE for the registration of the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “**Cross-Border Security Registration**”), and any implementation rules as issued by SAFE from time to time;

- (ii) use its best endeavours to complete the Cross-Border Security Registration and obtain a registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE on or before the Registration Deadline;
- (iii) comply with all applicable PRC laws and regulations in relation to the provision of the Guarantee of the Notes; and
- (iv) within 10 PRC Business Days after receipt of registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE:
  - (A) provide the Trustee with a certificate in substantially the form set forth in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration, together with a true copy of the relevant SAFE registration record (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration certified by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor (collectively, the “**Registration Documents**”); and
  - (B) give notice to the Noteholders (in accordance with Condition 15 (*Notices*)) confirming the completion of the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the registration of (or otherwise assist with) the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

- (d) *Financial Statements*: So long as any Note remains outstanding, the Guarantor shall send to the Trustee:
  - (i) as soon as practicable after their date of publication and in any event not more than 120 calendar days after the end of each financial year, two copies of the audited annual financial statements of the Group (audited by an internationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate; and
  - (ii) as soon as practicable after their date of publication and in any event not more than 60 calendar days after the end of each semi-annual financial period, two copies of the semi-annual financial statements of the Group (reviewed by an internationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate.

The Trustee shall not be required to review any other financial report furnished or delivered to it as contemplated in this Condition 3(d) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Noteholder or any other person for not doing so.

- (e) *Change of Financial Year*: So long as any Note remains outstanding, the Issuer and the Guarantor shall inform the Trustee in writing if there is any change in the financial year-end of the Issuer or, as the case may be, the Guarantor.

- (f) *Information in relation to Event of Default or Potential Event of Default:* So long as any Note remains outstanding, the Issuer and the Guarantor shall make available to the Trustee at the same time the Guarantor provides the audited annual financial statements of the Group pursuant to Condition 3(d), a certificate in English of each of the Issuer and the Guarantor signed by any two of their respective directors, which shall be substantially in the form provided in the Trust Deed, stating that as of the end of the latest financial year of the Issuer or the Guarantor, as the case may be, (A) no Event of Default or Potential Event of Default (as defined in the Trust Deed) had occurred since the certification date of the last such certificate or (if there has been no such certificate previously) the Issue Date, or, if such an event had occurred, giving details of it and the action which the Issuer or the Guarantor proposes to take with respect thereto and (B) the Issuer or the Guarantor, as the case may be, has complied with all of the covenants that the Issuer or the Guarantor, as the case may be, is bound by under the Conditions, the Trust Deed, the Agency Agreement and the Deed of Guarantee, or, if such non-compliance had occurred, giving details of it.

In these Conditions:

**“Board of Directors”** means the board of directors elected or appointed by the relevant shareholders of the Issuer or the Guarantor, as applicable, to manage the business of the Issuer or Guarantor, or any committee of such board duly authorised to take the action purported to be taken by such committee;

**“Group”** means the Guarantor and its Subsidiaries, taken as a whole;

**“Guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Macau”** means the Macau Special Administrative Region;

“**Material Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement is at least ten per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Guarantor and its consolidated Subsidiaries; or
- (b) whose gross profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement, is at least ten per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Guarantor and its consolidated Subsidiaries, including for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least ten per cent. of the consolidated net assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of such Guarantor and of associated companies and after adjustment for minority interests;

**provided that**, in relation to paragraphs (a), (b) and (c) above:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
  - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, gross profit or net assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
  - (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor; and
  - (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, *whereupon* the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Material Subsidiary, **provided that** on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Material Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above;



“**NDRC**” means the National Development and Reform Commission of the PRC;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“**PRC**” means the People’s Republic of China, which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

“**PRC Accounting Standards**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter, as amended from time to time;

“**PRC Business Day**” means a day other than a Saturday, Sunday or public holiday on which banks are open for business and settlement in Beijing;

“**Registration Deadline**” means the day falling 45 PRC Business Days after the Issue Date;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), but excludes any Indebtedness that is issued in the PRC;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control more than 50 per cent. of the issued share capital or the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

#### **4. Interest**

The Notes bear interest from and including 20 May 2021 (the “**Issue Date**”) at the rate of 1.875 per cent. per annum, (the “**Rate of Interest**”) payable in arrear on 20 May and 20 November in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$9.375 in respect of each Note of U.S.\$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where “**Calculation Amount**” means U.S.\$1,000 and “**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months).

## 5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 20 May 2026, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

**provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or (as the case may be) the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate in English signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate in English signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above (without further investigation or inquiry, and without liability to the Noteholders or any other person), in which event they shall be conclusive and binding on the Noteholders, and the Trustee shall be protected and shall have no liability to any Noteholder or any person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption for a Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Note on the Put Settlement Date at 101 per cent. of their principal amount (in the case of a redemption for a Change of Control Event) or at 100 per cent. of their principal amount (in the case of a redemption for a Non-Registration Event), in each case together with interest accrued up to, but excluding, such Put Settlement Date. To exercise such rights, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the Specified Office of any Paying Agent (a "**Put Option Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Relevant Event, or, in the case of a Change of Control Event only, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*).

The "**Put Settlement Date**" shall be the 14th day (or, if such day is not a business day (as defined in Condition 6(d) (*Payments on business days*)), the next business day immediate following such day) after the expiry of such period as referred to above.

A Put Option Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Option Notices delivered as aforesaid.

The Issuer, failing whom, the Guarantor shall give notice to Noteholders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Event or five days following the occurrence of a Non-Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for a Relevant Event*).

*So long as the Notes are represented by the Global Note Certificate, a Holder's right to redemption of the Notes due to a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.*

In this Condition 5(c) (*Redemption for a Relevant Event*):

"**Change of Control Event**" means the occurrence of one or more of the following events: (A) the Controlling Persons together, directly or indirectly, ceasing to Control the Controlling Shareholder's issued and outstanding share capital; (B) the Controlling Shareholder, directly or indirectly, ceasing to Control the Guarantor; or (C) the Guarantor, directly or indirectly, ceasing to own and control at least 100 per cent. of the issued and outstanding share capital of the Issuer.

For the purpose of (A) above of this definition, SASAC shall be deemed to "**Control**" or have "**Controlled**" the Controlling Shareholder if: (i) it, directly or indirectly (through Subsidiaries or otherwise), owns, acquires or controls 100 per cent. of the voting rights of the issued share capital of the Controlling Shareholder or (ii) the members of the Controlling Shareholder's board of directors or other equivalent or successor governing body are nominated by SASAC; or (iii) it possesses, directly or indirectly, the ability or power to direct the management policies of the Controlling Shareholder. For the purpose of (B) above of this definition, the Controlling Shareholder shall be deemed to "**Control**" or have "**Controlled**" the Guarantor if: (i) it is the

single largest controlling shareholder of the Guarantor or (ii) a majority of the members of the Guarantor's Board of Directors or other equivalent or successor governing body are nominated by the Controlling Shareholder or its Subsidiaries; or (iii) it possesses, directly or indirectly, the ability or power to direct the management policies of the Guarantor;

“**Controlling Person(s)**” mean (A) SASAC, or (B) the central government of the PRC or any other person directly wholly controlled by the central government of the PRC;

“**Controlling Shareholder**” means China Railway Construction Corporation (中國鐵道建築集團有限公司);

a “**Non-Registration Event**” occurs when the Registration Condition has not been satisfied on or prior to the Registration Deadline;

“**Registration Condition**” means the receipt by the Trustee of:

- (a) a certificate in substantially the form set out in the Trust Deed signed by any two directors or duly authorised officers of the Guarantor confirming (A) the completion of the registration of the Trust Deed with SAFE as described in Condition 3(c) (*Undertakings in relation to the Guarantee of the Notes*) and (B) no Event of Default has occurred; and
- (b) a certified true copy of the relevant SAFE registration certificate and the particulars of registration;

a “**Relevant Event**” means a Change of Control Event or a Non-Registration Event; and

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor.

- (d) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on or after 20 April 2026, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption.
- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of the Issuer*) above.
- (f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries, shall not entitle the Holder to vote any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 12(a) and 13.
- (g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (h) *No duty to monitor*: The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Relevant Event, a Potential Event of Default or an Event of Default has occurred or to monitor the occurrence of any Relevant Event, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.
- (i) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and shall not be liable to the Noteholders or any other person for not doing so.

## 6. Payments

- (a) *Principal*: Payments of principal and premium (if any) shall be made by wire transfer to a U.S. dollar registered account maintained by the payee and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by transfer to a U.S. dollar registered account maintained by the payee and (i) (in the case of interest payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.

In this Condition 6, the “registered account” of a Noteholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register on the Record Date (as defined below).

- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(d), “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which banks are open for general business (including dealings in foreign currencies) in Hong Kong and New York City or the places in which the respective Specified Office of the Paying Agent is located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Record date*: Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the close of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

*Whilst the Notes are evidenced by the Global Note Certificate, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).*

- (f) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Notes, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

## 7. Taxation

All payments of principal and interest in respect of the Notes and under the Guarantee of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law.

Where such withholding or deduction is required by law and is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 12 May 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer or the Guarantor is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction or any political subdivision thereof or authority therein or thereof having power to tax except the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts referred to in this Condition 7 (*Taxation*) shall be payable in respect of any Note:

- (i) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or
- (ii) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. “**Relevant Jurisdiction**” means Hong Kong, the PRC or any jurisdiction in which the Issuer and the Guarantor, respectively, is incorporated or any jurisdiction of residence for tax purposes of the Issuer and the Guarantor, respectively.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of such principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than any of the Relevant Jurisdictions, references in these Conditions to the Relevant Jurisdiction shall be construed as references to such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 8. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer or the Guarantor fails to pay any amount of principal in respect of the Notes or the Guarantee of the Notes, as the case may be, on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and, in the case of interest, such default continues for a period of seven days; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy, remains unremedied for seven days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) *Cross-Default of Issuer, Guarantor or Subsidiary*:
  - (i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
  - (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

**provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds US\$100 million (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) is rendered against the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries in respect of all or a substantial part of their undertakings, assets or revenue, and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries; or
- (f) *Insolvency, etc.*: (i) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries is appointed (or application for any such appointment is made and such application is not discharged or stayed within 45 days), (iii) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it and such action is not discharged or stayed within 45 days or (iv) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries; or
- (h) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up etc.*) above; or
- (i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes the Trust Deed or the Deed of Guarantee; or
- (k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (l) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

## **9. Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## **10. Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

## **11. Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances including without limitation provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction, and to be paid its costs, expenses, indemnity payments and other amounts in priority to the claims of the Noteholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor or any other Person without being accountable for the same (including any profit therefrom) to the Noteholders or any Person.



None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer or the Guarantor (as the case may be) in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor (as the case may be) to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to monitor or ascertain whether any Relevant Event, Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or the Guarantor, and the Trustee shall not at any time have any responsibility.

In the exercise of its powers, functions, rights, authorities and discretions under these Conditions, the Deed of Guarantee, the Agency Agreement, the Notes and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and shall not have regard to the interests and will not be responsible for any consequence for individual Holders of Notes as a result of any circumstances particular to individual Holders of Notes, including but not limited to, such Noteholders being connected in any way with a particular territory or taxing jurisdiction or with regard to such Holders' particular circumstances.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Guarantor, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting. The Trustee shall not be entitled to require on behalf of any Noteholders, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided in Condition 7 (Taxation) and/or any undertaking given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations or responsibilities towards or relationship of agency or trust for or with any of the Noteholders or any third parties.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; **provided, however, that** the Issuer and the Guarantor shall at all times maintain (a) a principal paying agent and a registrar and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer.

Neither the Trustee nor the Agents shall be required to monitor the occurrence of any Event of Default, Potential Event of Default or of any event under Condition 5 (*Redemption and Purchase*) that may trigger the option of redemption, and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other Person for not doing so.

## 12. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee, the Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes subject that the Trustee shall have been indemnified and/or pre-funded and/or secured to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)), may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes outstanding and who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

*So long as the Notes are represented by the Global Note Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Noteholders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being outstanding.*

- (b) *Modification and waiver:* The Trustee may (but shall not be obliged to), without the consent of the Noteholders, agree to any modification of these Conditions, the Deed of Guarantee or the Trust Deed (in each case, other than in respect of a Reserved Matter) or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and to any modification of these Conditions, the Notes, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or of any of the provisions of the Deed of Guarantee, the Trust Deed or the Agency Agreement (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

- (c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by these Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification of directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any such directions, or in the event that the directions or clarifications sought are not provided by the Noteholders.

### **13. Enforcement**

The Trustee may at any time, at its discretion and without notice, take any such steps and/or actions and/or institute such proceedings as it thinks fit to enforce its rights under the Deed of Guarantee, the Trust Deed and the Agency Agreement and in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### **14. Further Issues**

Subject to compliance with Conditions 3(b) and 3(c), the Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for the NDRC Post-issue Filing and the Cross-Border Security Registration) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee (acting on an Extraordinary Resolution), create and issue other series of notes having the benefit of the Trust Deed.

### **15. Notices**

Notices to the Noteholders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

*So long as the Global Note Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer and the Guarantor shall jointly and severally indemnify the Trustee and each Holder, on the written demand of the Trustee or such Holder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## 17. Governing Law and Jurisdiction

- (a) *Governing law*: The Notes, the Deed of Guarantee, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction*: Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement and the Guarantor has in the Deed of Guarantee (i) agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes) and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.
- (c) *Consent to enforcement etc.*: Each of the Issuer and the Guarantor irrevocably and generally consents in respect of any proceedings relating to a Dispute (“**Proceedings**”) anywhere to the giving of any relief or remedy against it or the issue and service on it of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any of its property or assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.
- (d) *Waiver of Immunity*: If the Issuer or the Guarantor or any of their respective property or assets is or are entitled in any jurisdiction to any immunity from service of process or of other documents relating to Proceedings, or to any immunity from jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of execution or otherwise) or other legal process, this is irrevocably waived to the fullest extent permitted by the law of that jurisdiction. Each of the Issuer and the Guarantor also irrevocably agrees not to claim any such immunity for itself or its property or assets.
- (e) *Service of Process*: Pursuant to the Trust Deed and the Deed of Guarantee, the Guarantor has irrevocably agreed to accept service of process in any Proceedings in Hong Kong at the Guarantor’s principal place of business in Hong Kong (currently at 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong) based on any of these Conditions, the Notes, the Trust Deed, the Agency Agreement or the Guarantee of the Notes. If for any reason the Guarantor shall cease to have an office in Hong Kong, the Guarantor shall forthwith appoint an agent for service of process in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days.

## TERMS AND CONDITIONS OF THE EUR NOTES

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, substantially as they will appear on the reverse of each of the individual note certificates evidencing the EUR Notes.*

The EUR300,000,000 0.875 per cent. guaranteed notes due 2026 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) to be consolidated and forming a single series therewith) of CRCC Hean Limited (鐵建合安有限公司) (the “**Issuer**”) was authorised by a resolution of the Board of Directors (as defined below) of the Issuer passed on 12 May 2021. The Notes are guaranteed by China Railway Construction Corporation Limited (the “**Guarantor**”) pursuant to a deed of guarantee dated 20 May 2021 (the “**Deed of Guarantee**”). The giving of the Deed of Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 29 March 2019 and a resolution of the shareholders of the Guarantor dated 18 June 2019. The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 20 May 2021 (as amended, restated, replaced or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 20 May 2021 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agent named therein (the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), the paying agent named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory proof of holding by Noteholders during normal business hours (being 9:00 am to 3:00 pm) at the specified office for the time being of the Trustee, being at the date hereof 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below. All capitalised terms that are not defined in the Conditions have the same meanings given to them in the Trust Deed.

### 1. Form, Denomination, Status and Guarantee

- (a) *Form and denomination:* The Notes are in registered form in the denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Notes:* The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the “**Guarantee of the Notes**”) constitutes a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the “**Global Note Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream and will be exchangeable for individual Note Certificates only in the circumstances set out therein.*

## **2. Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Note shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. Except as otherwise provided for in the Trust Deed, no person shall have any right to enforce any term or condition of the Notes, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

*Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.*

- (d) *Registration and delivery of Note Certificates:* Within five business days of receipt by the Registrar or (as the case may be) any Transfer Agent of a duly completed form of transfer, the surrender of a Note Certificate and provision of such evidence as the Registrar or (as the case may be) such Transfer Agent may require in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder. In this Condition 2 (*Register, Title and Transfers*), “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such payment or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

- (f) *Closed periods*: Noteholders may not require transfers to be registered:
  - (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes; or
  - (ii) after a Put Option Notice (as defined in Condition 5(c) (*Redemption for a Relevant Event*)) has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) (*Redemption for a Relevant Event*); or
  - (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(f)).
- (g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder upon prior written request and satisfactory proof.

### 3. Negative Pledge and Other Covenants

- (a) *Negative Pledge*: So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.
- (b) *Notification to NDRC*: The Guarantor shall:
  - (i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and comply with all applicable PRC laws and regulations in connection with the Notes; and
  - (ii) within 10 PRC Business Days after submission of such NDRC Post-issue Filing (A) provide the Trustee with a certificate in English signed by any Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the submission of the NDRC Post-issue Filing and (B) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the same.

The Trustee shall have no obligation or duty to monitor or ensure the completion of (or otherwise assist with) the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to the Noteholders or any other person for not doing so.

- (c) *Undertakings in relation to the Guarantee of the Notes*: The Guarantor shall:
  - (i) file or cause to be filed with SAFE for the registration of the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the "**Cross-Border Security Registration**"), and any implementation rules as issued by SAFE from time to time;

- (ii) use its best endeavours to complete the Cross-Border Security Registration and obtain a registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE on or before the Registration Deadline;
- (iii) comply with all applicable PRC laws and regulations in relation to the provision of the Guarantee of the Notes; and
- (iv) within 10 PRC Business Days after receipt of registration record (or any other document evidencing the completion of registration issued by SAFE) from SAFE:
  - (A) provide the Trustee with a certificate in substantially the form set forth in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration, together with a true copy of the relevant SAFE registration record (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration certified by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor (collectively, the “**Registration Documents**”); and
  - (B) give notice to the Noteholders (in accordance with Condition 15 (*Notices*)) confirming the completion of the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the registration of (or otherwise assist with) the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

- (d) *Financial Statements*: So long as any Note remains outstanding, the Guarantor shall send to the Trustee:
  - (i) as soon as practicable after their date of publication and in any event not more than 120 calendar days after the end of each financial year, two copies of the audited annual financial statements of the Group (audited by an internationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate; and
  - (ii) as soon as practicable after their date of publication and in any event not more than 60 calendar days after the end of each semi-annual financial period, two copies of the semi-annual financial statements of the Group (reviewed by an internationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate.

The Trustee shall not be required to review any other financial report furnished or delivered to it as contemplated in this Condition 3(d) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Noteholder or any other person for not doing so.

- (e) *Change of Financial Year*: So long as any Note remains outstanding, the Issuer and the Guarantor shall inform the Trustee in writing if there is any change in the financial year-end of the Issuer or, as the case may be, the Guarantor.



- (f) *Information in relation to Event of Default or Potential Event of Default:* So long as any Note remains outstanding, the Issuer and the Guarantor shall make available to the Trustee at the same time the Guarantor provides the audited annual financial statements of the Group pursuant to Condition 3(d), a certificate in English of each of the Issuer and the Guarantor signed by any two of their respective directors, which shall be substantially in the form provided in the Trust Deed, stating that as of the end of the latest financial year of the Issuer or the Guarantor, as the case may be, (A) no Event of Default or Potential Event of Default (as defined in the Trust Deed) had occurred since the certification date of the last such certificate or (if there has been no such certificate previously) the Issue Date, or, if such an event had occurred, giving details of it and the action which the Issuer or the Guarantor proposes to take with respect thereto and (B) the Issuer or the Guarantor, as the case may be, has complied with all of the covenants that the Issuer or the Guarantor, as the case may be, is bound by under the Conditions, the Trust Deed, the Agency Agreement and the Deed of Guarantee, or, if such non-compliance had occurred, giving details of it.

In these Conditions:

**“Board of Directors”** means the board of directors elected or appointed by the relevant shareholders of the Issuer or the Guarantor, as applicable, to manage the business of the Issuer or Guarantor, or any committee of such board duly authorised to take the action purported to be taken by such committee;

**“Group”** means the Guarantor and its Subsidiaries, taken as a whole;

**“Guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Macau”** means the Macau Special Administrative Region;

“**Material Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement is at least ten per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Guarantor and its consolidated Subsidiaries; or
- (b) whose gross profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement, is at least ten per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Guarantor and its consolidated Subsidiaries, including for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least ten per cent. of the consolidated net assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of such Guarantor and of associated companies and after adjustment for minority interests;

**provided that**, in relation to paragraphs (a), (b) and (c) above:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
  - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, gross profit or net assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
  - (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor; and
  - (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, *whereupon* the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Material Subsidiary, **provided that** on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Material Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above;

“**NDRC**” means the National Development and Reform Commission of the PRC;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“**PRC**” means the People’s Republic of China, which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

“**PRC Accounting Standards**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter, as amended from time to time;

“**PRC Business Day**” means a day other than a Saturday, Sunday or public holiday on which banks are open for business and settlement in Beijing;

“**Registration Deadline**” means the day falling 45 PRC Business Days after the Issue Date;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), but excludes any Indebtedness that is issued in the PRC;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control more than 50 per cent. of the issued share capital or the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

#### 4. Interest

The Notes bear interest from and including 20 May 2021 (the “**Issue Date**”) at the rate of 0.875 per cent. per annum, (the “**Rate of Interest**”) payable annually in arrear on 20 May in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR8.75 in respect of each Note of EUR1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where “**Calculation**

**Amount**” means EUR1,000, **“Day Count Fraction”** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls and **“Regular Period”** means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

## 5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 20 May 2026, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 May 2021; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

**provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or (as the case may be) the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate in English signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate in English signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above (without further investigation or inquiry, and without liability to the Noteholders or any other person), in which event they shall be conclusive and binding on the Noteholders, and the Trustee shall be protected and shall have no liability to any Noteholder or any person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption for a Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Note on the Put Settlement Date at 101 per cent. of their principal amount (in the case of a redemption for a Change of Control Event) or at 100 per cent. of their principal amount (in the case of a redemption for a Non-Registration Event), in each case together with interest accrued up to, but excluding, such Put Settlement Date. To exercise such rights, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the Specified Office of any Paying Agent (a "**Put Option Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Relevant Event, or, in the case of a Change of Control Event only, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*).

The "**Put Settlement Date**" shall be the 14th day (or, if such day is not a business day (as defined in Condition 6(e) (*Payments on business days*)), the next business day immediate following such day) after the expiry of such period as referred to above.

A Put Option Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Option Notices delivered as aforesaid.

The Issuer, failing whom, the Guarantor, shall give notice to Noteholders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Event or five days following the occurrence of a Non-Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for a Relevant Event*).

*So long as the Notes are represented by the Global Note Certificate, a Holder's right to redemption of the Notes due to a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.*

In this Condition 5(c) (*Redemption for a Relevant Event*):

"**Change of Control Event**" means the occurrence of one or more of the following events: (A) the Controlling Persons together, directly or indirectly, ceasing to Control the Controlling Shareholder's issued and outstanding share capital; (B) the Controlling Shareholder, directly or indirectly, ceasing to Control the Guarantor; or (C) the Guarantor, directly or indirectly, ceasing to own and control at least 100 per cent. of the issued and outstanding share capital of the Issuer.

For the purpose of (A) above of this definition, SASAC shall be deemed to "**Control**" or have "**Controlled**" the Controlling Shareholder if: (i) it, directly or indirectly (through Subsidiaries or otherwise), owns, acquires or controls 100 per cent. of the voting rights of the issued share capital of the Controlling Shareholder or (ii) the members of the Controlling Shareholder's board of directors or other equivalent or successor governing body are nominated by SASAC; or (iii) it possesses, directly or indirectly, the ability or power to direct the management policies of the Controlling Shareholder. For the purpose of (B) above of this definition, the Controlling Shareholder shall be deemed to "**Control**" or have "**Controlled**" the Guarantor if: (i) it is the

single largest controlling shareholder of the Guarantor or (ii) a majority of the members of the Guarantor's Board of Directors or other equivalent or successor governing body are nominated by the Controlling Shareholder or its Subsidiaries; or (iii) it possesses, directly or indirectly, the ability or power to direct the management policies of the Guarantor;

“**Controlling Person(s)**” mean (A) SASAC, or (B) the central government of the PRC or any other person directly wholly controlled by the central government of the PRC;

“**Controlling Shareholder**” means China Railway Construction Corporation (中國鐵道建築集團有限公司);

a “**Non-Registration Event**” occurs when the Registration Condition has not been satisfied on or prior to the Registration Deadline;

“**Registration Condition**” means the receipt by the Trustee of:

- (a) a certificate in substantially the form set out in the Trust Deed signed by any two directors or duly authorised officers of the Guarantor confirming (A) the completion of the registration of the Trust Deed with SAFE as described in Condition 3(c) (*Undertakings in relation to the Guarantee of the Notes*) and (B) no Event of Default has occurred; and
- (b) a certified true copy of the relevant SAFE registration certificate and the particulars of registration;

a “**Relevant Event**” means a Change of Control Event or a Non-Registration Event; and

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor.

- (d) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on or after 20 April 2026, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15 (*Notices*) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption.
- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of the Issuer*) above.
- (f) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries, shall not entitle the Holder to vote any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 12(a) and 13.
- (g) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (h) *No duty to monitor:* The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Relevant Event, a Potential Event of Default or an Event of Default has occurred or to monitor the occurrence of any Relevant Event, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.
- (i) *Calculations:* Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and shall not be liable to the Noteholders or any other person for not doing so.

## 6. Payments

- (a) *Principal*: Payments of principal and premium (if any) shall be made by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (i) (in the case of interest payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Interpretation*: In these Conditions:

“**TARGET2**” means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro; and

“**TARGET System**” means the TARGET2 system.

- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (e) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(e), “**business day**” means:
- (i) any day which is a TARGET Settlement Day and a day on which commercial banks are open for general business (including dealings in foreign currencies) in Hong Kong; and
- (ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the close of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

*Whilst the Notes are evidenced by the Global Note Certificate, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).*

- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Notes, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

## 7. Taxation

All payments of principal and interest in respect of the Notes and under the Guarantee of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law.

Where such withholding or deduction is required by law and is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 12 May 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer or the Guarantor is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction or any political subdivision thereof or authority therein or thereof having power to tax except the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts referred to in this Condition 7 (*Taxation*) shall be payable in respect of any Note:

- (i) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or
- (ii) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. “**Relevant Jurisdiction**” means Hong Kong, the PRC or any jurisdiction in which the Issuer and the Guarantor, respectively, is incorporated or any jurisdiction of residence for tax purposes of the Issuer and the Guarantor, respectively.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of such principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than any of the Relevant Jurisdictions, references in these Conditions to the Relevant Jurisdiction shall be construed as references to such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.



## 8. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer or the Guarantor fails to pay any amount of principal in respect of the Notes or the Guarantee of the Notes, as the case may be, on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and, in the case of interest, such default continues for a period of seven days; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy, remains unremedied for seven days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) *Cross-Default of Issuer, Guarantor or Subsidiary*:
  - (i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
  - (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

**provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds US\$100 million (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) is rendered against the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries in respect of all or a substantial part of their undertakings, assets or revenue, and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries; or
- (f) *Insolvency, etc.*: (i) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries is appointed (or application for any such appointment is made and such application is not discharged or stayed within 45 days), (iii) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it and such action is not discharged or stayed within 45 days or (iv) the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries; or
- (h) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up etc.*) above; or
- (i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes the Trust Deed or the Deed of Guarantee; or
- (k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (l) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

## 9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

## 11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances including without limitation provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction, and to be paid its costs, expenses, indemnity payments and other amounts in priority to the claims of the Noteholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor or any other Person without being accountable for the same (including any profit therefrom) to the Noteholders or any Person.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer or the Guarantor (as the case may be) in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor (as the case may be) to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to monitor or ascertain whether any Relevant Event, Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or the Guarantor, and the Trustee shall not at any time have any responsibility.

In the exercise of its powers, functions, rights, authorities and discretions under these Conditions, the Deed of Guarantee, the Agency Agreement, the Notes and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and shall not have regard to the interests and will not be responsible for any consequence for individual Holders of Notes as a result of any circumstances particular to individual Holders of Notes, including but not limited to, such Noteholders being connected in any way with a particular territory or taxing jurisdiction or with regard to such Holders' particular circumstances. The Trustee shall not be entitled to require on behalf of any Noteholders, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided in Condition 7 (Taxation) and/or any undertaking given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Guarantor, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations or responsibilities towards or relationship of agency or trust for or with any of the Noteholders or any third parties.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; **provided, however, that** the Issuer and the Guarantor shall at all times maintain (a) a principal paying agent and a registrar and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer.

Neither the Trustee nor the Agents shall be required to monitor the occurrence of any Event of Default, Potential Event of Default or of any event under Condition 5 (*Redemption and Purchase*) that may trigger the option of redemption, and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other Person for not doing so.

## 12. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee, the Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes subject that the Trustee shall have been indemnified and/or pre-funded and/or secured to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)), may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes outstanding and who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

*So long as the Notes are represented by the Global Note Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Noteholders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being outstanding.*

- (b) *Modification and waiver*: The Trustee may (but shall not be obliged to), without the consent of the Noteholders, agree to any modification of these Conditions, the Deed of Guarantee or the Trust Deed (in each case, other than in respect of a Reserved Matter) or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and to any modification of these Conditions, the Notes, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or of any of the provisions of the Deed of Guarantee, the Trust Deed or the Agency Agreement (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

- (c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by these Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification of directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any such directions, or in the event that the directions or clarifications sought are not provided by the Noteholders.

### **13. Enforcement**

The Trustee may at any time, at its discretion and without notice, take any such steps and/or actions and/or institute such proceedings as it thinks fit to enforce its rights under the Deed of Guarantee, the Trust Deed and the Agency Agreement and in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### **14. Further Issues**

Subject to compliance with Conditions 3(b) and 3(c), the Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for the NDRC Post-issue Filing and the Cross-Border Security Registration) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee (acting on an Extraordinary Resolution), create and issue other series of notes having the benefit of the Trust Deed.

### **15. Notices**

Notices to the Noteholders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

*So long as the Global Note Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer and the Guarantor shall jointly and severally indemnify the Trustee and each Holder, on the written demand of the Trustee or such Holder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## 17. Governing Law and Jurisdiction

- (a) *Governing law*: The Notes, the Deed of Guarantee and the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction*: Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement and the Guarantor has in the Deed of Guarantee (i) agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes) and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.
- (c) *Consent to enforcement etc.*: Each of the Issuer and the Guarantor irrevocably and generally consents in respect of any proceedings relating to a Dispute (“**Proceedings**”) anywhere to the giving of any relief or remedy against it or the issue and service on it of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any of its property or assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.
- (d) *Waiver of Immunity*: If the Issuer or the Guarantor or any of their respective property or assets is or are entitled in any jurisdiction to any immunity from service of process or of other documents relating to Proceedings, or to any immunity from jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of execution or otherwise) or other legal process, this is irrevocably waived to the fullest extent permitted by the law of that jurisdiction. Each of the Issuer and the Guarantor also irrevocably agrees not to claim any such immunity for itself or its property or assets.
- (e) *Service of Process*: Pursuant to the Trust Deed and the Deed of Guarantee, the Guarantor has irrevocably agreed to accept service of process in any Proceedings in Hong Kong at the Guarantor’s principal place of business in Hong Kong (currently at 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong) based on any of these Conditions, the Notes, the Trust Deed, the Agency Agreement or the Guarantee of the Notes. If for any reason the Guarantor shall cease to have an office in Hong Kong, the Guarantor shall forthwith appoint an agent for service of process in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The Global Note Certificate of each series of Notes contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions.*

Terms defined in the Terms and Conditions of the Notes set out in this Offering Circular have the meaning in the paragraphs below.

Each series of Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under each Global Note Certificate, the Issuer, for value received, will promise to pay to the Holder represented by the Global Note Certificate the amount payable upon redemption under the Terms and Conditions of the Notes in respect of the relevant series of Notes represented by the Global Note Certificate to the Noteholder in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Notes.

Each Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates for that series of Notes if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate representing a particular series of Notes is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of that Global Note Certificate within five business days of the delivery, by or on behalf of the registered Noteholder of that Global Note Certificate, Euroclear and/or Clearstream to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the provisions of the relevant Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, such Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the relevant series of Notes evidenced by such Global Note Certificate. The following is a summary of certain of those provisions:

**Payments:** Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).

**Exercise of put option:** In order to exercise the option contained in Condition 5(c) (*Redemption for a Relevant Event*) (the “**Put Option**”), the Noteholder must, within the period specified in the Terms and Conditions of the Notes for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream, and/or any other relevant clearing system, specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

**Issuer's redemption:** The Issuer's redemption option in Condition 5(d) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes may be exercised at any time on or after 20 April 2026 by the Issuer giving notice to the Noteholders and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption. Any such notice shall be irrevocable and may not be withdrawn.

**Notices:** So long as the Notes are represented by a Global Note Certificate and such Global Note Certificate is held on behalf of Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of the relevant series of Notes represented by such Global Note Certificate shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Notes in substitution for notification as required by the Terms and Conditions of the Notes.

The Global Note Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

## **USE OF PROCEEDS**

The net proceeds from this offering, after the deduction of fees, commissions and expenses payable in connection with this offering, will be approximately U.S.\$299 million in respect of the USD Notes and approximately EUR298 million in respect of the EUR Notes. The Issuer intends to use the net proceeds for repayment of debts due and replenishment of working capital for overseas construction projects.



## CAPITALISATION OF THE COMPANY

As at the date of this Offering Circular, the registered share capital of the Company is RMB13,579,541,500.0 divided into 11,503,245,500 A shares of RMB1.0 par value each and 2,076,296,000 H shares of RMB1.00 par value each and its issued share capital is RMB13,579,541,500.0 consisting of 13,579,541,500 ordinary shares of RMB1.0 par value each.

The following table sets forth the Company's audited consolidated capitalisation as at 31 December 2020 and as adjusted to give effect to the issue of the Notes before deduction of any fees, commissions and expenses. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB in millions)	(U.S.\$ in millions <sup>(1)</sup> )	(RMB in millions)	(U.S.\$ in millions <sup>(1)</sup> )
<b>Total borrowings<sup>(2)</sup></b>				
<b>– current portion</b>				
Borrowings . . . . .	75,710.1	11,603.1	75,710.1	11,603.1
<b>Total borrowings<sup>(3)</sup></b>				
<b>– non-current portion</b>				
Borrowings . . . . .	137,130.0	21,016.1	137,130.0	21,016.1
Notes to be issued <sup>(4)</sup> . . . . .	–	–	4,338.8	665.0
<b>Total borrowings</b> . . . . .	212,840.1	32,619.2	217,178.9	33,284.2
<b>Equity</b>				
Share Capital . . . . .	13,579.5	2,081.1	13,579.5	2,081.1
Capital reserve . . . . .	44,158.8	6,767.6	44,158.8	6,767.6
Surplus reserve . . . . .	6,139.6	940.9	6,139.6	940.9
Retained earnings . . . . .	123,453.7	18,920.1	123,453.7	18,920.1
Other comprehensive income . . . . .	(1,292.3)	(198.1)	(1,292.3)	(198.1)
Other equity instruments . . . . .	68,258.4	10,461.1	68,258.4	10,461.1
<b>Equity attributable to owners of the Company</b> . . . . .	254,297.7	38,972.7	254,297.7	38,972.7
Minority interest . . . . .	59,341.3	9,094.5	59,341.3	9,094.5
<b>Total shareholder's equity</b> . . . . .	313,639.0	48,067.2	313,639.0	48,067.2
<b>Total capitalisation<sup>(5)</sup></b> . . . . .	526,479.1	80,686.4	530,817.9	81,351.4

(1) Based on the exchange rate of RMB6.5250 to U.S.\$1.0 and the exchange rate of U.S.\$1.2230 to EUR1.0.

(2) Current portion of the total borrowings represents the aggregate balance of short-term loans, short-term unsecured financing bonds, long-term loans with maturities of one year and below, and bonds payable with maturities of one year and below.

(3) Non-current portion of the total borrowings represents the aggregate balance of long-term loans and bonds payable.

(4) The amount represents the aggregate principal amount of the Notes to be issued, before deducting any underwriting commissions and other transaction costs and expenses payable in connection with the offering of the Notes.

(5) Total capitalisation represents the sum of the total borrowings and total shareholders' equity.

As at 31 March 2021, the closing balance of current portion of non-current liabilities was RMB21,998.5 million, representing a decrease of RMB6,574.8 million or 23.01 per cent. from that at 31 December 2020; the bonds payable was RMB28,782.2 million, representing an increase of RMB2,670.4 million or 10.23 per cent. from that at 31 December 2020. As at the date of this Offering Circular, there has been no other material adverse change in the Company's consolidated capitalisation and indebtedness since 31 December 2020.

## DESCRIPTION OF THE ISSUER

### Formation

The Issuer, CRCC Hean Limited was incorporated in Hong Kong on 20 April 2021 as a public company with limited liability under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) with company number 3040210. Its registered office is located at 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

### Business Activities

The Issuer was established for the purpose of issuing the Notes and onlending the proceeds to the Company and/or its subsidiaries. The Issuer has not engaged, since the date of its incorporation, in any other material activities other than those relating to the proposed issue of the Notes and the onlending of the proceeds thereof to the Company and/or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

The Issuer has the capacity, rights, powers and privileges of a natural person of age under law and therefore has full power and authority to carry out any activities not prohibited by the laws of Hong Kong. Copies of the Issuer's Articles and Association are available as described in "General Information".

### Directors

The directors of the Issuer are as follows:

<u>Name</u>	<u>Position</u>
QIAO Guoying . . . . .	Director
GAO Jihong . . . . .	Director

The address of QIAO Guoying for the purpose of her directorship of the Issuer is Room 1206, Building 83, No. 40 Fuxing Road, Haidian District, Beijing, PRC and the address of GAO Jihong for the purpose of his directorship of the Issuer is Room 2-702, Yard 19, Yongding Road B, Haidian District, Beijing, PRC.

### Share Capital

As at the date of this Offering Circular, the issued share capital of the Issuer is HK\$10,000.0 represented by 10,000 ordinary shares.

No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being, or is proposed to be, sought. The Issuer does not have any debt outstanding other than the Notes to be issued.

## DESCRIPTION OF THE GROUP

### OVERVIEW

Originally founded as the Railway Corps of the People's Liberation Army, the Company was formally established on 5 November 2007 with the Controlling Shareholder as the sole promoter approved by the State Council and the SASAC. The Company is one of the largest integrated construction companies globally, and is under SASAC's direct supervision. The Group was included among the "Top 250 Global Contractors" consecutively for 10 years by ENR, an American magazine, and ranked No. 3 in 2020. It was listed among the Fortune "Global 500" consecutively, ranking No. 54 in 2020. It was listed among the "Top 500 Enterprises of China" consecutively, ranking No. 14 in 2020.

The Group operates a wide range of business, covering construction, survey, design and consultancy, manufacturing, real estate development, materials and logistics, investment, finance and other emerging industries. The Group has established its industry leadership in the fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. In addition, the Group manufactures equipment used in engineering and construction projects, provides logistics and materials trading services, and develops real estate projects. This allows the Group to provide extensive services and products covering scientific research, planning, survey, design, construction, supervision and management, maintenance, operation as well as investment and financing. As a result, the Group has upgraded itself from an established market leader in China to a global competitor in the industry of engineering design and construction of plateau railways, high-speed railways, highways, bridges, tunnels and urban rail transits.

The Group has participated in the construction of almost all railway lines in China since 1949. The Group is one of the strongest and largest-scale integrated construction groups in China and in the world. It was included among the "Top 250 Global Contractors" consecutively for 10 years by ENR, an American magazine, and ranked No. 3 in 2020. The Group has engaged in the metropolitan railway projects in almost all cities in China that have developed metropolitan railway. The Group is a pioneer in the survey, design and consultancy industry in China. The Group is also one of the largest manufacturers of large rail track maintenance machinery in China and Asia with over 80.00 per cent. of the domestic market share in 2020. The Group owns a world-leading excavating machine manufacturing base with an annual capacity that commands half of the total capacity in China. In particular, its TBM commanded a market share of over 85 per cent. in China.

The Group is led by a professional team consisting of one member of the Chinese Academy of Engineering, 11 National Survey and Design Masters, 12 national candidates of the "Bai Qian Wan Talents Project" and 264 experts who are recipients of special subsidies granted by the State Council. As at 31 December 2020, the Company had cumulatively received 87 National Prizes for Science and Technology, 161 "Four Excellence" National Prizes in Survey, Design, 112 Zhan Tianyou Civil Engineering Awards, 444 National High-Quality Projects Awards and 148 Luban Prizes for China Construction, 3,460 engineering methods above provincial level and 31 China Patent Awards, and four A score and Excellent Performance Awards from the SASAC. As at 31 December 2020, the Group cumulatively held 19,072 patents.

The following table sets forth the breakdown of the Group's revenue and gross profit by segment for the periods indicated:

	Year ended 31 December								
	2018			2019			2020		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	<i>(RMB in millions)</i>		%	<i>(RMB in millions)</i>		%	<i>(RMB in millions)</i>		%
Construction . . . . .	634,748.0	46,168.4	7.27	724,545.1	54,024.2	7.46	813,334.0	58,640.0	7.21
Survey, design and consultancy . . . . .	16,705.9	5,700.4	34.12	18,084.9	5,798.8	32.06	18,460.2	6,157.6	33.36
Manufacturing . . . . .	16,482.3	4,279.8	25.97	18,104.6	4,120.1	22.76	18,049.2	4,327.0	23.97
Real estate development . . . . .	36,913.8	9,080.9	24.60	41,297.4	8,825.0	21.37	40,928.9	8,319.0	20.33
Other businesses . . . . .	64,607.1	7,415.0	11.48	71,857.3	8,730.4	12.15	76,624.6	7,446.0	9.72
Inter-segment elimination . . . . .	(39,334.1)	(1,232.7)	-	(43,437.2)	(1,411.4)	-	(57,072.2)	(552.0)	-
<b>Total . . . . .</b>	<b>730,123.0</b>	<b>71,411.8</b>	<b>9.78</b>	<b>830,452.2</b>	<b>80,087.1</b>	<b>9.64</b>	<b>910,324.8</b>	<b>84,337.5</b>	<b>9.26</b>

As at 31 December 2020, the Group had operations in 32 provinces, autonomous regions and municipalities in China as well as Hong Kong, Macau and Taiwan. As at 31 December 2020, the Group also had operations in 134 foreign countries. As at 31 December 2020, the Group had 8,657 projects under construction, 8,027 of which were located in the Mainland China while the other 630 were located abroad. The following table sets forth the Group's revenue by geographic regions for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Revenue	Gross Profit Margin	Revenue	Gross Profit Margin	Revenue	Gross Profit Margin
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Mainland China . . .	694,568.6	9.60	794,857.5	9.58	871,621.8	9.22
Overseas . . . . .	35,554.5	13.34	35,594.7	11.16	38,703.0	10.31
Total . . . . .	<u>730,123.0</u>	<u>9.78</u>	<u>830,452.2</u>	<u>9.64</u>	<u>910,324.8</u>	<u>9.26</u>

In 2020, the Group's new contract value amounted to RMB2,554.3 billion, representing an increase of 27.28 per cent. from 2019, and the Group's revenue and net profit amounted to RMB910.3 billion and RMB25.7 billion, representing growth of 9.62 per cent. and 13.64 per cent., respectively, from 2019. The value of the Group's newly-signed overseas contracts in 2020 amounted to RMB232.8 billion. As at 31 December 2020, the Group's backlog was RMB4,318.9 billion. For the years ended 31 December 2018, 2019 and 2020, the gross profit margin of the Group was 9.78 per cent., 9.64 per cent., and 9.26 per cent., respectively. The total assets of the Group reached RMB1,242.8 billion as at 31 December 2020, representing an increase of RMB161.6 billion from that as at 31 December 2019.

The Company was established as a joint stock company with limited liability under PRC law on 5 November 2007 with a registered capital of RMB8.0 billion. As at 31 December 2020, the Controlling Shareholder, which is wholly owned by SASAC, held 51.13 per cent. of the shares of the Company. The Company was listed on the main board of the Shanghai Stock Exchange on 10 March 2008 and listed on the main board of the Hong Kong Stock Exchange on 13 March 2008. As at the date of this Offering Circular, the registered share capital of the Company is RMB13,579,541,500 divided into 13,579,541,500.0 ordinary shares of RMB1.0 par value each and its issued share capital is RMB13,579,541,500.0 consisting of 13,579,541,500 ordinary shares of RMB1.0 par value each.

The Group mainly conducts the following businesses:

- **Construction**, the traditional and core business of the Group. The Group's construction operations mainly include railways, highways, urban rails, water conservancy and hydropower, housing construction, municipal engineering, bridges, tunnels, airports and wharfs;
- **Survey, design and consultancy**, covering civil engineering and infrastructure construction related to railway, urban rail transits, highways, municipal administration, industrial and civil buildings, water transport, water conservancy and hydropower and civil aviation whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection;
- **Manufacturing**, including three core business, i.e. equipment manufacturing, material production and precast concrete production. The business scope covers large railway track, maintenance machinery, underground construction equipment, rail construction equipment, concrete construction equipment, lifting equipment, bridge construction equipment, compacting equipment, concrete products, bridge steel structures, turnout and spring bar fastener, and electric contact wire and parts;
- **Real estate**, including the development, construction and sale of real estate; and
- **Materials, logistics and other businesses**, including logistics, warehousing and distribution, spot trading and international trading, financial insurance, concession, mining resources development and railway operation and management.

## COMPETITIVE STRENGTHS

The growth and development of the Group can be primarily attributed to the following competitive strengths:

**The Group is the world's largest integrated engineering contractor focusing on infrastructure construction.**

The Group is one of the strongest and largest scale integrated construction groups in China and in the world. The Company was included among the “*Top 250 Global Contractors*” consecutively for 10 years by ENR, and ranked No. 3 in 2020. The Company has been included in the Fortune Global 500 by the Fortune Magazine for fifteen consecutive years since 2006, ranking 54th in 2020. It was listed among the “Top 500 Enterprises of China” consecutively, ranking No. 14 in 2020.

The Group's extensive business scope, which includes infrastructure construction, survey, design, consultancy, as well as manufacturing, real estate development, logistics and materials trading, investment, finance and other emerging industries, enables it to provide comprehensive services to its customers. The qualifications held by the Group have enabled it to undertake various types of construction projects in China. These qualifications include a number of special qualifications which cover a broad range of construction projects including railway, highway, bridge, tunnel, metropolitan railway, water conservancy and hydropower facility, airport, port, real estate, municipal projects, as well as geological hazards prevention projects that are obtainable only by large-scale construction companies with reputable track records.

The Group has numerous engineering and technical equipment, professional, complete and high-level engineering construction qualifications and professional institutions of various types, which covers a complete industrial chain, enabling it to provide one-stop engineering construction services for customers. As at 31 December 2020, the Group had 82 extra-grade general contracting qualifications, ranking atop in construction companies nationwide. In 2020, the Group obtained four new special grade qualifications as general contractor for construction enterprises.

Through its ability to offer integrated, multifaceted services to its customers, the Group effectively utilise its facilities and resources from different business segments and forged its significant advantages in undertaking of large-scale and complicated projects, such as railway, highway, urban rail transit, municipal engineering, hydroelectric engineering as well as airports, stadiums and wharves projects. Over the years, the Group has had a number of achievements:

- **Railway.** The Group is one of the largest providers of railway construction services in China. Landmark railway lines constructed by the Group include the Qinghai-Tibet (Phases I and II), Beijing-Kowloon, Datong-Qinhuangdao, Southern Xinjiang, Nanning-Kunming, Neijiang-Kunming, Guangzhou-Shenzhen, Qinhuangdao-Shenyang, Chongqing-Huaihua and the Guangdong Sea Passageway. In addition, the Group has undertaken a number of high-quality railway projects including Beijing-Xiong'an High-speed Railway, Beijing-Zhangjiakou Railway and Rye Railway. The Group also provides railway construction services in overseas countries. In February 2020, the Group entered into a contract for the construction of the Minna-Abuja Segment of the Nigeria's Railway Modernization Project (Lagos-Kano Rail Line), in which Chinese technology standard was adopted for the first time in the design and construction of the overseas railway projects. In January 2014, the Group completed the construction of the main part of the Ankara-Istanbul high-speed railway line (Phase II) in Turkey, which is the first high-speed railway constructed by PRC enterprises in overseas countries.
- **Highway.** The Group is one of the largest providers of high-grade road construction services in China. Landmark freeways and highways constructed by the Group include Béjaïa Expressway and the Shenyang-Dalian, Jinan-Qinghai, Taiyuan-Yangquan, Xuanwu-Dalian, Tongjiang-Sanya, Chengdu-Chongqing, Beijing-Zhuhai, Beijing-Shanghai, Beijing-Fujian, Beijing-Shenzhen, Beijing-Chengde and Jiangxi- Guangdong freeways.

- **Urban rapid transit.** The Group is one of the largest providers of metropolitan railway construction services in China in terms of the total length of metropolitan railway constructed by the Group in China. The accumulated experience in construction and technological know-how over the years have been a highly valued assets and are instrumental to the Group’s continuing growth. Landmark metropolitan railways constructed by the Group include Wuhan Metro Line 6 and Nanning Metro Line 3. The Group also constructs railway stations such as Kunming South Railway Station.
- **Stadium and bridge.** The Group also undertakes construction projects of various public facilities and infrastructure, including airports, stadium and bridges. In 2015, the Group started the main project of Qatar Lusail Stadium, which was known as the “No. 1 Project” of Qatar. The stadium has a construction area of 180,000 square meters and a capacity of 92,000 spectators. It is designed in the traditional Qatar style and has obtained a nickname of “Big Golden Bowl” for its fashionable, bold and magnificent design. The project adopted various technologies that were the most advanced in the world. In December 2020, the picture of the stadium appeared on the face of newly-issued 10-dollar notes of Qatar. In addition, in November 2020, the Group commenced the construction of the Salvador-Itaparica Sea-crossing Bridge and Complementary Highway in Brazil, which has a total length of 46.8 kilometres and comprises of two road systems and a cross-sea bridge with 12.4 kilometres in length. This project is implemented in PPP model.

In 2020, the Group completed 1,362 infrastructure construction projects with a total contract value amount of RMB6,306.5 million, 337 housing construction projects with a total contract value amount of RMB38,335.5 million and four other projects with a total contract value amount of RMB16.8 million.

The Group believes that its competitive strengths and extensive experience in the construction industry, the opportunities created by the growth of the global construction industry and the “Belt and Road Initiative” encouraged by the PRC Government, and the leveraging of various regional development plan by the local government, such as “Coordinated Development for Beijing-Tianjin-Hebei Region”, “Construction of Xiong’an New Area”, “Guangdong-Hong Kong-Macau Greater Bay Area”, “Yangtze Economic Belt” and other construction projects will provide a pivot for sustainable growth of the Group’s business by expanding its core operations.

**The Group plays a critical role in the PRC infrastructure construction industry and receives strong support from the Controlling Shareholder.**

The Group plays a critical role in the PRC infrastructure construction industry. It has participated in the construction of almost all railway lines constructed since 1949. In 2020, the Group received 107 provincial Science and Technology Awards, 44 Construction Science and Technology Awards of China Construction Enterprise Management Association, 267 awards of new engineering methods at the provincial and ministerial level, 11 China Architecture Engineering Zhantianyou Awards and 11 prizes in China Construction Engineering BIM Competition. As an important participant in local infrastructure and comprehensive development, the Group has entered into strategic cooperation agreements with over 30 provincial and municipal governments to carry out long-term, all-round economic and technological cooperation, and improve the infrastructure of various provinces and cities.

The Group’s Controlling Shareholder, is under the direct supervision of the SASAC. The SASAC closely supervises the strategic development of the Controlling Shareholder and appoints the Controlling Shareholder’s senior management, which has substantial influence over the Group’s decision-making process. The Company entered into a non-competition agreement with the Controlling Shareholder on 5 November 2007, under which the Controlling Shareholder agreed not to, and to procure that any other company in which the Controlling Shareholder is a controlling shareholder will not, compete with the Company in its core businesses. In addition, the Controlling Shareholder granted the Group options and pre-emptive rights to acquire the retained businesses and operations. In 2020, 99.95 per cent. of the Controlling Shareholder’s revenue as well as 99.76 per cent. of the Controlling Shareholder’s total asset was contributed by the Group.

To better implement the policy adopted by the Controlling Shareholder, to the extent compatible with and in compliance with the requirement of the independence of the management, several senior executives of the Group are also holding office in the Controlling Shareholder. The Group believes that it will continue to leverage on, and benefit from, the strong support of its parent company to foster its long-term and sustainable development.

**The Group has expanded into diversified businesses in both domestic and international markets by effectively leveraging its experience, facilities and resources, which enables it to improve profitability.**

The Group intends to diversify its businesses while maintaining its integrated operations and promoting itself towards a value-created multinational construction group with global leading economic influence, technological leadership and world-class standards.

The Group has vigorously expanded into diversified businesses related to infrastructure construction, including survey, design and consultancy, manufacturing, real estate development, logistics and material trading and other businesses. Besides its leading position in the construction business, the Group is one of the largest large rail track maintenance machinery manufacturers in China and Asia with over 80.00 per cent. of the domestic market share in 2020. It is also one of China's largest railway construction logistics services providers. The diversified business model enables the Group to optimise its resource allocation, capture profits and growth opportunities from various segments and increase its overall competitiveness.

In 2020, profit before elimination of inter-segment sales contribution made by non-construction operations industry reached 48.09 per cent. Operating revenue and total profits realized by non-construction operations industry amounted to RMB154.1 billion and RMB15.1 billion, respectively during the year 2020. The Group further optimised the structure of construction operations industry. The Group has completed the overall layout along the construction industry chain, with the business covering the construction operations, survey, design and consultancy operations, manufacturing, real estate development, logistics and materials trading, investment and other emerging businesses. The Group realised the transition from a construction enterprise to a one-stop solution provider with an integration of scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, with the capability of expansion and synergy along the whole industry chain.

On 20 March 2012, the Group established China Railway Construction International Group. Co., Ltd to undertake overseas construction projects. Over the years, the Group has gradually established “CRCC” and “CCECC”, the two brand names it owns, and its reputation in the international construction industry. As at 31 December 2020, the Group had offices or owns projects in 134 foreign countries as well as in Hong Kong, Macau and other regions in the overseas markets, mainly located in areas with rapid economic and fixed assets investment growth, and the Group had 630 overseas projects under construction with total contract value of RMB341,092.0 million. Over 21,000 kilometres total mileage of railway and urban rail overseas had been designed and constructed by the Group and over 3,000 kilometres total mileage of railway and urban rail overseas had been operated and maintained by the Group as at 31 December 2020. Also, the total mileage of expressway designed and constructed overseas by the Group was over 6,500 kilometres as at 31 December 2020. In addition, the Group had constructed real estates overseas of total floor area of over 8 million square metres and built over 50 airports and ports overseas as at 31 December 2020. These efforts have established a solid foundation for its further development in overseas markets.

The Group believes that the continuing diversification of its businesses in terms of segments and geographic regions will enable it to enhance its competitiveness and profitability in the domestic and international markets.

**The Group benefits from the PRC Government's promotion of policies supporting the domestic and international expansion of the railway industry, such as the “Belt and Road Initiative”, Synergetic Cooperation in the Beijing-Tianjin-Hebei region, the “Golden Waterway Yangtze River Economic Belt” initiative, Xiong'an New Area Initiative and Guangdong-Hong Kong-Macau Great Bay Area Initiative.**

Since 2013, the PRC Government has implemented various initiatives seeking to encourage domestic and overseas expansion of the PRC railway industry. For example in 2013, the PRC Government announced the “Belt and Road Initiative” seeking to strengthen the policy communications and expand trade and infrastructure cooperation (primarily in the transportation infrastructure and energy industries) among countries located along the “Belt and Road” region (covering the historic silk road economic belt and the modern maritime silk road region). Railway is the core infrastructure of this strategic proposition. With the continued implementation and support of the PRC Government of the “Belt and Road Initiative”, the Group has been successful in leveraging the opportunities provided under this initiative in venturing into the competitive global market. As at 31 December 2020, the Group participated in infrastructure

construction in 45 countries and regions alongside the route of “Belt and Road Initiative”, such as the Qatar Lusail Stadium, the design and construction of the second phase of C0308 contract section of United Arab Emirates federal railway, the Southwest rail line of Moscow subway, the third interchange line of tunnel boring project and Four Seasons Hotel in Malaysia. Along the Belt and Road route, the Group had 319 contracts on hand with total contract value of approximately RMB348.5 billion as at 31 December 2020.

Initiated in 2014 by President Xi Jinping, the national strategy of synergising the development of Beijing, Tianjin and Hebei stemmed from the long-held goal of ensuring balanced and integrated joint development of the area. The key projects of the Group in this area include Beijing-Zhangjiakou Railway, Zhangjiakou-Hohhot High-Speed Railway, Chongli Railway, Line No.8 of Beijing Subway, Beijing- Xiong’an Railway, Northern Highway of Daxing Airport and Yanqing-Chongli Highway, shanty town renovation in villages and streets in Airport Economic Start Zone in Langfang, comprehensive development project of Jinzhong Street Area in Tianjin, Phase I of Tianjin Metro Line No. 8 and Tianjin Metro Line No. 6.

The establishment of Xiong’an New Area in Hebei Province is a significant strategic policy implemented by the PRC Government and a major national event to further promote the coordinated development of Beijing, Tianjin and Hebei. Xiong’an New Area is expected to become another new area with national significance similar to Shenzhen Special Economic Zone and Shanghai Pudong New Area. Soon after the announcement of the establishment of Xiong’an New Area, the Group founded a working group in the Xiong’an New Area to enhance its presence in the area. In 2018, the Group further set up a subsidiary to invest in Xiong’an New Area. The Group actively participated in the construction of Xiong’an New Area with the major projects including Beijing-Xiong’an High-speed Railway, Xiong’an Station building and the related engineering structure of the Beijing-Xiong’an intra-city railway, 2018 environmental improvement project for Rong County, Fall 2018 afforestation of Xiong’an New Area, Forestation project in Section 5 of the First Area, No. 9 Block and B1, B2, C, D1, D2 and E Group Resettlement Housing and Ancillary Facilities Project – D1 and D2 Group EPC in Rongdong Area.

In addition, following the PRC State Council’s mid-2014 analysis identifying the Yangtze river region as an economic super-zone, called the “Golden Waterway Yangtze River Economic Belt”, which accounts for approximately 40.00 per cent. of China’s total GDP, the PRC Government announced in September 2014 of its intention to further promote the economic development of the Yangtze river region. The “Golden Waterway Yangtze River Economic Belt” initiative aims to better integrate the economies of the developed and developing regions along the Yangtze river (including Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Sichuan, Chongqing, Yunnan and Guizhou) to further stimulate regional growth. Projects announced under this initiative included a multi-tier transport network along the river, connecting rail, road and air transport with ports to increase transport capacity and bolster domestic and foreign trade. The major projects under construction undertaken by the Group in Yangtze river region include Inner Mongolia-Jiangxi Railway, Hangzhou East Railway Station, Wuhan Railway Station, Xipai City in Chongqing, Resettlement Housing in Zhangjiagang, Yuxi-Mohan Railway, Dali-Ruilu Railway, Zhengzhou-Wanzhou Passengers Dedicated Railway, Chengdu-Guiyang Passengers Dedicated Railway, Chengdu-Lanzhou Railway, Chengdu-Kunming Railway, Qianjiang-Zhangjiajie-Changde Railway, South Guizhou High-speed Railway, Chongqing-Guizhou Highway Expansion Project, Line No. 6 of Chengdu Subway, Line No. 7 of Nanjing Subway and Water Diversion project in Central Yunnan.

In 2017, the PRC Government further announced the “Guangdong-Hong Kong-Macau Great Bay Area Initiative”. The Guangdong-Hong Kong-Macao Greater Bay Area consists of the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and such cities as Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province; it is one of the regions enjoying the utmost economic openness and vitality in China while remaining in a significant strategic position in national development framework. To seize the opportunities provided by various construction projects during the development of Guangdong-Hong Kong-Macau Great Bay Area, the Group established Regional Headquarter in South China, responsible for the markets in Guangdong and Guangxi markets, to thoroughly understand the needs of the local government and property owners and timely adjust its business policy to the market conditions. The major projects under construction undertaken by the Group in Guangdong-Hong Kong-Macau Great Bay Area include Guangzhou Mingzhu Bay Bridge, Line No. 18 and No. 22 of Guangzhou Subway, Line No. 16 of Shenzhen, Phase IV of Line 3 of the Urban Rail Transit of Shenzhen City, Mingzhuwan Bridge, Section I from Shenzhen Airport to Qianhai of Guangzhou-Dongguan Shenzhen Intercity Rail Transit and Haizhu Bay Tunnel Project.

The Group expects that the PRC Government’s continued support of such domestic and international initiatives will continue to provide the Group with continuing opportunities and benefits with respect to its business operations and prospects.



**The Group has large backlog signed with quality customers, which enables it to steadily grow its businesses and revenue.**

The Group had significant amount of backlog in the infrastructure construction industry as at 31 December 2020. Its backlog had steadily increased from RMB67.0 billion as at 31 December 2004 to RMB4,318.9 billion as at 31 December 2020. These backlog orders account for a high percentage of projected future revenue, and are expected to contribute to the stability of prospective revenue and cash flows from operations. The steady and continuous growth in backlog coverage (being the ratio of the Group's backlog at the end of the year to the Group's revenue for the year) is expected to enhance predictability of the Group's future revenue.

The majority of the Group's backlog orders are signed with long-term customers with strong credit profile. In its domestic construction business, the Group's top five customers include railway companies under China State Railway Group Co. Ltd. and local metro companies. The revenue from the top five customers was RMB42.2 billion, accounting for 4.64 per cent. of the annual total revenue. In its overseas construction business, the Group's key customers primarily include government agencies. In its survey, design and consultancy business, the Group's key customers include government agencies, construction project companies established and managed by the central and local PRC governments and large state-owned enterprises. In its manufacturing business, the Group's key customers include railway bureaus, engineering bureaus, local railway companies, metro rail companies, mining companies and large state-owned enterprises that own special railway lines.

**The industry-leading research and development capabilities and strong construction capabilities allow the Group to undertake strategically important projects.**

The Group has industry-leading research and development capabilities, with 107 provincial Science and Technology Awards, 44 Construction Science and Technology Awards of China Construction Enterprise Management Association, 267 awards of new engineering methods at the provincial and ministerial level, 11 China Architecture Engineering Zhantianyou Awards, 11 prizes in China Construction Engineering BIM Competition, the "World's Best Engineering Award" in ENR of the United States in 2020. 5,099 patents were granted in 2020. As at 31 December 2020, the Group had 19,072 valid patents.

The year 2020 was the final year of the 13th Five-year Plan, during which the Group presided over four national key research and development projects, such as research and development of digital prototype and digital twin technology of the underground engineering equipment system; presided over ten national level projects, such as standardisation and engineering demonstration of the application of the monitoring and diagnosis system for key components of large excavating machines; and participated in eight national level projects; as well as presided over 27 provincial and ministerial level projects and participated in 13 provincial and ministerial level projects.

As early as 1954, the Group's predecessor, the Railway Engineering Corps, undertook the construction of Baotou-Lanzhou Railway, China's first cross-desert railway. It later undertook the construction of Beijing Subway Line one, China's first metro line in 1965. With the economic growth of the PRC and the development of the Group, the Group has undertaken numerous national milestone construction projects, during which it has accumulated rich experience and strong research construction capabilities, including:

- construction of the Hong Kong-Zhuhai-Macao Bridge, with the world's longest immersed tube tunnel and the bridge and tunnel combination highway with the world's longest distance cross the sea (2018);
- construction of the Inner Mongolia-Jiangxi Railway, the longest heavy haul railway under construction in China (2018);
- construction of the Gantas Tunnel in Algeria, which is the longest tunnel located in North Africa (2017);
- construction of the Addis Ababa-Djibouti Port Railway, the first railway that fully adopted and implemented the Chinese standards in whole industrial chain, and which is now open to traffic (2016);
- construction of the No. 1 Qilian Mountain Tunnel of Lanzhou-Urumchi, the highest tunnel with high-speed railway, and which is now open to traffic (2014);
- construction of the Nanpan River Bridge of Yunan-Guilin Railway, the arch bridge with the largest span in the world applying in the railway for both passengers and freight (2013);

- construction of the Qingdao-Jiaozhou Bay Bridge, the world’s longest across water bridge, opened to traffic (2011);
- construction of the Beijing-Shanghai high-speed rail, the longest high-speed rail opened to traffic (2011);
- construction of the Shiziyang Tunnel, China’s first high-speed railway applying Tunnel Boring Machine (or TBM) undersea, opened to traffic (2011);
- construction of the Yichang-Wanzhou Railway, known as “the bridge and tunnel museum”, opened to traffic (2010);
- construction of Xiamen Xiang’an undersea tunnel, the first undersea tunnel in China opened to traffic (2009);
- survey and design of the Qinghai-Tibet railway, the first plateau railway in China, in its 1st and 2nd phases, and completed construction of 71.10 per cent. of the two phases of the project, including the construction of all of the railway lines at an altitude of 4,900 metres or higher in the 2nd phase and most of the construction of the railway lines at an altitude of 4,600 metres or higher in the 2nd phase (2008);
- construction of the Nanjing Yangtze River Tunnel, China’s largest shield diameter ever used then (2005);
- construction of the Super Long Wushaoling Tunnel, the longest railway tunnel in China at the time, opened to traffic (2003);
- construction of the Shanghai Maglev Train, the world’s first commercial Maglev track (2001);
- the first time use of TBM excavation technology in a railway tunnel, Qinling Tunnel, the longest in China and the 6th longest tunnel worldwide, fully operational (1999);
- construction of the Datong-Qinhuangdao Railway, the first electrified double-track heavy-haul railway in China which won the Lu Ban Prize and Golden Prize of National High-Quality Prize (1985); and
- construction of the Chengdu-Kunming Railway, which was praised by the United Nations as “one of three major wonders symbolising the human being conquering nature in the twentieth century” (1970).

As at 31 December 2020, there was an increasing number of products of the Group designed with independent intellectual property rights. Underground engineering facilities including major-diameter earth pressure balance shield/TBM dual-mode excavator, hard rock tunnel boring machine with major diameter and full face and hard rock tunnel boring machine with double shields. Large railway track maintenance machinery including narrow-gauge tamping machines and narrow-gauge ballasting machines have also achieved the international leading level and have been exported to overseas markets. Technologies of underground and underwater engineering construction, magnetic suspension engineering construction and Electrical & Mechanical system integration have achieved a leading position in the industry. During the 14th Five-Year Plan period, the country will continue to invest in transport infrastructure construction, the high-end equipment manufacturing will embrace golden growth opportunities, and intelligent manufacturing development will be promoted in an all-round manner. The continuously improved core equipment supply capacity and the accelerated major technology and equipment localization will offer great opportunity and platform to high-end equipment manufacturing. The Group invests in technology research and development continuously, and promotes the integration of advanced technology and new approach and process to improve independent innovation capability.

**The Group has a sound capital structure and efficient capital management which enable it to achieve solid financial performance.**

The Group implements prudent financial management policies to maintain a strong credit profile and balance sheet position. Due to its strong credit profile and balance sheet position, the Group is able to access diversified funding sources, including bank borrowings and capital markets. The Group already had banking facilities from several PRC banks of up to RMB1,700.7 billion as at 31 December 2020, of which an amount of approximately RMB617.2 billion had been drawn. The Group constantly monitors its current and expected liquidity requirements and complies with borrowing covenants to ensure sufficient cash reserves and adequate committed facilities to satisfy its short-term and long-term liquidity requirements. As at 31 December 2020, the total borrowing to total capital ratio (calculated as total borrowing divided by the sum of total borrowing and total shareholder's equity) of the Group was 40.4 per cent. and the EBITDA Interest Coverage ratio (calculated as EBITDA divided by the total interest expenses) was 4.7. The bank borrowings, medium term notes, short-term unsecured financing bonds and guaranteed notes denominated in U.S. dollars of the Group accounted for 82.82 per cent., 2.72 per cent., 0.99 per cent. and 2.46 per cent., respectively, of the total indebtedness as at 31 December 2020. As at 31 December 2018, 2019 and 2020, the loans and bonds payable that will expire within one year amounted to 44.4 per cent., 39.1 per cent. and 35.6 per cent. of the total loans and bonds payable. The Group implements a centralised capital management system to improve the capital utilisation efficiency. In addition, the Group implements a lean management system to reduce project development costs and improve the efficiency of project development. The Group has access to equity financing on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Group has been listed on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange since 2008 and raised U.S.\$5.7 billion from the markets. In addition, on 12 June 2020, one of the subsidiaries of the Group, namely China Railway Construction Heavy Industry Co., Ltd. submitted its application for initial public offering and listing on the Science and Technology Innovation Board to the Shanghai Stock Exchange, and on 21 April 2021, Gfund Management Co., Ltd. and Sinolink Securities Co., Ltd. submitted, among others, the application for registration and listing of Guojin Railway Construction Chongqing Yusui Expressway Closed-end Infrastructure Securities Investment Fund and the transfer of the asset-backed securities of Sinolink Securities – Yusui Expressway Asset-Backed Special Scheme by way of public tender to CSRC and the Shanghai Stock Exchange, respectively. Through these multiple channels of financing, the Group expects to raise additional capital for its business development.

The Group has implemented internal procedures with a view to enhancing and maintaining its internal control system, which covers the Group's material production and operational decisions, the development of an information technology system, protection of intellectual property, the establishment of risk and asset management systems, maintenance of an internal audit system and compliance with local laws and rules in both domestic and international markets.

The management will hold meetings at least four times a year to analyze and make plans to manage credit risk, liquidity risk and market risk. Besides, the board will hold meetings at least twice a year to discuss and approve proposals from management. Generally, the Group implements conservative strategies in risk management.

As a result, the Group has maintained a strong financial position. As at 31 December 2020, the Group had cash and bank balance of RMB188.0 billion and net current assets value of RMB91,143.2 million. As at 31 December 2020, the Group's loans which would expire within one year, within two years, three years to five years and more than five years accounted for 37.02 per cent., 14.21 per cent., 20.35 per cent. and 28.42 per cent., respectively, of its total loans. The total amount of pledged and mortgaged loans accounted for 36.22 per cent. of the Group's total loans as at 31 December 2020. The Group's debt-to-equity ratio (calculated by dividing total borrowings by the sum of shareholders' equity and total borrowings) and debt-to-asset ratio (calculated by dividing the Group's total borrowings by its consolidated total assets) was 40.43 per cent. and 17.13 per cent. as at 31 December 2020. The Group had bonds payable of RMB26,111.9 million as at 31 December 2020.

**The Group benefits from its experienced management team, its widely-recognised brand name and excellent corporate culture.**

The Group's senior management team consists of experts with an average industry experience of over 30 years, with extensive experience in large-scale infrastructure design and construction projects, the manufacture of large rail track maintenance machinery and other areas related to infrastructure construction. In particular, the Chairman of the Company, Mr. Wang Jianping, a professorate-equivalent senior engineer and is entitled to special government allowances granted by the State Council. The Group's management team has extensive industry management experience in respect of enterprise operation, financial management, capital operation and the development of corporate culture, and is able to handle complicated and volatile situations. The Group believes that its management team is equipped with the critical industry knowledge required to take advantage of market opportunities, formulate sound business strategies, assess and manage risks, and implement measures relating to management and production, all of which are expected to increase the Group's overall profit and maximise shareholders' value. In addition, the Group has a strong professional team, with one member of the Chinese Academy of Engineering, 11 National Survey and Design Masters, 12 national candidates of the "Bai Qian Wan Talents Project", 87 National Prizes for Science and Technology and 264 experts who are recipients of special subsidies granted by the State Council as at 31 December 2020.

The management team's strong expertise and commitment to quality have contributed to the successful establishment of the Group's brand name, "CRCC". The Group believes that, when selecting contractors for major infrastructure construction projects, the customers, including the PRC Government, foreign governments and project commissioners, place significant weight on the candidates' industry experience and brand name. As "CRCC" is well recognised in both domestic and overseas markets, the Group is often among the primary choices of contractors for infrastructure construction projects.

The Group believes that its success is partly due to the management team's adherence to its excellent corporate culture, with the core values of "integrity, innovation, excellence and high morality". In November 2012, the Company was awarded the "Outstanding Unit of Building Enterprise Culture in China" by China Enterprise Culture Management Professional Committee of China Culture Administration Society for its excellent corporate culture. The Group believes its corporate culture will continue to support its healthy growth in the future.

## BUSINESS STRATEGIES

The Group aims to develop into a globally-competitive and progressive company with a principal focus on its construction business, construction survey, design and consultancy business, and manufacturing business, as well as large-scale construction projects development and management business. The Group believes that the following strategies will enable it to leverage its strengths to capture future growth opportunities in China's construction industry, increase the globalisation of its operations, enhance its core competitiveness and maintain its industry leading position in China.

**Leverage the synergy of diversified business model of the Group to forge “high-quality CRCC” to achieve the goal of becoming a comprehensive construction industry group with valuable creativity.**

The Group has been aiming to build diversified operations in the construction industry by leveraging the competitive advantage of the Group's main business, brand name and reputation, with a view to achieving economies of scale and enhancing its market competitiveness. In light of this, the Group established China Railway Real Estate Group Co., Ltd. with a view to expanding its operations in real estate development, with an emphasis on residential real estate development. The Group also intends to fully integrate its operations through expanding horizontally and vertically along the industry chain, including integrating engineering design with construction, capital operation with industrial operation, and international operations with domestic operations. The Group seeks to build on the synergy from integration to develop different businesses segment ancillary to its core business.

Over the years, the Group had already completed its overall layout along the chain of construction industry, transforming from single focus on railway construction to a more balanced business combination of five major businesses of construction, survey, design and consultancy operation, manufacturing, real estate development and logistic and materials trading, investment with other emerging business. The Company intends to adhere to the development philosophy of “seeking truth from facts, innovated for the transcendence and walking steadily”, which is aimed at servicing the national economic and social development and satisfying the ever-changing needs of the people in hoping for a better life. Leveraging the synergy of diversified business model built up by the Group along the chain of construction industry, the Group plans to forge “high-quality CRCC”, to enhance the operational efficiency as well as its capability of providing one-stop high quality comprehensive services to the customers so as to develop towards its goal of becoming a comprehensive construction industry group with valuable creativity.

The Group plans to continue to enhance its operational efficiency through rationalising and consolidating its internal management system and further integrate its internal resources to enhance efficiency in allocation. During the period of 13th Five-year Plan, the Group established a complete set of high quality development and management system, indicator system and security system. The Group also optimises and clarifies the function and position of the headquarters and regional development plans so that the Group could realise its lean management and develop regional synergy within the Group.

The Company has realised the transition from a construction enterprise to a one-stop solution provider with an integration of scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, with the capability of expansion and synergy along the whole industry chain. During the period of the 14th Five-year Plan, the Group intends to progress smoothly with focus on quality development and profitability and continue working on innovation, transformation and upgrading. The Group plans to continue to expand and strengthen its major businesses and endeavour to increase business scale as well as quality of development through further reinforcing and perfecting the management system, taking advantage of regional operation, focusing on industrial upgrade, intensifying synergy and coordination among business lines, developing new emerging business, enhancing capability in industry incubation, enhancing the brand and consolidating the foundation of its business.

The Group has a well-established world leading position in the design and construction technology in railway construction in plateau, alpine region as well as high-speed railway. The Group also has the advanced technology of large railway track maintenance machinery in the world. The Group intends to take advantage of strong capability in research and development to continue developing cutting-edge technology with a focus on railway, highway and urban transit construction, heavy machine manufacturing and survey and design. The Group intends to make effort to strengthen its technological innovation and develop its own technology moat through increasing the number of products designed with independently developed or owned intellectual property rights. In 2020, the Group continuously promoted the research and development of the national theme of developing and utilising the urban underground space, and jointly led the publication of four international standards. The Group also established an internal experts committee and completed the preparation work for the first batch of engineering laboratories. In the year of 2020 alone, the Group was granted 5,099 patents. In 2020, in the low- and medium-speed maglev field, the Group applied for over 100 domestic and international patents in 15 technical divisions, such as F-shaped rails, track beams, and contact nets. The Group has constructed a patent portfolio to protect its independent intellectual property rights and core competitiveness. In 2020, the Group established a preliminary patent protection network of the underwater tunnel design and construction and large-diameter shield equipment.

### **Continue to enhance its leading position and increase its market share in China's infrastructure construction.**

China's economy is expected to maintain a steady growth in the long run. Instead of chasing for high growth rate, the PRC Government started to focus on the quality of the economy. Along with the advancement of high-quality growth of its economy, China has established a new pattern for development with coordination between the market and government as well as between supply and demand. This provides a more stabilised and rationalised market for the development of the Group's business. Year 2021 is the starting year of 14th Five-year Plan, during which the PRC Government intends to enlarge the investment in relation to "Two New and One Major" projects, which means the construction of new types of infrastructure, new types of urbanisation projects and major projects such as communication and hydraulic projects. It is expected to provide a steady growth momentum for domestic infrastructure investment. During the period of 14th Five-year Plan, along with the implementation of national strategy of powering the country with communication, production, technology, digitisation and revitalisation of countryside, new growth areas for construction business, such as city cluster, metropolitan circle, communication network, intelligent zone, new infrastructure, and new resource are expected to emerge, which to the belief of the Group will bring large growth potential for construction service providers. In addition, driven by the government's various regional development initiatives, such as coordinated development of Beijing-Tianjin-Hebei Region, the Yangtze Economic Belt, Xiong'an New Area and Guangdong-Hong Kong-Macau Great Bay Area, the free trade zones in Shanghai, Tianjin, Guangdong and Fuzhou, Liangjiang New Area in Chongqing and Gui'an New Area, as well as the furtherance of urbanisation in the PRC. The Group expects that the demand for infrastructure construction will steadily increase and continue to drive the business growth of the Group in the industry.

The Group is a leader in China's construction industry in terms of total assets, total revenue and new contract value. After years of development, the Group has accumulated abundant experience and expertise in large-scale and complex infrastructure construction projects as well as advanced technology in construction equipment. Taking advantage of these as well as its economies of scales and strong financing capability, the Group aims to put emphasis on high-quality growth and reinforce its leading position in China's infrastructure construction market through implementing the strategies of (i) focusing on business structure surrounding the municipals; (ii) leading by high-end development and operating under the synergies among business lines and collaborations; (iii) enhancing penetration of local markets through projects under construction; and (iv) steadily growing from both traditional operations in the construction of infrastructure including railways (including high-speed railways), highways, tunnels, bridges, urban rail transit, ports and airports, real estate, water conservancy and hydropower projects and municipal projects as well as emerging market, such as utility tunnel, sponge city, environmental protection and pollution control, which the Group believes may become one of the main drivers for the growth of domestic infrastructure industry.

### **Continue to pursue economic benefits from dual circulation and interaction between domestic and overseas operations to achieve high-quality overseas development**

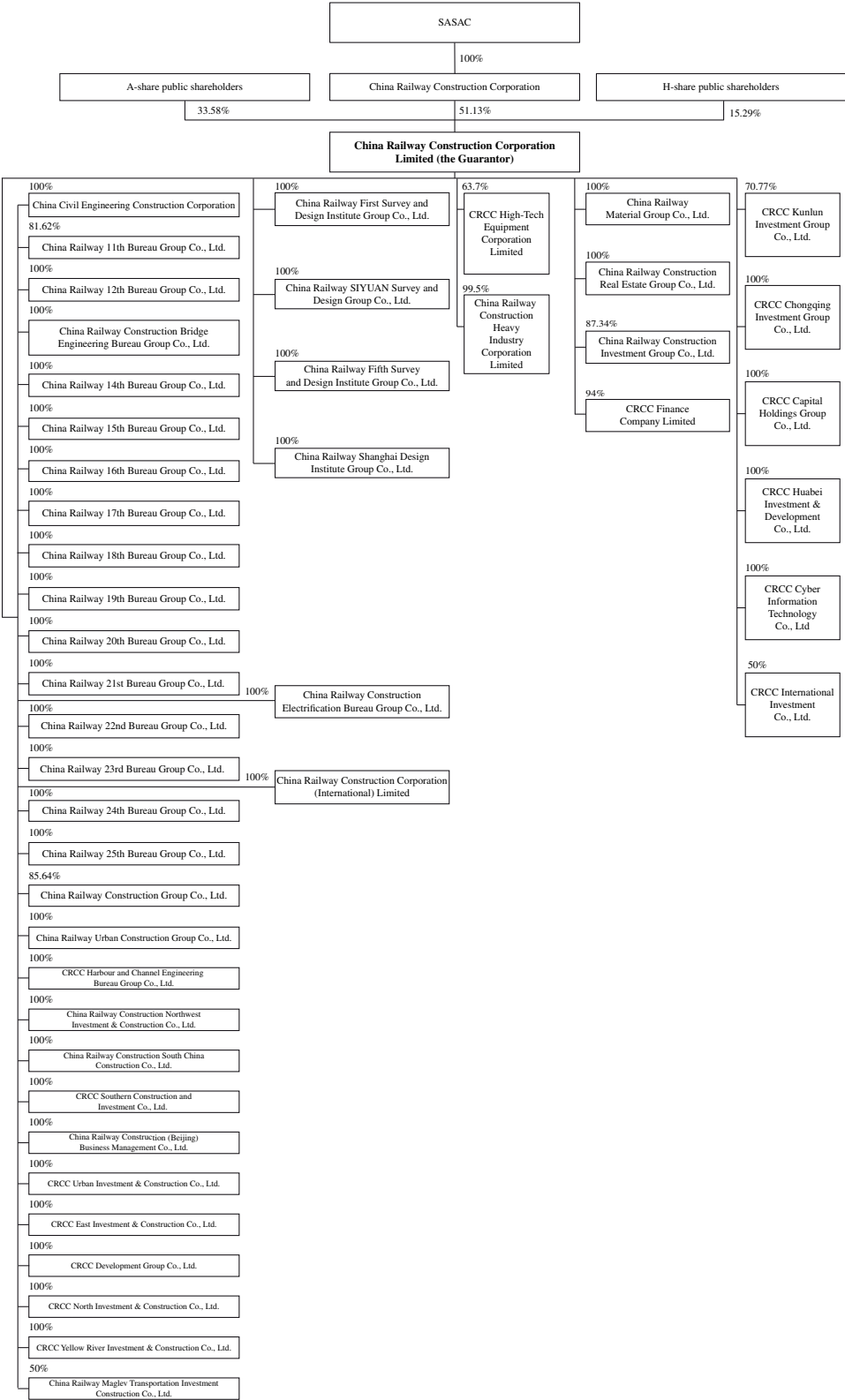
Closely following the steps of the PRC Government in implementing its strategy of "dual circulation", "going abroad" and the "Belt and Road Initiative" for years, the Group has established its strong presence in overseas market with well-established reputations. The Group had participated in infrastructure construction in the countries and regions in Africa, Asia, Europe, America and Oceania. In 2020, the Group completed 90 infrastructure projects overseas with a total project amount of RMB849.7 million. As at 31 December 2020, the Group had 630 overseas projects under construction with a total project amount of RMB34,109.2 million. The Group has completed several landmark projects, such as the construction of southwest section of Line No. 3 of Moscow Subway, which is the first European subway project constructed by a Chinese company; and Lusail Stadium in Qatar, where the final match of the 2022 FIFA World Cup will be held. The new contract value for the Group's overseas projects in 2020 amounted to RMB269,342.9 million, doubling the amount of 2019. Such new contract value includes several landmark projects: the construction of concession project of Tram in the Great Western part of Bogotá, Columbia with a total contract value of U.S.\$2.5 billion, Addendum No. 5 for the Minna-Abuja Segment of the Nigeria's Railway Modernization Project (Lagos-Kano Rail Line) with a total contract value of U.S.\$1 billion; and Modified Engineering, Procurement and Construction of the Rehabilitation and Upgrade Project of the Existing Railway in Zambia (comprised of 420.97 kilometres of main line from Livingstone to Kafue Bridge, 162.95 kilometres of branch line from Livingstone to Mulobezi, and 64.34 kilometres of branch line from Masuku to Choma) with a total contract value of U.S.\$824.9 million.

The Group intends to continue to expand its footprint abroad and leverage the implementation of the national strategies of the PRC Government and continue to enhance its presence in the overseas market. It is believed that the outbreak of COVID-19 in the world would not only change the livelihood of the people but also bring changes to business sentiment and alter the trend of development of the global economy. In light of these changes, there are expected to be fundamental changes to the order of society, which may shadow the growth of the world's economy in the long run. Under this backdrop, China has actively promoted the reform of the governance system and responded to the external changes with high-quality opening up of the economy. Together with increasing influence of China in the world, the Group believes these will provide plenty of opportunities to the Group for the development of its business, especially for its overseas expansion. In particular, guided by the national strategies of "dual circulation" and "Belt and Road Initiative", a layout of supply chain has already been formed in the countries along

the route which could provide a strong support to the enhancement of infrastructure construction capabilities of the Group. The Group, which has already established its presence in the countries of “Belt and Road Initiative”, intends to take advantage of these resources, together with its abundant domestic resources, to seize the opportunities in these foreign countries and to create smooth dual circulation between domestic and overseas markets so as to achieve a sustainable, healthy and strong overseas development.

**CORPORATE STRUCTURE**

The following chart shows the principal subsidiaries of the Group as at 31 December 2020:



## PRINCIPAL PRODUCTS AND SERVICES

The Group mainly operates the following businesses:

- **Construction**, the traditional and core business of the Group. The Group's construction operations mainly include railways, highways, urban rails, water conservancy and hydropower, housing construction, municipal engineering, bridges, tunnels, airports and wharfs;
- **Survey, design and consultancy**, covering civil engineering and infrastructure construction related to railway, urban rail transits, highways, municipal administration, industrial and civil buildings, water transport, water conservancy and hydropower and civil aviation whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection;
- **Manufacturing**, including three core business, i.e. equipment manufacturing, material production and precast concrete production. The business scope covers large railway track maintenance machinery, underground construction equipment, rail construction equipment, concrete construction equipment, lifting equipment, bridge construction equipment, compacting equipment, concrete products, bridge steel structures, turnout and spring bar fastener, and electric contact wire and parts;
- **Real estate**, including the development, construction and sale of real estate; and
- **Materials, logistics and other businesses**, including logistics, warehousing and distribution, spot trading and international trading, financial insurance, concession, mining resources development and railway operation and management.

The following table sets forth the contributions by each of the Group's business operation segments in terms of revenue and as a percentage of its total revenue before elimination of inter-segment sales for the years indicated:

	Year ended 31 December								
	2018			2019			2020		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
<i>(RMB in millions)</i>			<i>(RMB in millions)</i>			<i>(RMB in millions)</i>			
		%			%			%	
Construction . . . . .	634,748.0	46,168.4	7.27	724,545.1	54,024.2	7.46	813,334.0	58,640.0	7.21
Survey, design and consultancy . . . . .	16,705.9	5,700.4	34.12	18,084.9	5,798.8	32.06	18,460.2	6,157.6	33.36
Manufacturing . . . . .	16,482.3	4,279.8	25.97	18,104.6	4,120.1	22.76	18,049.2	4,327.0	23.97
Real estate development . . . . .	36,913.8	9,080.9	24.60	41,297.4	8,825.0	21.37	40,928.9	8,319.0	20.33
Other businesses . . . . .	64,607.1	7,415.0	11.48	71,857.3	8,730.4	12.15	76,624.6	7,446.0	9.72
Inter-segment elimination . . . . .	(39,334.1)	(1,232.7)	–	(43,437.2)	(1,411.4)	–	(57,072.2)	(552.0)	–
<b>Total . . . . .</b>	<b>730,123.0</b>	<b>71,411.8</b>	<b>9.78</b>	<b>830,452.2</b>	<b>80,087.1</b>	<b>9.64</b>	<b>910,324.8</b>	<b>84,337.5</b>	<b>9.26</b>



## Construction

### Overview

The Group is one of the largest providers of railway construction services in China. The Group has participated in the construction of almost all railway lines in China since 1949. The Group is also one of the largest providers of high-grade road construction services in China, with a focus on the construction of freeways as well as bridges and tunnels as part of its highway construction projects. Moreover, the Group is a leading provider of construction services in terms of revenue in the domestic market for bridges and tunnels, and has completed various bridge, tunnel and underground construction projects that meet international standards. It is also a leader in the construction of metropolitan railways, having participated or is currently participating in the survey, design and construction of metropolitan railway projects in all cities throughout China with such projects.

Since the Company's reorganisation in 2007, the provision of construction services has been the Group's traditional and core business. For the years ended 31 December 2018, 2019 and 2020, revenue generated from the construction operations before inter-segment elimination was RMB634,748.0 million, RMB724,545.1 million and RMB813,334.0 million, respectively, accounting for 82.49 per cent., 82.91 per cent. and 84.07 per cent., respectively, of its total revenue before elimination of inter-segment sales. For the years ended 31 December 2018, 2019 and 2020, gross profit generated from the construction operations before inter-segment elimination was RMB46,168.4 million, RMB54,024.2 million and RMB58,640.0 million, respectively, accounting for 63.55 per cent., 66.29 per cent. and 69.08 per cent., respectively, of its total gross profit before elimination of inter-segment sales. Through its subsidiaries, comprising construction group companies and CCECC the Company engages in the provision of domestic and overseas construction for projects such as railway, highway, bridge, tunnel, metropolitan railway, water conservancy and hydropower facility, airport, port, industrial and civil construction and municipal projects.

The Group has been engaged to provide services in all provinces, autonomous regions and municipalities of China. It is also involved in overseas infrastructure construction projects located in 134 overseas countries, including those in Africa, Asia, the Middle-East and Europe, as well as Hong Kong and Macau.

The following table sets forth the sales revenue and gross profit before elimination of inter-segment sales represented by the Group's construction operations in the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
	<i>(RMB in millions)</i>		
New Contract Value . . . . .	1,352,355.0	1,730,653.2	2,220,744.6
Revenue . . . . .	634,748.0	724,545.1	813,334.0
Gross Profit . . . . .	46,168.4	54,024.2	58,640.0

The following table sets forth the Group's new contract value for its construction operations for the years ended 31 December 2018, 2019 and 2020 by each type of construction project:

	Year ended 31 December		
	2018	2019	2020
	<i>(RMB in millions)</i>		
Railways . . . . .	212,039.6	261,321.8	289,210.1
Highways . . . . .	291,492.5	324,819.4	262,171.9
Housing construction . . . . .	365,207.5	542,320.7	858,551.3
Metropolitan railways . . . . .	104,241.4	178,704.8	196,635.7
Municipal engineering . . . . .	269,229.9	308,570.6	459,894.4
Hydraulic and electric engineering . . . . .	48,886.9	28,077.3	61,433.2
Airports and terminals . . . . .	10,980.1	37,641.9	30,039.0
Others . . . . .	50,277.1	49,196.7	62,809.0
Total . . . . .	<u>1,352,355.0</u>	<u>1,730,653.2</u>	<u>2,220,744.6</u>

As at 31 December 2020, the Group's backlog for its construction operations amounted to RMB3,831.0 billion.

### ***Railway Construction***

The Group's predecessor was the Railway Engineering Corps, and, therefore, the construction of railways have always been a significant part of the Group's core operations. The Group is one of the largest providers of railway construction services in China. The Group has participated in the construction of almost all railway lines in China since 1949.

The Group has constructed multi-track and main railway lines, including landmark railway lines such as the Beijing-Xiong'an, Beijing-Zhangjiakou, Rye, Qinghai-Tibet (Phases I and II), Beijing-Kowloon, Datong-Qinhuangdao, Southern Xinjiang, Nanning-Kunming, Neijiang-Kunming, Guangzhou-Shenzhen, Qinhuangdao-Shenyang, Chongqing-Huaihua, Xi'an-Hefei, Yangshou-Huanghe, Xiangfan-Chongqing, Chengdu-Kunming, Yingtian-Xiamen, Baoji-Lanzhou railway lines and the Guangdong Sea Passageway. In 2020, the Group has completed laying track of the Inner Mongolia-Jiangxi Railway, which is the longest heavy haul railway in China. The Group has completed the following landmark railway or railway system projects in recent years:

- *Guangzhou-Zhanjiang High-Speed Railway*: The Guangzhou-Zhanjiang High-Speed Railway was the project of the highest standard, in the longest length and with the largest investment in the history of Guangdong province. It connects the Guangdong-Hong Kong-Macao Greater Bay Area with Hainan Free Trade Port. It is also an important component of the high-speed railway system of the Beibu Gulf;
- *Hangzhou-Huangshan High-speed Railway*: The Hangzhou-Huangshan High-speed Railway passes alongside seven class 5A scenic spots and over ten national geoparks in China;
- *Shangqiu-Hangzhou High Speed Railway*: The Shangqiu-Hangzhou High Speed Railway, which is an important mainline through the central plain, Yangtze and Huai rivers and the Yangtze River Delta region, connecting the Zhengzhou-Xuzhou High-speed Railway, Beijing-Kowloon High-speed Railway and the Beijing-Xiong'an-Shangqiu High-speed Railway;
- *Beijing-Shanghai High-speed Railway*: The Beijing-Shanghai High-speed Railway is the world's longest high-speed railway ever constructed in a single phase. It has a total length of 1,318 kilometres, of which the Company undertook 46.8 per cent. of the construction, constituting the largest proportion of the construction contract for this high-speed railway in terms of contract value;
- *Qinghai-Tibet Railway (Phase I and Phase II)*: The Qinghai-Tibet Railway Line is the world's longest, highest and most technologically sophisticated plateau railway. This renowned railway project connecting Xining and Lhasa has two phases that commenced commercial operations in July 1984 and July 2006, respectively. The Group was responsible for the construction of 71.1 per cent., or approximately 1,406 km of both phases of the Qinghai-Tibet Railway Line, including, all construction beyond an altitude of 4,900 metres and the majority of the difficult railway lines beyond an altitude of 4,600 metres of Phase II of the railway, as well as the sections of the railway crossing the Tanggula and Kunlun mountains. The Group successfully overcame three significant challenges presented by permafrost, low oxygen levels due to high altitudes and the fragile ecology of the Qinghai-Tibet Plateau;
- *Chengdu-Kunming Railway*: The Chengdu-Kunming Railway is, with total length of 1,100 kilometres, entitled "Geological Museum" and regarded as the miracle in the history of the world's railway building for its extreme complexity in topography and geology;
- *Beijing-Tianjin Intercity Railway*: The Beijing-Tianjin Intercity Railway, which was completed in 2008, was the first intercity high-speed railway in China;
- *Nankun Qingshui River Railway Bridge*: The Nankun Qingshui River Railway Bridge, with a pier height of 100 metres, is the first railway bridge with pier over 100 metres high in China;
- *Yiwan Railway*: The Yiwan Railway is a mountain railway with the most complicated topography and geological conditions, and the most difficult and longest construction process in the history of China's railway construction;

- *Qinling Tunnel of Xikang Railway*: The Qinling Tunnel of Xikang Railway, completed in 1999, was China's longest railway tunnel at that time as well as the first railway constructed with the application of TBM; and
- *Harbin-Dalian Passenger Dedicated Railway*: The Harbin-Dalian Railway, completed in 2012, is the world's first high-speed railway constructed in alpine region.

### ***Highway Construction***

The Group is one of the largest providers of high-grade road construction services in China, with a focus on the construction of freeways as well as bridges and tunnels as part of the constructed highways. Its customers are mainly provincial or municipal transportation divisions and highway development companies. The Group has advanced technologies for constructing foundations and surfaces of highways and airport runways and held various Grade A qualifications to conduct highway general construction contracting services.

Since its inception, the Group has constructed freeways and highways located in all provinces, municipalities and regions in China, except Taiwan, with a total length exceeding 50,000 kilometres, including Béjaïa Expressway and the Shenyang-Dalian, Jinan-Qinghai, Taiyuan-Yangquan, Xuanwu-Dalian, Tongjiang-Sanya, Chengdu-Chongqing, Beijing-Zhuhai, Beijing-Shanghai, Beijing-Fujian, Beijing-Shenzhen, Beijing- Chengde and Jiangxi-Guangdong freeways. The Group has completed the following landmark highway projects in recent years:

- *Guangwushan-Nuoshuihe Highway*: The Guangwushan-Nuoshuihe Highway connects seven important scenic sites in Bazhong city. It is conducive to the formation of a fast, convenient and comfortable tourism channel and the construction of a comprehensive tourism transportation network of "fast transportation and slow tourism". It comprises three provincial roads, and connects two highways and two national roads.
- *Wuhan-Songzi Highway (Jiangling-Songzi section)*: The Wuhan-Songzi Highway (Jiangling-Songzi section) is the key construction project in Jingzhou and in the 13th Five-Year Plan for the National Economic and Social Development of the Department of Transport of Hubei Province.
- *Section Wutong Daquan-Mulei of Beijing-Urumqi Freeway*: The Beijing-Urumqi Freeway is a significant landmark project of the "Belt and Road Initiative" and the world's longest cross-desert freeway. Its Wutong Daquan-Mulei section has a total length of 515 kilometres.
- *Xiamen Xiang An undersea Tunnel*: The Xiamen Xiang An undersea Tunnel is China's first cross-sea tunnel.
- *Shenyang-Dalian Freeway*: The Shenyang-Dalian freeway was China's first freeway and was later expanded to become its first eight-lane freeway. It is 375 kilometres long and connects Shenyang and Dalian, two major cities in northeastern China. The Group completed the groundwork for this freeway in 1990, which has a total length of 28 kilometres. It also participated in the expansion project for this freeway, which was completed in 2004.
- *Longtan River Bridge*: The Longtan River bridge has the highest pier in Asia.
- *Nanjing Yangtze River Tunnel*: The Nanjing Yangtze River Tunnel is the most technologically sophisticated tunnel crossing the Yangtze River. The diameter of the shield tunneling machine used in this project is the greatest in the world.
- *Qinling Zhongnan Mountain Highway Tunnel*: The tunnel is entirely designed and constructed by the Group, and was the longest twin-tubes tunnel implementing the highest technical norms in 2007 in the world.

In 2020, the Group has a total of 74 operational highways, with a total mileage of 7,401 kilometers.

## ***Metropolitan Railways***

The Group is a leader in the construction of metropolitan railways in China. It independently constructed the first subway in China – Line One of the Beijing City Subway. It has participated or is currently participating in metropolitan railways projects in all cities throughout China with such projects, including Dalian, Tianjin, Chongqing, Wuhan, Beijing, Guangzhou, Shanghai, Nanjing, Shenzhen, Urumqi, Huhhot, Changchun, Chengdu, Nanjing, Qingdao, Hangzhou and Huzhou. In recent years, the Group has significantly developed its metropolitan railway business. The Group had constructed or participated in the construction of metropolitan railway projects with a total completed length exceeding 1,800 kilometres. The Group has made certain breakthrough achievements in the construction of urban light rail systems, shield tunneling, pile foundation underpinning, large cross-section excavation technology in complex geographical conditions and the utilisation of anti-vibration and noise reduction technologies for metropolitan railway lines. The Group's customers mainly consist of transportation bureaus and transportation system operators of major cities in China. Landmark metropolitan railways constructed by the Group include Wuhan Metro Line 6 and Nanning Metro Line 3. The Group also constructs railway stations such as Kunming South Railway Station.

The Group has also completed the following landmark tracks and metropolitan railway projects in recent years:

- *Shanghai Maglev Demonstration Line:* In 2001, the Group participated in the construction of this maglev track, which is the first and only maglev track currently in commercial operation in China. The track recorded maximum train speed of up to 432 kilometres per hour during trial operations. The project was completed in 2002 with a total contract value of RMB540 million. The Group is currently the only company in China possessing proprietary knowledge of high-precision maglev track beam manufacturing technology and has obtained two intellectual property rights for technologies developed for this project.
- *Beijing Metropolitan Railway Lines:* The Group has constructed subway routes No. 1, No. 2, No. 4, No. 5, No. 10, No. 13 and the Bawangfen-Tongzhou Line of the Beijing Metropolitan Railway Lines System, the combined subway and light rail connecting Beijing Capital International Airport with the city centre of Beijing. The construction of routes No. 1 and No. 2 was completed in 1989 with a total contract value of RMB1.7 billion. As part of the subway line crossing the city centre, the Group employed underground excavation technology to minimise interference with city centre traffic.
- *Chongqing Light Rail:* This is a straddle-type, single-rail transportation system. The Group used its own PC beam technology with three patents in the beam body, mold and construction methods, and successfully overcame difficulties such as steep slopes, multiple curves and the manufacture and erection of an S-shape reverse curve PC beam. The project was completed in 2004 with a total contract value of RMB110.0 million. In 2005, this project received Top Ten Construction Technology Achievement in China collectively by the Ministry of Construction, the MOR, the MOT, the Architectural Society of China and China Construction Industry Association.
- *Extension for West-end of No. 2 Subway in Shanghai:* The project is an extension of the west-end of the No. 2 Subway in Shanghai with a total length of approximately 6.1 kilometres. The Group was engaged as the general contractor and completed the groundwork as well as the construction of the electrical engineering system and railways of all sections between stations. The project was completed in 2006 with a total contract value of RMB3.6 billion.

As at 31 December 2020, the Group participated in the operation and maintenance of a total of over 12,000 kilometers of railways and urban rails.

## ***Other Construction Projects***

The Group also participated in the construction of other types of projects, such as water conservancy and hydropower facilities, electric engineering, airport, port and municipal construction projects.

The Group is expanding its business of construction or reconstruction of airports, train stations and ports and expects to generate substantial profits from such business in the future. The Group's major customers for such business are the transportation divisions of provinces and cities, administrators of airports and ports, and construction project entities established and managed by central or local governments. The Group has designed and/or participated in the construction of a significant number of airport projects as

well as ports and train stations, such as the Beijing International Airport Terminal 3, Hongqiao and Pudong Airports in Shanghai, Huanghua Airport in Changsha, Meilan Airport in Hainan, Wenzhou Airport, Jiangbei Airport in Chongqing, Qingdao Harbor Project, the new Guangzhou Train Station and the new Wuhan Train Station. The Group won the Lu Ban Prize granted collectively by the Ministry of Construction and China Construction Industry Association for the construction of Wenzhou Airport, Jiangbei Airport in Chongqing and Dayaowan Phase I of Dalian Port. The Group also participated in the construction of the Jinan-Yellow River Tunnel, which is the first tunnel under the Yellow River. In addition, the Group contracted to construct and completed the first TBM coal inclined shaft, i.e., No. 2 auxiliary shaft of Shenhua Shen Dong Bulianta Mine in 2015 by leveraging on its advanced technology development in the TBM industry.

The Group also constructs real estate projects and has built a reputation for high quality. For example, the Sinosteel Mansion that the Group constructed was recognised by the Beijing Municipal Construction Committee as a project meeting leading international standards. The Group received Lu Ban Awards for its other projects, such as The Library of the Chinese Academy of Sciences in Beijing, the Natural Science Buildings Group of Peking University and the Headquarters of the China Construction Bank, or Xinda Finance Tower. The Group constructed Gui'an • Hua Yu Shu, located at the Gui'an New Area in Guiyang, with a total area of land for construction of about 110,000 sq.m. and a total floor area of about 310,000 sq.m. Gui'an • Hua Yu Shu is a landmark project the Group completed in Gui'an New Area. Chengdu Qingxiu Weizhe Mountain project, with a total floor area of 760,000 sq.m. and a total area of land for construction of 415 mu, is a high-end benchmark product developed on the basis of understanding of city renovation and international design by the Group in Chengdu. Another key real estate project developed by the Group is Jiaxing Huayu Jiangnan, which is located at the Nanhu District, with a total area of land for construction of 56,000 sq.m. and a total floor area of 170,000 sq.m. The project consists of two parts, the southern part of which develops high-rise residential buildings and the northern part are Chinese courtyards. The Group is also involved in the first future community project, namely Wenzhou Lucheng Future Community, with a total gross floor area of 136,800 square metres and a total area of land for construction of 353,500 square metres.

### ***Overseas Construction Projects***

The Group has been included among the “*Top 250 Global Contractors*” consecutively for 10 years by ENR and ranked No. 3 in 2020. It conducts overseas operations mainly through its subsidiary, CCECC, which was established in 1979 and is one of the first Chinese companies to enter the international construction market. CCECC was formerly a foreign aid office of the MOR that organised and implemented the Tanzania-Zambia Railway Project, China’s largest foreign aid project at the time. CCECC specialises in railway construction, including construction, design and consultancy, and cooperative labour arrangements in overseas countries and regions.

To implement the strategies of “Going Global” and “Going International” and enhance the Group’s competitiveness in the international market, on 20 March 2012, the Group established China Railway Construction International Group Co., Ltd to undertake overseas construction projects. Over the years, the Group has gradually established “CRCC” and “CCECC”, the two brand names it owns, and its reputation in the international construction industry. As at 31 December 2020, the Group had offices or projects in 134 foreign countries as well as in Hong Kong, Macau and other regions in the overseas markets. As at 31 December 2020, 630 overseas projects were under construction. These efforts have established a solid foundation for its further development in overseas markets. In 2017, the Group completed the Gantas Tunnel in Algeria, which was the longest tunnel in North Africa. In 2018, the Group successfully completed annual operation tasks of overseas projects, such as Addis Ababa-Djibouti Railway and Mecca Light Rail.

For the years ended 31 December 2018, 2019 and 2020, revenue generated from overseas operations was RMB35,554.5 million, RMB35,594.7 million and RMB38,703.0 million, respectively.

Significant overseas projects completed by the Group include:

- *Salvador-Itaparica Sea-crossing Bridge and Complementary Highway Project in Brazil*: This project has a total length of 46.8 kilometres and is comprised of two road systems and a cross-sea bridge. The bridge crossing Salvador and Itaparica, a double-tower and double-cable bridge, is 12.4 kilometre in length and is designed of two-way six lanes with two pavements. This project is implemented in PPP model and is planned to have a construction period of five years and an operation period of 30 years. The contract value amounted to RMB7.8 billion.

- *Qatar Lusail Stadium*: The Group has completed Qatar Lusail Stadium, which is known as the “No. 1 Project” of Qatar. The stadium has a construction area of 180,000 square meters and a capacity of 92,000 spectators. Its fashionable, bold and magnificent shape is inspired by the bowls and utensils used in the Middle East for centuries. The appearance of the stadium is glittered with gold, highlighting the Arab cultural characteristics in the Middle East. Therefore, the stadium obtained its nickname of “Big Golden Bowl”. The projects adopted various technologies that were the most advanced in the world. The contract value of the project amounted to U.S.\$769 million. In December 2020, the picture of the stadium appeared on the face of newly-issued 10-dollar notes of Qatar.
- *Ankara-Istanbul High-speed Railway (Phase II)*: The first high-speed railway constructed by PRC enterprises in overseas countries. The Ankara-Istanbul high-speed railway in Turkey has a total length of 158 kilometres with a designed speed of 250 kilometres per hour. The construction of the main part of Phase II was completed in January 2014 and the total contract value was approximately U.S.\$1.3 billion.
- *Hong Kong West Rail*: One of the largest infrastructure construction projects in Hong Kong, the project was owned by the Kowloon-Canton Railway Corporation (KCRC), which is now a part of the MTR Corporation Limited. The Group participated in the construction of Tuen Mun Station, Siu Hong Station, Yuen Long Station, Long Ping Station and four sub-sections of the north rail section. The project was completed in 2003 and the total contract value was approximately HK\$4.9 billion.
- *Construction and maintenance of the Nigeria Railway System*: The Group participated in the maintenance and construction of the Nigeria Railway System. The project was completed in 2003 and the total contract value was approximately RMB4.4 billion.
- *Macau Parliament Building*: For this landmark building in Macau with a total construction area of 17,500 sq.m., the Group constructed the main structure and undertook the decoration works. The project was completed in 1999 with a total contract value of 112.4 million patacas.
- *East Wing of the Venetian Casino in Macau*: The East Wing of the Venetian Resort project, where the casino and mall are located, was completed in 2007. The Group worked with other parties jointly as the general contractor on this project. The total contract value of this project was 101.0 million patacas.
- *Tanzania-Zambia Railway Project*: The Foreign Aid Office of the MOR, the predecessor of CCECC, the Group’s subsidiary, organised, designed and constructed this project on behalf of the PRC Government. This project involved the construction of a 860-kilometres railway line, 320 bridges, 22 tunnels, two large locomotive plants, one training centre and approximately 376,000 sq.m. of buildings. This project was completed in 1975 and was the first foreign railway construction project supported by the PRC Government with a total contract value of RMB988.0 million.
- *Angolan Railway Re-construction Project*: The Angola Railway was the longest overseas railway constructed by the Group.
- *Addis Ababa-Djibouti Port Railway Project*: The Addis Ababa-Djibouti Port Railway is a significant landmark project of “Belt and Road Initiative”. The project was completed in 2016 and was known as the “Tanzania-Zambia Railway in the new era”. This was the first overseas railway adopting Chinese standards in whole industrial chain.
- *Tajikistan Vahdat-Yavan Railway Project*: It was the first railway project of “Belt and Road Initiative”. The length of the project is 48.65 kilometers with a total investment of U.S.\$72.0 million.
- *Abuja Metropolitan Railway Project*: This is the first metropolitan railway project in the West Africa and completed in 2018.
- *Abuja-Kaduna Railway Project*: The Abuja-Kaduna Railway is the first modernised railway adopting Chinese standards in the overseas railway projects. The railway was completed in 2016.

### ***Qualifications and Awards***

As of the date hereof, the Group holds a broad range of construction qualifications through its subsidiaries. These qualifications enable the Group to undertake different types of construction projects including, but not limited to, railway, highway, metropolitan railway, water conservancy and hydropower facility, industrial and civil construction and municipal projects.

As at 31 December 2020, the Group held 82 extra-grade general contracting qualifications and 313 grade A qualifications for railway projects, highway projects, water conservancy and hydropower projects, architectural engineering, and municipal utilities projects, respectively. In 2020, the Group obtained four extra-grade qualifications as general contractor for construction enterprises.

As at 31 December 2020, the Group received 87 National Prizes for Science and Technology, 161 “Four Excellence (四優)” National Prizes in Survey, Design, 112 Zhan Tianyou Civil Engineering Awards, 444 National High-Quality Projects Awards, 148 Luban Prizes for China Construction, 3,460 engineering methods above provincial level and 31 China Patent Awards, and four A score and Excellent Performance Awards from the SASAC.

### ***Technology, Research and Development***

The key technologies utilised in the Group’s construction operations include: (i) design and construction technologies for high-speed railways; (ii) design and construction technologies for plateau railways; (iii) construction and maintenance technologies for electrified railways; (iv) design and construction technologies for freeways; (v) design and construction technologies for bridges large span; (vi) design and construction technologies for tunnels in complex geographical conditions; (vii) technologies for bridge construction and erection machinery manufacture; (viii) construction and installation technologies for maglev track beams; (ix) construction technologies for large diameter shield; (x) design and construction technologies for tunnels under water; (xi) design and manufacture technologies for shield machine; (xii) technologies for large maintenance machinery manufacture; (xiii) design and construction technologies for large-scale civil buildings; and (xiv) design and construction technologies for large water conservancy and hydropower facilities. With its advanced technologies and strong research and development capacities, the Group has successfully obtained 19,072 patents and received above-provincial level recognition of 3,460 for engineering methods as at 31 December 2020.

### ***Business Models***

The business models the Group adopts in its construction operations mainly include construction contracting, project management contracting and EPC. In the past few years, substantially all of the Group’s projects have been contracted based on project management contracting, either in terms of number or contract value of projects. However, the Group is leveraging its integrated survey, design and consultancy and construction expertise to develop the EPC model as its key business model.

- *Construction contracting*, by which the contractor performs the constructions work in accordance with the construction plan and design supplied by the customers and is generally only responsible for the construction work. The project owner is generally responsible for the procurement of raw materials and controls the project timetable.
- *Project management contracting*, by which the contractor performs the construction contract in accordance with the designs and timetable supplied by the designers and project owner. The contractor generally takes full responsibility for the project while it is allowed to subcontract part of the project to third parties. During the construction process, the project owner will supervise the construction work with the assistance of the designers or retain a supervisor to monitor the progress of the project. Project management contracting is usually adopted by middle- to large-scale construction enterprises.
- *Engineering, procurement and construction*, or EPC, by which the contractor undertakes all or part of the survey, design, procurement, construction and trial operations on a turnkey basis. An EPC contractor is responsible to the project owner for the quality, time progress and costs of the construction. EPC is generally adopted in the global construction market.

### ***Subcontractors and Joint Ventures***

In the domestic market, the Group generally submits tenders for projects on its own to act as the turnkey contractor, because as an integrated construction company, it is able to execute such projects with its own resources. In the overseas market, the Group submits tenders for overseas projects both on its own and as a member of a joint venture or a consortium. Where the Group acts as a member of a consortium or joint venture, it shares the scope of work and responsibilities with the other consortium members or joint venture partners as defined in the consortium or joint venture agreement, respectively. It normally bears joint and several liabilities to the project owner with other members of the consortium or joint venture,

as provided for in the consortium or joint venture agreement. It generally undertakes construction projects as an independent contractor. In most of its joint construction projects, the Group enters into a consortium with other parties and decides each party's share of interest through negotiations based on the underlying agreement. Parties will share the revenue according to the share of interests and be jointly liable for the quality of the construction projects.

The Group acts as the turnkey contractor in most projects. When necessary, it subcontracts within the Group, employs temporary workers or outsources to independent third-party subcontractors to provide certain services that the Group is unable to or do not generally provide, or if it requires additional labour as a result of manpower shortages or where it is required to accelerate the rate of work on a project. Terms of the master contract are reflected in the Group's contracts with subcontractors. The Group and its subcontractors are jointly liable with regard to work safety on a subcontract. In selecting independent third-party subcontractors, the Group considers factors such as previous cooperation experience and its evaluation of their performance. It requires the same standards of work to be performed by subcontractors as it would expect of work done by its own subsidiaries. The Group has adopted a stringent evaluation mechanism to test and review the qualifications of those subcontractors it considers for retention. In order to ensure the quality of the subcontractor, the Group carries out measures including the implementation of stringent evaluations to monitor quality, performance and credit history of each subcontractor and apply its quality control requirements to monitor and supervise subcontractor through construction. In addition, pursuant to either its contracts or applicable laws, the Group is ultimately liable to project owners for the entire construction project and, as such, the Group maintains close supervision over its subcontractors' performance to ensure high-quality work. It maintains a list of preferred subcontractors that is regularly reviewed and updated. It also maintains long and close relationships with reliable subcontractors through training programs and technical cooperation arrangements.

### ***Seasonality***

The Group's construction business is subject to seasonality, mainly due to the vast territory of China and the different climate conditions of various regions in which the Group operates. It typically records higher revenues between July and December relative to revenues recorded between January and June. The Group attributes this seasonality to the effect that the winter months (generally from January to March) have on its construction operations in the northern part of China as well as the effect of the Chinese New Year during which some of its projects and construction are halted. As a result the Group may experience cost increases or delays in progress when conducting its business operations during particular seasons.

### ***Raw Materials and Suppliers***

The Group adopts three different methods of procurement for its construction operations, namely, procurement by owner, procurement controlled by owner and procurement by contractor, in accordance with different provisions under its construction contracts. The raw materials it uses for infrastructure construction include steel, cement, explosives, waterproofing materials, admixtures and track materials.

Certain raw materials, such as steel, explosives, wood and cement, are usually purchased by the project owners, and the Group compiles a list for the main raw materials required for its construction and then submits the list to the owner. After the project owner confirms such list, it will purchase the raw materials accordingly. Electricity and fuel are the main types of energy the Group uses. It obtains water supplies from local sources depending on the location of the Group's projects. During recent years, the Group has not encountered any significant shortages of electricity, fuel or water supply.

Procurement controlled by the owner means that the owner will first supervise the contractor in the organisation of the bidding and determination of the raw materials supplier, then the contractor will negotiate business terms and enter into a purchase agreement with the suppliers designated by the owner. Most of the Group's contracts are fixed-price contracts under which the Group is responsible for procuring raw materials. The procurement costs consist of part of its construction costs and the owner will not refund the payments already made for raw material procurement.

Currently, the Group's purchases of equipment and raw materials are all made through a centralised procurement system, which enables the Group to reduce its procurement costs, ensure consistent quality and supply of raw materials and increase its value. The Group launched the e-commerce platform in March 2011, which has integrated functions including the preparation and approval of procurement plans, suppliers evaluation, communications with suppliers and the overall management of the procurement process.



By entering into long-term purchase agreements or strategic alliances with suppliers, the Group believes that it has maintained stable relationships with its main suppliers of raw materials, which has enabled it to secure reliable supplies of raw materials used in infrastructure construction. It also believes that the raw materials it purchases are commodities generally available in the market. In addition, the Group conducts logistics and materials supply businesses and therefore anticipate that it will not be difficult to procure sufficient raw materials.

### **Marketing and Customer Relationships**

The Group's major customers are PRC Government agencies at both the national and provincial and local levels as well as other state-owned enterprises, which the Group considers with good credit quality. The Group's largest customers of its domestic construction operations are primarily business entities set up and managed by central and local governments. The largest customers of its overseas construction operations are primarily governmental and semi-official entities.

With integrated capacity and strong reputation, the Group maintains close relationships with its customers. The Group consistently upholds concept of being customer-oriented when serving its customers. The Group values, abides by business ethics and the endeavors to provide customers with fair services. It rapport with its customers committed to building a long and good relationships, values the feedbacks from customers. It works closely with professional institutions and consulting companies to obtain significant project information and potential business opportunities. It also designates specific personnel to observe public bidding announcements of significant construction projects.

### **Survey, Design and Consultancy**

#### **Overview**

The Group is a leading provider of survey, design and consultancy services to the domestic infrastructure construction industry in terms of revenue. Its survey, design and consultancy business mainly focuses on railways, bridges, tunnels, metropolitan railways, freeways, public projects, industrial and civil buildings, airports and ports whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection. It had provided survey, design and consultancy services for major construction projects at the national and provincial levels as well as survey and design services for passenger railways. The Group is highly competitive in the survey, design and consultancy industry in China. According to ENR's "Global Top 150 Engineering Design Companies", the Group ranked 14th in 2020. The Group possesses comprehensive capabilities for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Its survey and design technologies are among the most advanced in China and are considered advanced by international standards. Its survey, design and consultancy operations extend throughout China and a number of overseas countries and regions. Major customers of the Group's survey, design and consultancy operations include government agencies and business entities set up and managed by central and local governments, such as construction project companies.

The following table sets forth the new contract value, the sales revenue and gross profit before elimination of inter-segment sales of the Group's survey, design and consultancy operations in the years ended 31 December 2018, 2019 and 2020:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(RMB in millions)</i>		
New Contract Value . . . . .	17,711.1	14,928.4	22,553.7
Sales Revenue . . . . .	16,705.9	18,084.9	18,460.2
Gross Profit . . . . .	5,700.4	5,798.8	6,157.6

The Group is able to design high-speed railway with a designed speed at 350 kilometres per hour and provides survey and design services for approximately 60.00 per cent. of the existing passenger railways in China. The landmark projects the Group has completed include:

- Guangzhou-Zhanjiang High-Speed Railway, which was the project of the highest standard, in the longest length and with the largest investment in the history of Guangdong province. It connects the Guangdong-Hong Kong-Macao Greater Bay Area with Hainan Free Trade Port. It is also an important component of the high-speed railway system of the Beibu Gulf;

- all of Phase I and Phase II of the Qinghai-Tibet Railway Line, the highest plateau railway in the world;
- the Beijing-Kowloon Railway Line, which has received the largest amount of investment at the time for any railway project in China and is China's largest and longest railway line constructed in a single phase;
- the Zhengzhou Hub, the largest railway hub in Asia;
- the Dayaoshan Railway Tunnel, the longest electrified twin-track railway tunnel in China; and
- the Guangzhou-Shenzhen Quasi High-Speed Railway Line, the first quasi high-speed railway in China;
- Lanzhou-Urumchi High-speed Railway, the longest one-off constructed high-speed railway in the world;
- Hefei-Fuzhou High-speed Railway, the designed speed of which is 300 kilometres per hour and the fourth double-track electrified railway in China;
- Guiyang-Guangzhou High-speed Railway, the first high-speed railway in China with a speed of 300 kilometres per hour in mountain area; and
- Xin Guan Jiao Tunnel, which was the longest tunnel in China in and the fifth longest tunnel in the world.

The Group has been analysing both domestic and international railway construction markets in depth, and has devoted significant resources to the research of railway repairs in times of war or military conflict, the design and construction of railways on plateaus and in areas prone to sandstorms, soft soil railway construction, large-scale mountain railway tunnel construction, the design and construction of cross-river and cross-sea railway bridges or underwater tunnels, subway construction, bridge design and construction, non-ballast tracks, and "four-electrification" equipped projects for passenger railways. It has also developed industry-leading technologies, equipment and construction methods. The major landmark projects undertaken by the Group in its railway survey, design and consultancy business in recent years include (i) Qinghai-Tibet Railway, which was the world's highest and longest plateau railway; (ii) Baoji-Chengdu Railway, which is China's first electrified railway; (iii) Baotou-Lanzhou Railway, which is China's first railway built in desert; (iv) Yichang-Wanzhou Railway, which is a mountain railway with the most complicated topography and geology and the most difficult construction process in China; (v) Shenzhen-Shantou High-speed Railway, which is an important part of the coastal high-speed railway corridor and an important infrastructure for promoting the Guangdong-Hong Kong-Macao Greater Bay Area; and (vi) Sichuan-Tibet Railway, which is a high-speed railway connecting Sichuan province and Tibet autonomous region. It is the second railway to Tibet in China.

#### ***Other Survey, Design and Consultancy Business***

In addition to the railway sector, in recent years, the Group has also engaged in activities such as the design of highways, bridges, tunnels, municipal projects and metropolitan railways. In addition, it has conducted technology research and development in major municipalities and cities, such as Beijing, Shanghai, Xi'an, Shenzhen, Nanjing, Guangzhou, Harbin, Chengdu and Chongqing, to design subway systems and structural technologies, design and construct large-scale structures and railway stations, and to conduct survey and inspections. The Group was awarded the copper medal for the National Excellent Project Design in 2000 for its design services relating to the construction of the highway serving the Three-Gorges Hydropower Station on the Yangtze River. It was also awarded silver medals for the National Excellent Project Survey in the years 1996 and 2000 for the provision of survey services for the Tianjin New Harbor and 108 National Freeway construction projects, respectively. The landmark projects undertaken by the Group in its other survey, design and consultancy business include the Wuhan Yangtze River Tunnel, which has a total length of approximately 3,295 metres, with over 1,300 metres lying under the riverbed. It is located between the Wuhan Yangtze River Bridge and No. 2 Wuhan Yangtze River Bridge and is a two-way, four-lane tunnel. The Group was responsible for this entire project with a total contract value of RMB30.0 million. The two-way and four-lane Slender West Lake Tunnel is another Group's landmark project in its survey, design and construction business, with a total length of approximately 3.6 kilometres which required to use of a 14.93 metre shield for construction. The Group has also undertaken the survey and design of Ningbo-Zhoushan railway, which will end the absence of railway in Zhoushan islands after its completion. The Group is also planning to construct a cross-harbour high-speed railway tunnel, which is expected to become the first cross-harbour high-speed railway tunnel in China as well as the longest cross-harbour high-speed railway tunnel in the world.

## *Qualifications*

The Group possesses certificates issued by relevant governmental authorities, which demonstrate its qualifications for construction surveying, construction design, construction assessment, design and consultancy, engineering surveying, geological hazards prevention evaluation, designing supported by intelligent design software, and environmental impact assessment and surveying. The Group makes significant efforts on quality control, environmental protection and safety to ensure compliance with the requirements for the certificates it holds and continues its research and development of technology to maintain its certificates and relevant qualifications. In addition, the China Railway First Survey and Design Institute and the China Railway Fourth Survey and Design Institute are fellow members of the International Federation of Consulting Engineers.

## *Awards*

The Group possesses comprehensive technologies for the survey and design of railways, including those situated on high plateaus and in mountainous regions, permafrost zones and deserts, as well as sophisticated technologies for electrified railway lines, passenger railway lines, underwater construction, long tunnels, wireless train dispatching and scheduling systems and large interchange traffic construction. Its survey and design technologies are among the most advanced in China and are considered advanced by international standards. From 1982 to 31 March 2021, the Group received 32 international awards, 171 national awards and 1,590 provincial awards for its survey, design and consultancy works, including:

- The “*George S. Richardson Medal*” in 2020 by International Bridge Conference for Yangsigang Yangtze River Bridge in Wuhan;
- The “*Outstanding Prize for Engineering Project*” in 2018 by the International Federation of Consulting Engineers for Hefei-Fuzhou High-speed Railway;
- The “*Excellence Prize for Engineering Projects*” in 2018 by the International Federation of Consulting Engineers for the West Qinling Tunnel of Lanzhou-Chongqing Railway;
- The “*Excellence Prize for Engineering Projects*” in 2017 by the International Federation of Consulting Engineers for the Slender West Lake Tunnel in Yangzhou;
- The “*The First Prize of National Science and Technology Progress*” in 2004 and 2012 by the National Science and Technology Award Committee, “*Gold Prize for National Geological Survey*” in 2005 and “*Gold Prize for National Excellent Projects*” in 2006 for design work on the Qinling Tunnel of Xi’an-Ankang Railway Line;
- The “*Gold Prize for National Design Excellence*” in 2000 for the design of the Guangzhou-Shenzhen Quasi High-Speed Railway Line;
- The “*Gold Prize for National Design Excellence*” in 1999 for general design work for the Beijing-Kowloon Railway Line;
- The “*Gold Prize for National Design Excellence*” in 1993, received for the Xuzhou Interchange Terminal Extension and related construction;
- The “*Special Prize for the Advancement of Science and Technology of China*” in 1992 for the Dayaoshan railway tunnel; and
- The “*Special Prize for the Advancement of Science and Technology of China*” in 1987 for sand-controlling construction of the Baotou-Lanzhou Railway project.

The awards the Group received are generally reviewed and granted annually or every two years and are a testimony of the Group’s well-established brand name.

## ***Design, Research and Development***

As at 31 December 2020, the Group had one member from the Chinese Academy of Engineering, 11 National Survey and Design Masters; 12 national candidates of the “Bai Qian Wan Talents Project” and 264 experts who are recipients of special subsidies granted by the State Council, all of whom possess strong design, research and development capabilities and the capacity to conduct research and development of new construction technologies and equipment according to the needs of the Group’s customers.

The core competencies of the Group’s primary research institutes are as follows:

- *China Railway First Survey and Design Institute*: design of large-scale mountain railway tunnels, as well as plateau and desert railways;
- *China Railway Fourth Survey and Design Institute*: design of railways on soft soils and other special terrains, as well as the design of cross-river and cross-sea tunnels and special bridges. It has been exploring the provision of design and consultancy services for the construction of highways, metropolitan railways, inter-city passenger lines and municipal projects;
- *China Railway Shanghai Design Institute Group Co., Ltd.*: design of metropolitan railways; and
- *China Railway Fifth Survey and Design Institute*: research, development and production of equipment, construction machinery, tools and related technologies for railway and metropolitan railway construction projects and the research and development of other mobile machinery for bridge construction.

The Group believes that its design teams’ constant technological improvements and innovative activities in various projects will enable it to integrate its survey, design and consultancy operations with other business operations, thereby allowing the Group to provide its customers with optimised services.

## ***Customers***

Major customers of the Group’s survey, design and consultancy operations include government agencies and business entities set up and managed by central and local governments.

## **Manufacturing**

### ***Overview***

The Group is one of the largest maintenance machinery manufacturers in China and Asia, with over 80.00 per cent. of the market shares in China as at 31 December 2020. The Group is also one of the largest advanced shield machine manufacturers with a comprehensive product line in China in terms of production capacity. The Group is one of the shield machine manufacturers which owns comprehensive intellectual property rights in China. It manufactured China’s first composite earth pressure balance shield, applied TBM excavation technology for the first time in the railway tunnel, Qinling Tunnel, which was the longest in China and the sixth longest worldwide in 1999, and applied full face TBM in inclined coal wells for the first time in China. In addition, the Group owns the only state-level innovation centre in the PRC for the research and development of underground engineering equipment. The Group designs, researches, develops, manufactures and maintains large rail track maintenance machinery, as well as maintenance and construction components for the track system such as high-speed railway turnouts through eleven subsidiaries, including China Railway Construction Heavy Industry Co., Ltd. The Group’s large rail track maintenance machinery is essential for the operation and maintenance of China’s railway network.

China Railway Construction Heavy Industry Co., Ltd. focuses on the manufacture of railway switches and rail fasteners for high-speed railways and commenced production in early 2008. It was appointed by the MOR as one of the only two designated manufacturers of high-speed railway switches. The Group expects that the manufacture of high-speed railway track components will become a substantial part of its manufacturing operations. On 12 June 2020, China Railway Construction Heavy Industry Co., Ltd. submitted its application for initial public offering and listing on the Science and Technology Innovation Board to the Shanghai Stock Exchange.

The following table sets forth the new contract value, the sales revenue and gross profit before elimination of inter-segment sales of the Group's manufacturing operations in the years ended 31 December 2018, 2019 and 2020:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(RMB in millions)</i>		
New Contract Value . . . . .	24,388.0	25,797.0	34,511.6
Sales Revenue . . . . .	16,482.3	18,104.6	18,049.2
Gross Profit . . . . .	4,279.8	4,120.1	4,327.0

In manufacturing business segment, there are three main products line, i.e. equipment manufacturing, material production and precast concrete production. In particular, the Group manufactures large rail track maintenance machinery, underground construction equipment, rail construction equipment, concrete construction equipment, lifting equipment, bridge construction equipment, compacting equipment, concrete products, bridge steel structures, turnout and spring bar fastener, and electric contact wire and parts.

The Group independently develops and manufactures large rail track maintenance machinery, including tamping machines, continuous tamping machines, track switch tamping machines, full section track bed ballast processors, switch grinding machines, dynamic stabilisers, ballast distributing and trimming machines, turnout laying and changing machines and bulk material automatic loading machines. The Group also develops and manufactures maintenance machinery products for passenger railways, including track grinder cars and railway shunting equipment. In 2017, the demonstration project of "Key Technology Research and Demonstration of Long-distance Inclined Shaft in Shield Construction Coal Mine" successfully passed the acceptance test, which was the first inclined shaft in coal mine adopting shield construction in China.

The Group's large rail track maintenance machinery, used by railway bureaus for large railway section in China, represents more than 80.00 per cent. of the large rail track maintenance machinery currently in service in China as at 31 December 2020. The Group offers intelligent and integrated solutions to the construction of tunnels which serve the projects of railways, urban rail transit and highway construction, municipal and utility construction, water conservancy facilities and power project construction as well as mine construction. The Group is one of the largest advanced shield machine manufacturer with a comprehensive product line in China in terms of production capacity, and also the only mine inclined-shaft shield machine producer in China. The Group's railway track equipment related products, such as turnout products, fastener and clip products and brake pad and shoe products have been widely applied in national railway construction, including high speed railway, major railway and urban rail transit.

***Raw Materials and Energy Suppliers***

The Group purchases raw materials for its manufacturing operations through a purchase plan using the bidding method. The primary raw materials it purchases include steel, cement, electro-mechanical equipment and non-ferrous metals. Electricity, the main source of energy used in the manufacturing operations, is primarily purchased from local power grids where the Group's facilities are located.

***Technology, Research and Development***

The Group is the leader in the research and development as well as the production of large rail track maintenance machinery in China. It imports machinery manufacturing technologies and conducts further research and development activities on such technologies to meet domestic production requirements for large rail track maintenance machinery, thereby improving its own research and development capabilities.

Since 1988, CRCC High-Tech Equipment Corporation Limited has introduced technologies from P&T Austria used in the production of large rail track maintenance machinery. The Group has also successfully developed its own products to meet the specific needs of the domestic market by research and modification of these imported technologies. The Group was able to assist the PRC Government in increasing the maximum train speeds of the domestic railway system on numerous occasions.

CRCC High-Tech Equipment Corporation Limited has been named High and New Technology Enterprise of Yunnan Province, Outstanding Enterprise in Employees' Economic Technology Innovation in Yunnan Province, Advanced Enterprise for Quality and Efficiency in Yunnan Province, and Top 30 Well-known Brands in Yunnan Province, because of its accomplishments.

The Group has an increasing number of products which are designed with independent intellectual property rights. Several underground engineering products of the Group has been industrial breakthrough in China, including major-diameter earth pressure balance shield/TBM dual-mode excavator, hard rock tunnel boring machine with major diameter and full face and hard rock tunnel boring machine with double shields. Several large railway track maintenance machinery of the Group has already achieved world leading position, including narrow-gauge tamping machines and narrow-gauge ballasting machines and are exported to overseas markets. Technologies of underground and underwater engineering construction, magnetic suspension engineering construction and Electrical & Mechanical system integration have also achieved a leading level in the industry. The Group owns a world-leading excavating machine manufacturing base with an annual output of 200 excavating machines, accounting for half of the domestic market. In particular, the TBM takes up more than 85.00 per cent. of the domestic market and provides domestic underground construction projects with intelligent and integrated solutions and high-end equipment. Many achievements in this field are unprecedented in China. Major products of large rail track maintenance machinery take up more than 80.00 per cent. of domestic market.

### ***Sales, Marketing and Customers***

The Group receives purchase orders for large rail track maintenance machinery primarily through the government channel and private channels. The government channel involves the assignment of purchase orders to us by the MOR through the bidding process, following an annual/periodic review of state-owned railway operators' demands. Purchase orders received through the government channel depend largely on prevailing government policies. However, the order is relatively stable once it is placed. Purchase orders from private channels are based on the customers' demands. Competition for orders through private channels is more intense than through the government channel. The Group acquires such orders by way of price comparing and bidding.

Major customers of the Group's manufacturing operations include large enterprises, such as state-owned railway operators, construction companies, private railway companies, local railway companies, subway companies and mining companies with railway facilities.

### **Real Estate Development**

The real estate business is one of the principal businesses of the Company as approved by SASAC. The Group's real estate development business was previously conducted on a sporadic basis by affiliated construction group companies. On 20 April 2007, the Group established China Railway Real Estate Group Co., Ltd., which is primarily engaged in the development of residential properties as a main business as well as the development of commercial properties, such as shopping malls and office buildings. As one of the 16 enterprises directly under the central government engaging in real estate development as one of its principal businesses, the Group prioritises its real-estate development business in residential development with support from commercial facilities as a supplement. The Group principally carries out real estate development in economically developed cities in the Pearl River Delta, the Yangtze River Delta and the Bohai Rim Economic Circle. In addition, through China Railway Real Estate Group Co., Ltd., it has successfully established the brand "Zhong Tie Di Chan" (中鐵地產). For the year ended 31 December 2020, the Group's real estate segment had new contract value of RMB126.5 billion. Throughout the year of 2020, the Company obtained 57 land parcels with a planned total floor area of approximately 11.84 million sq.m. in 34 cities including Beijing, Shanghai, Guangzhou, Tianjin, Chongqing and Wuhan; as of the end of 2020, the Group has undertaken the development of 328 real estate projects in 77 cities and regions, with a total area of land for construction of about 29.19 million sq.m. and a total floor area of about 90.76 million sq.m. According to 2020 China Real Estate Ranking List for Enterprises with RMB10 billion + in Sales, the Group ranked No. 35, among the real estate enterprises in China, in terms of the sales volume in 2020.

In 2020, the Group's real estate sector achieved the sales volume of RMB126.5 billion, and the sales area of 8.7 million sq.m. The Group has achieved the echelon arrangement which focuses on the first- and second-tier cities and replenishes by some third- and fourth-tier cities with great potential.

The following table sets forth the new contract value, the sales revenue and gross profit before elimination of inter-segment sales of the Group's real estate development operations in the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
	<i>(RMB in millions)</i>		
New Contract Value . . . . .	93,455.3	125,418.1	126,523.8
Sales Revenue . . . . .	36,913.8	41,297.4	40,928.9
Gross Profit . . . . .	9,080.9	8,825.0	8,319.0

(1) New contract value of the Group's real estate development operations mainly represents the value of pre-sale contracts with the purchasers.

The operational process of the Group's real estate development business is summarised as below:

- site selection;
- land acquisition;
- financing property development and land premium;
- project planning and design work;
- construction work, including tendering and procurement of raw materials;
- fitting and decoration work;
- inspection and quality control;
- pre-sale, including applications for requisite regulatory permit to sell properties and reparation work;
- marketing and sales;
- payment arrangement; and
- after-sale customer service.

The sales and marketing function for the Group's real estate development operations is delegated to its individual subsidiaries or affiliated project companies, which either have dedicated internal sales teams or retain external professional marketing and sales service providers.

According to the relevant PRC laws and regulations, real estate developers must obtain qualifications in order to carry out real estate development businesses in the PRC. As at 31 December 2020, the Group and its affiliated construction group companies conducting real estate development operations possessed valid qualifications and were competent to conduct real estate development operations. The Group maintains such qualifications through continuing compliance with relevant regulatory requirements or timely renewal for such qualifications.

#### **Materials, logistics and other businesses**

The Group's businesses also include logistics, warehousing and distribution, material trading, spot trading and international trading, financial insurance, concession, mining resources development and railway operation and management.

### ***Logistics***

The Group's logistics business is mainly operated by China Railway Goods and Materials Co., Ltd., or CRGMG, a subsidiary of the Group specialising in logistics operations. CRGMG has achieved rapid development in its logistics operations and has accumulated extensive experience in this area. As the largest logistics service provider for railway engineering in China, the Group has over 70 regional business outlets, 1,330,000 sq.m. logistics space, and more than 40,000 metres of special railway lines and 32,550 cubic metres refined oil storage capacity as at 31 December 2020. China Railway Material Group Co., Ltd. (中鐵物資集團有限公司), a subsidiary of the Group, ranked the ninth in 2020 among the "Top 50 Chinese Logistics Enterprises" published by the China Federation of Logistics & Purchasing and ranked as a National 5A Integrated Service Logistics Enterprise, which is the highest level of logistics service enterprises in China.

### ***Material Trading***

The Group also engages in the trading of construction materials, such as steel rail, which enhances its ability to purchase and supply key materials. It has established strategic relationships with China National Petroleum Corporation, China Petroleum and Chemical Corporation, Angang Group Company, China Gezhouba Group Cement Co., Ltd. and several major steel companies in China, and expanded the geographical coverage of its operations. The Group has been certified by the relevant PRC Government authorities to wholesale oil products within the Group, thereby enabling it to reduce its overall purchasing costs for oil products.

### ***Investment and Operation***

The Group has established a full value chain business model of "design-investment-construction-operation".

### ***Emerging Industries***

The Group actively explores new business areas such as new rail transit, building industrialisation, new energy, water resources, ecological water environmental management, and waste disposal.

### ***Financial Services***

The Group also engages in financial services including fund settlement, deposits, comprehensive credit facility management, inter-bank deposits, loans, financial leasing and inter-bank lending.

### ***Other Businesses***

The Group invests in certain of its construction projects by way of PPP, BOT and BOO. Build-Operate-Transfer, or BOT, is a mode in which government or local authorities grant the rights to the Group by concession agreement to undertake the financing, construction, operation and maintenance of a construction project. Upon expiry of the concession period, the relevant facilities will be transferred back to the contracted government authority without consideration. Public-private partnerships, or PPP, involve collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place. Build-Own-Operate, or BOO, is a mode of business in which the Group builds and operates a property project pursuant to the concession rights granted by the government. Such an infrastructure project will not be transferred back to the public sector.

PPP, BOO or BOT projects are usually implemented according to customers' requests and the contractors are required to provide financing, fully or partially, for the projects. PPP and BOT projects generally provide better returns because of the contractor's increased ability to control project costs. BOT projects also offer the possibility of attractive returns on investment and stable cash flows to the contractor. As at 31 December 2020, the Group had operated and implemented a number of BOT projects and PPP projects across China, including the BOT Project of Guangxi Ziyuan (Meixi) to Xing'an Highway, the PPP Project of Transportation Infrastructure in Renshou County, Tianfu New Area, the PPP Project of Phase I Engineering of Tianjin Metro Line No. 8, the PPP Project of Protection and Remediation of Luoyang



Ancient City, the PPP Project of Expressway from Qiubei to Yanshan of Yunnan Province Expressway Network, the PPP Project of Construction of Highway from Luxi to Qiubei to Guangnan to Funing of Yunnan Highway Network (Wenshan Zhou Contracted Section), the PPP Project of Guanzhong Ring Road Mei County via Qishan to Fengxiang Highway and Linyou to Famen Temple Expressway, the PPP Project of Rail Transit Line 12 in Wuhan, the PPP Project of Underground Space Phase II Construction in the Central District of Jiangbei New District, the PPP Project of Phase I Construction of Metro S1 Line in Guiyang City and the PPP Project of Phase I Construction of Taiyuan Urban Rail Transit Line 1). The Group accounts the revenue from PPP and BOT projects as part of revenues for the construction operations.

The following table sets forth the sales revenue and gross profit before elimination of inter-segment sales and new contract value of the Group's logistics and material trading and other operations in the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
	<i>(RMB in millions)</i>		
New Contract Value . . . . .	86,261.7	110,057.7	149,955.0
Sales Revenue . . . . .	64,607.1	71,857.3	76,624.6
Gross Profit . . . . .	7,415.0	8,730.4	7,446.0

## BACKLOG

Backlog represents the Group's estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that the Group expects to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. As at the end of 2020, the Group had a total backlog of RMB4,318.9 billion, RMB3,451.7 billion were attributable to domestic contracts, and RMB867.3 billion were attributable to overseas contracts.

Backlog may not be indicative of the Group's future operating results. Many contracts do not require the Group's customers to purchase a minimum amount of services and are subject to termination by the customer on short notice. The contract value of such projects of the Group may be recorded in its backlog, and the scope of work with respect to contracts reflected in its backlog may at times be adjusted. In addition, poor project selection or difficulties in contract performance may lead to inaccuracies with respect to the estimated income from uncompleted contracts. Furthermore, the termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on the dollar amount to the Group's backlog and the revenue and profits it may earn from such contracts, and may have a material adverse effect on the Group's financial condition and profitability.

The following table sets out the aggregate value of projects in the backlog of the Group's construction operations, survey, design and consultancy operations, manufacturing, real estate development operations, logistics and material trading and other operations for the periods indicated:

	Year ended 31 December		
	2018	2019	2020
	<i>(RMB in millions)</i>		
Construction operations. . . . .	2,363,651.3	2,933,452.1	3,831,037.8
Survey, design and consultancy operations. . . . .	10,854.3	11,352.4	19,131.2
Manufacturing operations . . . . .	31,554.8	37,651.1	50,806.8
Materials and logistics operations. . . . .	175,180.3	204,146.8	256,857.6
Real estate development operations. . . . .	122,606.8	82,900.4	155,766.9
Other businesses. . . . .	4,852.7	4,134.3	5,326.4
Total . . . . .	<u>2,708,700.2</u>	<u>3,273,637.1</u>	<u>4,318,926.7</u>

## RESEARCH AND DEVELOPMENT

The Group places significant importance on the development of its research and development capabilities. In addition to its professional research and development institutes, such as its affiliate design institutes or companies, the Group's headquarters has technology research centres and its construction group companies have technology centres for research and development work. The Company has also established the relevant rules and guidelines to regulate its technology research centres, technology research investments, technology research projects, and technology research results evaluation and rewarding system. As at 31 December 2020, the Group had one member of the Chinese Academy of Engineering, eleven National Survey and Design Masters, 12 national candidates of the "Bai Qian Wan Talents Project" and 264 experts who are recipients of special subsidies granted by the State Council.

The Group undertakes research projects sponsored by government agencies at the provincial and ministerial levels. It has received 87 National Prizes for Science and Technology, 161 National Prizes in Survey and Design, 112 Zhan Tianyou Civil Engineering Awards, 444 National High-quality Projects Awards and 148 Lu Ban Prizes for China Construction. The Group held 19,072 patents, and received above provincial level recognition for 3,460 engineering methods as at 31 December 2020. In 2020, the Group was granted with 5,099 new patents. As a result of its effort in research and development, the Group won a number awards in 2020, including 107 provincial Science and Technology Awards, 44 Construction Science and Technology Awards of China Construction Enterprise Management Association, 267 awards of new engineering methods at the provincial and ministerial level, eleven China Architecture Engineering Zhantianyou Awards, 11 prizes in China Construction Engineering BIM Competition and the “World’s Best Engineering Award” in ENR of the United States. In addition, attributable to its leading market position, the Group jointly led the publication of four international standards.

In the future years, the Group will focus on developing and innovating new technologies for passenger railways, plateau railways, bridge construction, tunnels, underground construction, and non-ballast railways. It will also optimise its investment, evaluation, incentive, training, and performance review systems and cultivate the innovative skills of its managerial, research and development, and technical personnel.

The total expenditure on research and development of the Group for the years ended 31 December 2018, 2019 and 2020 was RMB11,571.8 million, RMB16,527.8 million and RMB18,606.0 million, respectively.

## **QUALITY CONTROL AND MANAGEMENT**

The Group implements a quality management system pursuant to the ISO 9001:2000 standard. It has established a quality control system by establishing procedural management systems for sales, production, after-sales services, inspection, resource management, including the management of the invitation and submission of bids, contract management, materials procurement management, and production plan management. In the year of 2020, the Group obtained six National Construction Luban Prizes, six National High-Quality Project Golden Awards and 44 National High-Quality Project Awards.

The Group has established a sound quality management structure and system, as well as a quality control system developed in accordance with national standards including GB/T19001-2016, ISO9001:2015 and GB/T50430-2017. In the year of 2020, the Group passed the review of China Certification Center. The registration and authentication qualification of the quality management systems of the Group will continue to be maintained with the number of certificates being 02118Q10709R6M and U006618Q0253R6M.

## **OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION**

The Group’s operations generate air pollution, noise, hazardous material, polluted water and solid wastes, and it is subject to the relevant rules and regulations on occupational health, safety and environmental protection. According to the PRC counsel to the Group, Beijing Deheng Law Offices, the Group has not caused any material environmental pollution incident as a result of breaching the environmental law, except for such incident or breach that will not, individually or in the aggregate, result in a material adverse effect on the Group’s operation.

The Group published and implemented a health, safety and environmental management system on 29 April 2006. On 7 July 2006, it became one of the first state-owned large-scale enterprises that received ISO 9001:2000 certification for its quality management system, ISO 14001:2004 certification for its environmental management system, and GB/T28001-2001 certification for its occupational health and safety management system. In addition, the Group has a Safety and Quality Management Department and an Environmental Protection Department located at its head office with offices at its principal operating affiliated companies, which are responsible for: (i) supervising and examining the safety and quality control measures of construction companies and construction management companies; (ii) regulating labour, hygiene and safety conditions; and (iii) monitoring compliance with statutory environmental protection regulations relating to air, water, noise and solid waste pollution. The Group imposes safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of its operations in order to minimise the possibility of work-related accidents and injuries. It also monitors the safety and environmental protection aspects of its subcontractors’ operations. As the Group believes that safe practices are essential to ensure employee safety, it conducts regular safety training sessions and

provides safety education to employees. It has established safety standards in connection with matters such as purchasing, installation and operation of new equipment, construction of new facilities and renovation of existing facilities. All of the Group's operating subsidiaries have obtained and maintained a safe production permit issued by relevant PRC local authorities. With regard to its overseas operations, the Group is committed to strict compliance with applicable local laws on occupational health, safety and environmental protection. Its ability to comply with local laws is an important consideration before the Group decides to commence operations in foreign jurisdictions. Although the Group has stringent safety measures in place, its construction operations involve inherent occupational risks. There is no guarantee that any safety-related incidents will not have an adverse impact on its reputation, corporate image and results of operations.

## **INTELLECTUAL PROPERTY RIGHTS**

The Group relies on patents, copyrights, trademarks and contractual rights to protect its intellectual property rights. The intellectual property rights are critical to the Group's businesses. As at 31 December 2020, the Group held 19,072 patents and received above-provincial level recognition for 3,460 engineering methods. The Group continuously submit patent applications for products and technologies that it has developed. It also possesses unregistered trade secrets, technologies, know-hows, processes and other intellectual property rights. As at 31 December 2020, the Group did not suffer any material infringement of intellectual property by other parties and, to the best of its knowledge, has not violated any intellectual property rights of any third parties nor was the Company a party to any litigation brought by any third party due to infringement of intellectual property rights.

## **OFFICES**

The Company's head office is located in Beijing, PRC.

## **EMPLOYEES**

As at 31 December 2020, the Group had more than 286,242 employees. The Group has not experienced any material strikes or other disruptions due to labour disputes.

The Group linked the employees' remuneration with their performance, as well as the Group's annual budget. The remuneration of the employees includes wages, performance bonus and allowance. The employees of the Company are also entitled to pension, medical, unemployment, work injury, maternity insurance and housing funds as well as other fringe benefits.

## **INSURANCE**

Pursuant to the general practice in the industry, the Group is required to obtain fire, liability or other property insurance for the property, equipment or inventory in relation to its major businesses, and is required to obtain construction project all-risk insurance for most of the construction projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. The Group also purchases pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for its employees and personal injury insurance for its overseas and onsite workers pursuant to the relevant PRC laws and regulations.

The Group carries third-party liability insurances to cover claims in respect of personal injury or property or environmental damage arising from accidents on its property or relating to the Group's operations, and it carries key-man life insurances on its key employees. Such insurances are not mandatory according to the laws and regulations of the PRC but would be able to enhance the Group's competitiveness against its competitors in the PRC. Under the applicable PRC laws and regulations, the premiums for pension insurance and unemployment insurance are contributed in strict compliance with the PRC national, provincial and municipal regulations, among which employees contribute 8.00 per cent. while the employers contribute 10.00 per cent. to 22.00 per cent. for the basic pension insurance. Employees contribute 0.20 per cent. to one per cent. and the employers contribute 0.64 per cent. to 0.80 per cent. for the unemployment insurance. Employees do not need to contribute to the workplace injury insurance while employers contribute 0.20 per cent. to 2.00 per cent. The contribution rates for medical insurance, maternity insurance and housing funds are subject to local regulations.

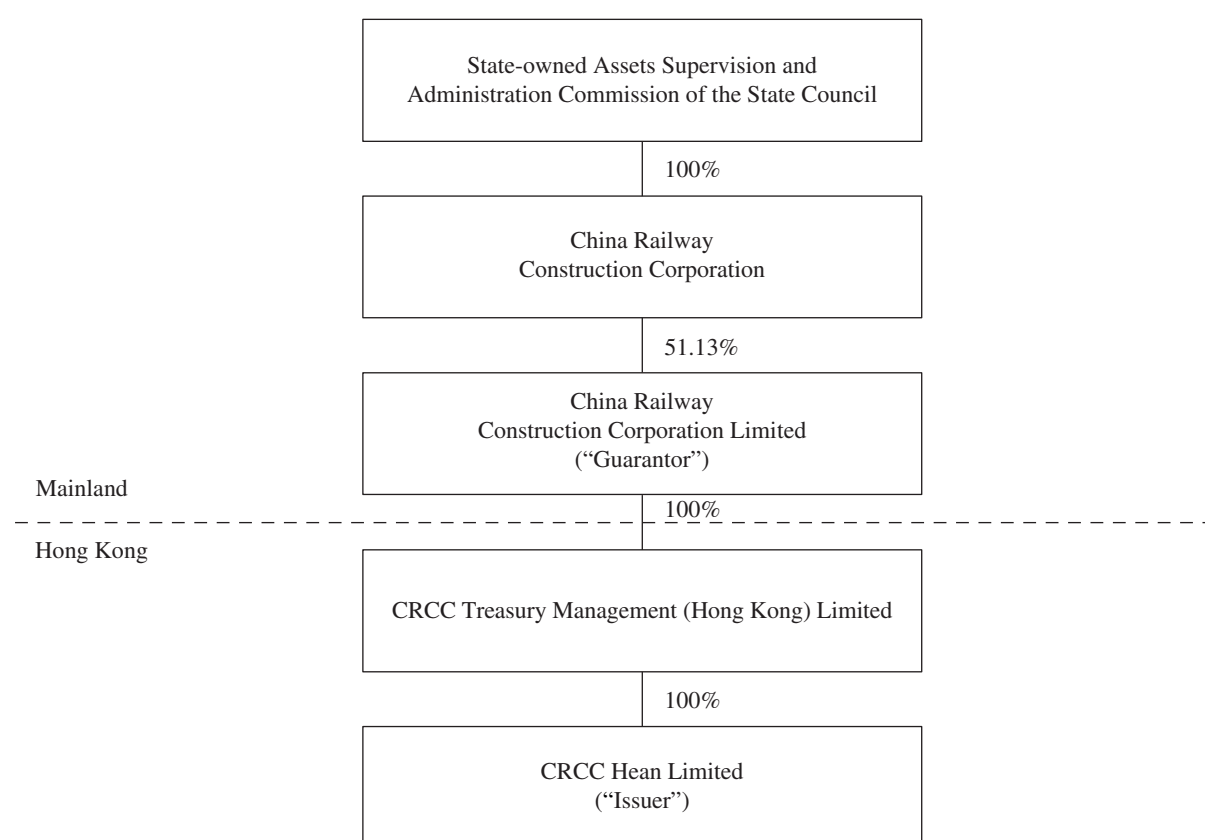
## **LEGAL PROCEEDINGS**

From time to time, the Group has been involved in legal proceedings or other disputes that arise from the ordinary course of its business, which primarily involve disputes with contractors and employees. The Group has not incurred significant legal costs and expenses in connection with these legal proceedings. The Directors are not aware of any material legal proceedings, claims or disputes currently existing or pending against the Group that may have a material adverse effect on the Group's business, financial condition or results of operations.

## CONTROLLING SHAREHOLDER OF THE COMPANY

As at 31 December 2020, as far as known to the Directors, the Controlling Shareholder held approximately 51.13 per cent. of the Company's issued share capital and is the controlling shareholder of the Company. The Controlling Shareholder is a state-owned enterprise wholly-owned by the SASAC and was established on 28 August 1990 with its headquarters in Beijing. In November 2007, the Controlling Shareholder carried out a corporate reorganisation by injecting the core businesses and related assets along with employees into the Company and established the Company as the sole promoter.

SASAC is the ministry-level organisation directly under the State Council which 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. As by the State Council, SASAC performs its duties as an investor on behalf of the PRC State. The scope of supervision of SASAC extends to the state-owned assets of the PRC central government owned enterprises (excluding financial enterprises). SASAC owns 100.00 per cent. of the shareholding of the Controlling Shareholder.



As at 31 December 2020, save for the Controlling Shareholder and HKSCC Nominees Limited (which holds the shares on behalf of its various clients), there were no other shareholders of the Company with shareholdings of over 10.00 per cent.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

The Directors as at 31 December 2020 were as follows:

Name	Age	Position
WANG Jianping (汪建平) . . . . .	60	Chairman, Executive Director and Secretary of the party committee
ZHUANG Shangbiao (莊尚標) . . . . .	58	Executive Director, President and Deputy Secretary of the party committee
CHEN Dayang (陳大洋) . . . . .	57	Executive Director and Deputy Secretary of the party committee
LIU Ruchen (劉汝臣) . . . . .	57	Executive Director
WANG Huacheng (王化成) . . . . .	57	Independent Non-executive Director
Patrick SUN (辛定華) . . . . .	62	Independent Non-executive Director
CHENG Wen (承文) . . . . .	68	Independent Non-executive Director
Amanda Xiao Qiang LU (路小薈) . . . . .	66	Independent Non-executive Director

The biographies of the Directors are set out below.

**Mr. WANG Jianping (汪建平)**, aged 60, a Chinese citizen with no right of abode overseas, is currently the secretary to the party committee and the chairman of the Company, as well as the secretary to the party committee and chairman of the Controlling Shareholder. Mr. WANG served as the president of Northeast Electric Power Design Institute (東北電力設計院院長), the general manager of China Power Engineering Consulting Corporation, the deputy general manager and member of the Party Group of China Power Engineering Consulting Co., Ltd., the deputy general manager and member of the Party Group of China Power Engineering Consulting (Group) Co., Ltd., the general manager and secretary to the Party Group of China Power Engineering Consulting Group Co., Ltd., the president of Electric Power Planning and Design Institute (電力規劃設計總院院長), the deputy leader of the Preparatory Group and member of the Provisional party committee of China Energy Engineering Group Co., Ltd., general manager and secretary to the Party Group of China Power Engineering Consulting Group Co., Ltd., the president of Electric Power Planning and Design Institute (電力規劃設計總院院長), the secretary to the party committee as well as vice chairman, chairman as well as secretary to the party committee, chairman, general manager as well as vice secretary to the party committee, and secretary to the party committee as well as chairman of China Energy Engineering Group Co., Ltd., and also served as secretary to the party committee and chairman of China Energy Engineering Co., Ltd. Since August 2020, he served as the secretary to the party committee and chairman of the Controlling Shareholder. Since September 2020, he served as the secretary to the party committee and chairman of the Controlling Shareholder, and the secretary to the party committee of the Company. Since October 2020, he served as the secretary to the party committee and the chairman of the Controlling Shareholder, the secretary to the party committee and chairman of the Company. Mr. WANG graduated from the Department of Electrical Engineering of Xi'an Jiaotong University, majoring in electric power system and automation, with a bachelor's degree in engineering. He is a professorate senior engineer, and is granted special allowance by the State Council.

**Mr. ZHUANG Shangbiao (莊尚標)**, aged 58, a Chinese citizen with no right of abode overseas, is currently the president and executive director and deputy secretary to the communist party committee of the Company, as well as general manager, a director and deputy secretary to the communist party committee of the Controlling Shareholder. Mr. ZHUANG has served as the deputy general manager of the finance department of China Road and Bridge Construction Corporation, the deputy general manager, executive deputy general manager and the chief accountant of China Road and Bridge Group (H.K.) Limited, the chief accountant, general legal counsel, a member of the standing committee of the communist party committee, the chief accountant, the secretary to the party committee, a director, the general manager, the deputy secretary to the party committee and a director of the Controlling Shareholder, and the chief accountant, a member of the standing committee of the communist party committee, general legal counsel, vice president, chief accountant, a member of the standing committee of the communist party committee, the general legal counsel, an executive director, the vice president, a member of the standing committee of the communist party committee, a general legal counsel, an executive director, the vice president (presided the work of manager level), a member of the standing

committee of the communist party committee, the general legal counsel, the president, the deputy secretary to the party committee, an executive director, the general legal counsel, the president, the deputy secretary to the party committee and an executive director of the Company. In December 2017, he served as the general manager, the deputy secretary to the party committee and a director of the Controlling Shareholder, the president, the deputy secretary to the party committee and a director of the Company. Mr. ZHUANG graduated from Changsha Communications University, majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a professorate senior accountant and is granted special allowance by the State Council.

**Mr. CHEN Dayang (陳大洋)**, aged 57, a Chinese citizen with no right of abode overseas, is currently an executive director and the deputy secretary to the party committee of the Company, as well as the employee representative director and the deputy secretary to the party committee of the Controlling Shareholder. Mr. CHEN served as the head of human resources department of the Controlling Shareholder, as well as the head of human resources department, the assistant to the president and the head of human resources department (cadre department of the party committee) of the Company (cadre department of the party committee). He has served as the deputy secretary to the party committee, the secretary of disciplinary committee and chairman of the labour union of CSR Group, the deputy secretary to the party committee, the secretary of disciplinary committee and the employee director of CSR Corporation Limited. He has also served as the deputy secretary to the party committee and the secretary of disciplinary committee of CRRC GROUP Co., Ltd and the deputy secretary to the party committee and the secretary of disciplinary committee of CRRC Corporation Limited. In November 2018, he served as the deputy secretary to the party committee of the Controlling Shareholder. In December 2018, he served as the deputy secretary to the party committee, the employee director of the Controlling Shareholder, and the deputy secretary to the party committee of the Company. In June 2019, he served as the deputy secretary to the party committee and the employee director of the Controlling Shareholder, the deputy secretary to the party committee and executive director of the Company. Mr. CHEN graduated from Shijiazhuang Tiedao University, majoring in Railway Engineering and obtained a master's degree of Business Administration. He is a senior engineer.

**Mr. LIU Ruchen (劉汝臣)**, aged 57, a Chinese citizen with no right of abode overseas, is currently an executive director and a member of the standing committee of the communist party committee of the Company, as well as a member of the standing committee of the communist party committee of the Controlling Shareholder. Mr. LIU served as the department deputy head, the head and the deputy head of the 19th Engineering Bureau of the MOR, the general manager, vice president and deputy secretary to the party committee of China Railway 19th Bureau Group Co., Ltd., the chairman and the deputy secretary to the party committee of China Railway 16th Bureau Group Co., Ltd., the chief representative, the chairman, the deputy secretary to the party committee and the vice chairman (presided the work in the Board), the deputy secretary to the party committee, the chairman and the deputy secretary to the party committee of state-owned shares, the standing committee of the communist party committee of the Controlling Shareholder and the standing committee of the communist party committee and the vice president of the Company. In December 2017, he served as the standing committee of the communist party committee of the Controlling Shareholder and an executive director and the standing committee of the communist party committee of the Company. Mr. LIU graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professorate senior engineer.

**Mr. Wang Huacheng (王化成)**, aged 57, a Chinese citizen with no right of abode overseas, holds a doctoral degree and is currently an independent non-executive director of the Company. He once served as the deputy director of the Department of Accounting, deputy dean of the School of Business of Renmin University of China and secretary-general of China National MPAcc Education Steering Committee. He is currently a professor and doctoral supervisor of the School of Business of Renmin University of China. He served as an independent director of CAMCE and an external director of Sinotrans & CSC Holdings Co., Ltd. He is currently an independent director of Hua Xia Bank Co., Ltd., BOE, and Tsinghua Tongfang Co., Ltd.



**Mr. SUN Patrick (辛定華)**, aged 62, a Hong Kong citizen with the right of abode in the United Kingdom, holds a Bachelor of Science degree in Economics and is currently an independent non-executive director of the Company. He once acted as senior regional director and head of Hong Kong Investment Bank Business of JP Morgan Chase Hong Kong, executive director and head of Greater China Investment Bank Business of Fleming Holdings Limited, and an independent non-executive director of China Railway Signal & Communication Corporation, China NT Pharma Group Company Limited and Trinity Limited. In addition, Mr. SUN was the chairman of Chamber of Commerce of Hong Kong-listed Company (during 2013–2015), the Honorary director-general of the chamber, a member of Takeovers and Mergers Panel and Takeovers Appeal Committee of The Securities and Futures Commission (SFC) and Co-convenor of Listing Committee and member of Council of the Hong Kong Stock Exchange. He is currently a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. SUN is currently an independent non-executive director of Sihuan Pharmaceutical Holding Group Ltd. and Kunlun Energy Company Limited listed on the Hong Kong Stock Exchange and an independent non-executive director of CRRC Corporation Limited, a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

**Mr. CHENG Wen (承文)**, aged 68, a Chinese citizen with no right of abode overseas, holds a doctoral degree in management and is a researcher. He is currently an independent non-executive director of the Company. He was once the assistant to the director and the deputy director of Institute No. 31 of the Third Academy under China Astronautics Industry Corporation (中國航天工業總公司三院31所), vice president of the Third Academy under China Astronautics Industry Corporation (中國航天工業總公司三院), vice president of the Third Academy under China Aerospace Electromechanical Group Corporation (中國航天機電集團公司三院), assistant to the general manager and deputy general manager and a member of the communist party committee of China Aerospace Electromechanical Group Corporation, and deputy general manager, a member of the communist party committee and deputy director of the science and technology committee of China Aerospace Science and Industry Corporation. He is currently an external director of China North Industries Group Corporation.

**Ms. Amanda Xiao Qiang LU (路小蕾)**, aged 66, a Canadian citizen with the right of abode in Hong Kong, received her PhD in economics in Canada and is currently an independent non-executive director of the Company. She was once a teacher at the University of International Business and Economics in the PRC and an employee in Corporate Banking of CIBC and Corporate Banking of the Royal Bank of Canada, respectively. She also worked as the vice president and a director of Investment Banking for Asia of BNP, the vice president and a director of Investment Banking for Asia of Merrill Lynch, a director of Corporate and Investment Banking for Asia of Citibank, and managing director and head of Corporate and Investment Banking for China and vice chairman of Corporate and Investment Banking for Greater China of Deutsche Bank, and successively worked as a member of the Asia-Pacific and Global Advisory Committee of British Standard Life, a director of the Asian board of directors of British Standard Life and an external director of the board of directors of China National Building Material Group Corporation.

## Supervisors

The supervisors of the Company as at 31 December 2020 were as follows:

Name	Age	Position
CAO Xirui (曹錫銳)	51	Chairman of the Supervisory Committee
LIU Zhengchang (劉正昶)	52	Supervisor
KANG Fuxiang (康福祥)	52	Employee Representative Supervisor

The biographies of the supervisors of the Company are set out below.

**Mr. CAO Xirui (曹錫銳)**, aged 51, a Chinese citizen with no right of abode overseas, currently serves as the chairman of the Supervisory Committee of the Company. Mr. CAO once served as a trainee of the planning operation division for Dual Line of Lanzhou-Xinjiang Railway of the 20th Bureau of the MOR, an assistant accountant, accountant, senior accountant and deputy head of the finance department of the Controlling Shareholder. He served as the deputy head of the finance department (in charge of work) of the Company since August 2010 and the head of the finance department of the Company from December 2010 to April 2018, and acted concurrently as executive director of CRCC Assets Management Co., Ltd. from March 2016 to November 2018. He served as the chairman of the Supervisory Committee of the

Company since December 2017. Mr. CAO graduated from the University of International Business and Economics with a major in international trade and obtained a master's degree of economics and a master's degree of international trade. He is qualified as a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

**Mr. LIU Zhengchang (劉正昶)**, aged 52, a Chinese citizen with no right of abode overseas, currently serves as a supervisor, the chief auditor and general manager of the audit and supervision department of the Company. Mr. LIU once served as a trainee, a statistician, an accounting staff, head of the financial division, assistant accountant of the 1st department of the 19th Bureau of the MOR, as well as chief accountant and section chief of the financial section of the 7th branch of the Company and chief accountant of the 5th department, the director of the audit department and the head of the finance department of China Railway 19th Bureau Group Co., Ltd., a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 15th Bureau Group Co., Ltd. He has been serving as a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 16th Bureau Group Co., Ltd. and the chief of the audit and supervision bureau of the Company since May 2016. He has been serving as a supervisor of the Supervisory Committee of the Company since December 2017. He has been serving as a supervisor, the chief auditor, chief of the audit and supervision bureau since January 2019 and the chief auditor, a supervisor, general manager of the audit and supervision department of the Company since December 2019. Mr. LIU graduated from Dongbei University of Finance and Economics with a major in business administration, and obtained a master's degree of Business Administration. He is a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

**Mr. KANG Fuxiang (康福祥)**, aged 52, a Chinese citizen with no right of abode overseas, is currently an employee representative supervisor of the Company, and serves concurrently as the head of Organization Department of party committee and the general manager of the Human Resources Department of the Company. Mr. Kang served as the deputy head and head of Human Resources Department (Department of Cadres of party committee) of China Railway 14th Bureau Group Co., Ltd., a Class-A(1) file clerk, the director of Leading Cadres Department, the deputy head of Human Resources Department (Department of Cadres of party committee), and the deputy head of Organization Department of party committee (Department of Cadres of party committee) of the Company. He has been serving as the head of Organization Department of party committee (Department of Cadres of party committee, Office of United Front of party committee) of the Company since June 2018. He has been acting as an employee representative supervisor of the supervisory committee of the Company since September 2018, as well as the head of Organization Department of party committee and the general manager of the Human Resources Department of the Company since July 2019. Mr. KANG graduated from Suzhou Railway Normal College with a bachelor's degree of Arts, majoring in Chinese Language and Literature Education. He is a senior economist.

## Senior Management

The senior management of the Company as at 31 December 2020 was as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
ZHUANG Shangbiao (莊尚標)	58	President
WANG Xiuming (王秀明)	57	Chief Accountant
LI Ning (李寧)	58	Vice President
WANG Wenzhong (汪文忠)	57	Vice President
LIU Chengjun (劉成軍)	57	Vice President
WANG Lixin (王立新)	50	Vice President and Chief Safety Officer
NI Zhen (倪真)	49	Vice President
ZHAO Dengshan (趙登善)	59	Secretary to the Board

The biographies of the senior management of the Company are set out below.

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

**Mr. WANG Xiuming (王秀明)**, aged 57, a Chinese citizen with no right of abode overseas, is currently the member of the standing committee of the communist party committee, the chief accountant, the general legal counsel and the chief compliance officer of the Company. He concurrently serves as the member of the standing committee of the communist party committee of the Controlling Shareholder and the chairman of CRCC Capital Holdings Group Co., Limited, Deputy Chief of the Division II of the Financial Audit Division, Director of the Investigation Division of the General Office of the National Audit Office and Assistant to the Officer of the Audit Department and Director of the Investigation Division. Mr. WANG successively served as the deputy director of the Auditing Bureau of Tianjin City, a member of the communist party committee and the deputy commissioner of the Special Commissioner’s Office for Beijing, Tianjin and Hebei of the National Audit Office. He served as the deputy director of the National Audit Office of the PRC, the deputy of the General Office and the director of the Policy Study Office, deputy head and head of the Legal Department, the head of the Department of Policies, Laws and Regulations, the director of Audit Scientific and Research Institute, the curator of Audit Museum, as well as the commissioner and secretary to the communist party committee of Shenzhen Special Commissioner’s Office of the National Audit Office. He has served as the member of the standing committee of the communist party committee of the Controlling Shareholder since March 2014, the member of the standing committee of the communist party committee, the chief accountant of the Controlling Shareholder, the chief accountant and the member of the standing committee of the communist party committee of the Company since April 2014. He served as the general legal counsel of the Company since May 2016, and the chief compliance officer of the Company since July 2019. He also served as the chairman of CCRC Capital Holdings Group Co., Ltd. Mr. WANG graduated from the Finance Department of Anhui University of Finance & Economics with a bachelor’s degree of Economics, majoring in Finance. Mr. WANG is a professorate senior accountant.

**Mr. LI Ning (李寧)**, aged 58, a Chinese citizen with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of the Controlling Shareholder, as well as the chairman of China Railway Construction International Investment Co., Ltd. Mr. LI served as the Deputy chief of the Department of Engineering Economic Design of the First Survey and Design Institute of the MOR, Director, deputy chief economist and director of the Engineering Economics Division, head of the Engineering Contracting Department and vice president of the MOR and a member of the standing committee of the communist party of China and the deputy dean of Railway First Survey & Design Institute. He served as the general manager, a director and the deputy secretary to the communist party committee and the chairman, the general manager and the deputy secretary to the communist party committee of China Railway 21th Bureau Group Co., Ltd. He served as the deputy secretary to the communist party committee, the general manager, a director, the chairman and the deputy secretary to the communist party committee of China Railway Construction Investment Co., Ltd. He served as the chairman, the secretary to the communist party committee of China Railway Construction Investment Group Co., Ltd. In June 2017, he served as a member of the standing committee of the party committee of the Controlling Shareholder, a member of the standing committee of the party committee and vice president of the Company. In December 2017, he served as a member of the standing committee of the communist party of China Railway Construction Corporation and a member of the standing committee of the communist party of China and the vice president of the Company, as well as the chairman of China Railway Construction International Investment Co., Ltd. since March 2019. Mr. LI graduated from Beijing Jiaotong University with a doctoral degree in engineering, majoring in highway and railway engineering. Mr. LI is a professorate senior engineer.

**Mr. WANG Wenzhong (汪文忠)**, aged 57, a Chinese citizen with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of the Controlling Shareholder. Mr. WANG served as the deputy general manager of Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司). He served as the deputy secretary to the communist party committee and manager of Beijing Tiecheng Engineering Co., Ltd. (北京鐵城工程公司) and the deputy manager of the main office of Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司). He served as the general manager, vice president, and deputy secretary to the communist party committee, of Beijing China Railway Construction Ltd. (北京中

鐵建設有限公司)。He served as the general manager, vice president, deputy secretary to the communist party committee, the chairman and secretary to the communist party committee of China Railway Construction Corporation. He has served as a member of the standing committee of the communist party committee of the Controlling Shareholder and a member of the standing committee of the communist party committee and the vice president of China Railway Construction Co., Ltd. In December 2017, he served as a member of the standing committee of the communist party committee of the Controlling Shareholder and a member of the standing committee of the communist party committee and the vice president of the Company. Mr. WANG graduated from North Jiaotong University with a doctoral degree in management, majoring in management science and engineering. Mr. WANG is a professorate senior engineer.

**Mr. LIU Chengjun (劉成軍)**, aged 57, a Chinese citizen with no right of abode overseas, is currently a vice president of the Company. Mr. LIU served as a trainee, technician, assistant engineer, engineer, technical director of infrastructure project of the Third Survey & Design Group Co. Ltd. of the MOR (鐵道部第三勘測設計院), project director and technical director of China Railway Construction Development Center of the Ministry of Railways (鐵道部中鐵建設開發中心), senior engineer (deputy department director level) of the Third Survey of Design Group Co., Ltd. of the MOR, deputy head and head of Engineering Department of Neijiang-Kunming Railway Headquarters of China Railway Engineering Corporation (中國鐵路工程總公司), deputy head (presiding over work) head of Design Department, general manager of Design and Consultancy Branch, general secretary of Committee of Experts of China Railway Engineering Corporation, and head of Design Department, general manager of Design and Consultancy Branch, general secretary of Committee of Experts of China Railway Engineering Corporation, shareholders' representative, vice chairman of China Railway Eryuan Engineering Group Co., Ltd. (中鐵二院工程集團有限公司), head of Design Department, general manager of Design and Consultancy Branch, general secretary of Committee of Experts of China Railway Engineering Corporation, the chairman of Supervisory Committee of China Railway Construction Investment Group Co., Ltd. (中鐵南方投資公司), deputy chief engineer, head of Technology Design Department, general manager of Design and Consultancy Branch of China Railway Group Limited (中國中鐵股份有限公司), the Chairman of China Railway Southwest Science Research Institute Co., Ltd. (中鐵西北科學研究院有限公司), general secretary of Committee of Experts of China Railway Engineering Corporation, the chairman of supervisory committee of China Railway Construction South Investment Group Co., Ltd. (中鐵南方投資公司), the chairman of China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd. (中鐵大橋院), and the chairman of Supervisory Committee of China Railway Group Limited. Mr. LIU served as vice president of the Company since June 2018. He graduated from Southwest Jiaotong University with a master's degree of engineering, majoring in Architectural and Civil Engineering, and is a professorate senior engineer.

**Mr. WANG Lixin (王立新)**, aged 50, a Chinese citizen with no right of abode overseas, is currently a vice president of the Company, and concurrently served as the commander of the Sichuan-Tibet Project Headquarters of the Company. He served as a trainee of Traffic Engineering Repair Institute, assistant engineer of Science and Technology Department, engineer, deputy general manager, manager of Bridge Construction Company, manager of Bridge Company of Railway Construction Research and Design Institute (鐵道建築研究設計院), deputy general economist of Railway Construction Research and Design Institute and manager of Road and Bridge Company, deputy general economist and president and deputy secretary of party committee of Harbin Branch, assistant to president and president, deputy secretary of party committee, vice president, director, president, deputy secretary of the party committee, chairman of the Board and secretary of the party committee of Northeast Branch (Northeast Survey and Design Institute) (東北勘察設計院) of China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司), the chairman, general manager and deputy secretary of party committee of China Railway 24th Bureau Group Co., Ltd. He served as vice president of the Company since June 2018 and concurrently served as the commander of the Sichuan-Tibet Project Headquarters of the Company since November 2018. Mr. WANG graduated from Southwest Jiaotong University with a bachelor's degree of Engineering, majoring in Bridge Engineering, and obtained a postgraduate degree in Economic Management of Party School of the Central Committee of C.P.C. He is a professorate senior engineer.

**Mr. NI Zhen (倪真)**, aged 49, a Chinese citizen with no right of abode overseas, is currently a vice president of the Company and the chairman of CRCC Development Group Co., Ltd. He served as a trainee, assistant engineer, project manager of Shilihe Integrated Building Engineering of Equipment Installation Branch, director of Business Department and manager of Equipment Installation Branch of Beijing China Railway Construction Co., Ltd. (北京中鐵建築工程公司), deputy manager of Equipment Installation Company, deputy manager and acting manager of Marketing and Bidding Division I, manager of Equipment Installation Manager of Beijing China Railway Construction Company (北京中鐵建設公司), deputy general manager of China Railway Construction Corporation, director, general manager and deputy secretary of party committee of China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司), the director, general manager and deputy secretary of party committee of China Railway Real Estate Group Corporation Co., Ltd. (中國鐵建房地產集團有限公司). He served as vice president of the Company since June 2018. He served as the chairman of CRCC Development Group Co., Ltd. (中鐵建發展集團有限公司) since September 2019. Mr. NI graduated from Beijing University of Technology with a doctoral degree, majoring in Civil Engineering, and is a professorate senior engineer.

**Mr. ZHAO Dengshan (趙登善)**, aged 59, a Chinese citizen with no right of abode overseas, is currently the Secretary to the Board of the Company. He served as secretary of the Office of Construction Engineering Division, director of Section I Machinery Office, director of Mechanical Equipment Division of Engineering Headquarters of the MOR, secretary, deputy director, and director of party committee Office of the Controlling Shareholder, deputy director of President Office (director of the department), director of party committee Office, deputy general economist and secretary of party committee of Direct affiliated Departments of the Company. He served as the Secretary to the Board of the Company since May 2018. Mr. ZHAO graduated from China PLA Railway Corps Academy (中國人民解放軍鐵道兵學院), majoring in logistical commanding. He obtained a postgraduate degree in Economic Management of the Party School of the Central Committee of C.P.C through an on-the-job program. He is a senior political engineer.

## EXCHANGE RATE

PBoC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBoC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.00 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBoC enlarged, effective on 21 May 2007, the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar from 0.30 per cent. to 0.50 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.50 per cent. above or below the central parity rate published by the PBoC. The floating band was further widened to 1.00 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.90 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBoC further widened the floating band against the U.S. dollar to 2.00 per cent. On 11 August 2015, PBoC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBoC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar throughout the entire year in 2016 and the first half of 2017. In the second half of 2017 and the first half of 2018, Renminbi experienced further fluctuation in value against the U.S. dollar.

The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rates in Renminbi per U.S. dollar, as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods presented:

	<b>Noon Buying Rate</b>			
	<b>Low</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Period End</b>
	<i>(RMB per U.S.\$1.00)</i>			
2016 .....	6.4480	6.6549	6.9580	6.9430
2017 .....	6.4773	6.7350	6.9575	6.5063
2018 .....	6.2649	6.6090	6.9737	6.8755
2019 .....	6.6822	6.9081	7.1786	6.9618
2020 .....	6.5208	6.9042	7.1681	6.5250
2021 .....				
January .....	6.4282	6.4672	6.4822	6.4282
February .....	6.4344	6.4601	6.4869	6.4730
March .....	6.4648	6.5109	6.5716	6.5518
April .....	6.4710	6.5186	6.5649	6.4749

*Notes:*

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages are calculated by averaging the daily rates during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

## Euro

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between Euro and the U.S. dollar. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	U.S. Dollar per Euro Noon Buying Rate <sup>(1)</sup>			
	Low	Average <sup>(1)</sup>	High	Period End
	<i>(US\$ per EUR1.00)</i>			
2014 .....	1.2101	1.3297	1.3927	1.2101
2015 .....	1.0524	1.1096	1.1936	1.0859
2016 .....	1.0375	1.1072	1.1516	1.0552
2017 .....	1.0416	1.1301	1.2041	1.2022
2018 .....	1.1281	1.1817	1.2488	1.1456
2019 .....	1.0905	1.1194	1.1524	1.1227
2020 .....	1.0682	1.1410	1.2280	1.2230
2021				
January .....	1.2099	1.2138	1.2295	1.2135
February .....	1.1974	1.2094	1.2229	1.2093
March .....	1.1724	1.1902	1.2079	1.1743
April .....	1.1763	1.1965	1.2110	1.2030

(1) Exchange rates between Euro and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages are calculated by averaging the daily rates during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

No representation is made that the U.S. dollar or Euro amounts referred to in this Offering Circular have been, could have been or could in the future be converted into U.S. dollars or Euros, as the case may be, at any particular rate, if at all.

## GUARANTEE OF THE NOTES

The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Issuer under each series of Notes. Its obligations in that respect will be contained in the relevant Deed of Guarantee in respect of each series of Notes to be dated on or about 20 May 2021.

The Guarantor is required by the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (《跨境擔保外匯管理規定》) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 to file or cause to be filed the Guarantee of the Notes with SAFE within the time period prescribed. Although non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks may require evidence of SAFE registration in connection with the Guarantee of the Notes in order to effect such remittance. The Guarantor intends to register the Guarantee of the Notes as soon as practicable and in any event before the Registration Deadline (being 45 PRC Business Days after the Issue Date). In case of any change in the major clauses of the relevant Deed of Guarantee in respect of each series of Notes, the Guarantor shall apply for the amendment registration. Prior to the performance or discharge of its obligations under the Guarantee of the Notes, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee of the Notes.

On 26 January 2017, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) (the “**SAFE Circular 2017**”), which took into effect on the same day. Pursuant to this SAFE Circular 2017, funds raised offshore under NBWD are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, given the SAFE Circular 2017 is newly promulgated, it is unclear as to:

- (a) whether the existing requirements on NBWD for offshore bond issuance remains applicable, under which bond proceeds must be used for the offshore project(s) in which an onshore entity holds equity interest and thus cannot be repatriated to the PRC;
- (b) whether, even though the bond proceeds are able to be repatriated to the PRC, such proceeds shall still be used for an offshore project ultimately (such as by way of the onshore entity’s grant of shareholder loans to the offshore project or injection of capital into the offshore project); or
- (c) whether, as a matter of practice, SAFE no longer enforces its existing requirements on NBWD for offshore bond issuance, and **provided that** the outbound guarantee registration is completed with SAFE, the bond proceeds can be repatriated to the PRC.



## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.*

*Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.*

### **PRC Taxation**

*The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes (the “**non-PRC Holders**”). In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.*

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25.00 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25.00 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10.00 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholding, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non PRC enterprise Holder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Notes, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10.00 per cent. on the payments of interest made by it under the Guarantee of the Notes to non PRC resident enterprise Holders as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non PRC resident enterprise Holders. Repayment of the principal will not be subject to PRC withholding tax.

Non PRC Holders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of the Notes consummated outside mainland China between non PRC Holders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non PRC enterprise Holders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10.00 per cent. of PRC withholding tax.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Holders is maintained outside the PRC) of a Note.

#### ***Value-add Tax (“VAT”)***

On 23 March 2016, the MOF and the SAT issued the Circular 36 which confirmed that business tax would be completely replaced by VAT from 1 May 2016. Since then, the taxable service income derived from providing services which attracted business tax was entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as giving loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Although the issuance of the Notes is likely to be treated as financial services for VAT purposes, Circular 36 stipulates that services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. In connection with the issue of the Notes, none of the Issuer or the Holders is located in the PRC. There is no assurance that the issuance of the Notes will not be treated as financial services for VAT purpose. If the issuance of Notes is treated as financing services within the PRC by the relevant tax authorities, the Holders of the relevant series of Notes shall be subject to VAT at the rate of 6.00 per cent. when receiving interest payments under the Notes. In addition, the Holders of the relevant series of Notes shall be subject to the local levies. Given that the Issuer or the Guarantor (if the Guarantor is required to discharge its obligations on the Guarantee of the Notes) pays interest income to Holders of the relevant series of Notes who are located outside of the PRC, the Issuer or the Guarantor acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Holders of the relevant series of Notes who are located outside of the PRC.

Where a Holder of the relevant series of Notes who is an entity or individual located outside of the PRC resells such Notes to an entity or individual located outside the PRC and derives any gain from such sale, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply to any such transfer of Notes. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

The above description may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority in connection with Circular 36. There is uncertainty as to the application of Circular 36.

#### **Hong Kong**

##### ***Withholding tax***

No withholding tax in Hong Kong is payable on payments of principal, premium or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### *Profits tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied, by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or
- interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes may be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### *Stamp Duty*

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Notes.

### **The Proposed Financial Transactions Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders of the Notes should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

*The consolidated financial statements of the Group set out in the section “Selected Consolidated Financial Information of the Guarantor – Supplementary Financial Information” have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.*

*The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group’s financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is **provided that** the following summary of differences between PRC GAAP and IFRS is complete.*

*In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.*

### **Provision for Production Safety Expenses**

Under PRC GAAP, in accordance to relevant regulations in the PRC, production safety expenses are appropriated to a special reserve in equity with amount thereof determined based on certain formulas and charged to the costs of related products or services. When the expenses have incurred which have not resulted in fixed assets, such expenses shall be offset against the special reserve; when the expenses have incurred and have resulted in fixed assets, they shall be recognised in construction in progress and transferred to fixed assets when the assets are ready for the intended use. Same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation at the same time.

Pursuant to IFRS, production safety expenditures not related to fixed assets shall be recognised in cost of related products or services as and when incurred. Production safety expenditures related to fixed assets shall be capitalised as cost of fixed assets as and when incurred, and depreciated according to relevant accounting policies of the Group.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with ICBC International Securities Limited, Bank of China (Hong Kong) Limited, DBS Bank Ltd., BNP Paribas, CCB International Capital Limited, ABCI Capital Limited, BOCOM International Securities Limited, CLSA Limited and Société Générale (the “**Joint Lead Managers**”) dated 12 May 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the USD Notes at an issue price of 99.881 per cent. of their principal amount and the EUR Notes at an issue price of 99.786 per cent. of their principal amount in the amount set forth below:

	<b>Principal Amount of USD Notes</b>	<b>Principal Amount of EUR Notes</b>
	<i>(U.S.\$)</i>	<i>(EUR)</i>
ICBC International Securities Limited . . . . .	67,500,000	67,500,000
Bank of China (Hong Kong) Limited. . . . .	67,500,000	67,500,000
DBS Bank Ltd. . . . .	67,500,000	67,500,000
BNP Paribas. . . . .	67,500,000	67,500,000
CCB International Capital Limited. . . . .	6,000,000	6,000,000
ABCI Capital Limited. . . . .	6,000,000	6,000,000
BOCOM International Securities Limited. . . . .	6,000,000	6,000,000
CLSA Limited . . . . .	6,000,000	6,000,000
Société Générale. . . . .	6,000,000	6,000,000
<b>Total</b> . . . . .	<b>300,000,000</b>	<b>300,000,000</b>

The Issuer and the Guarantor have jointly and severally agreed with the Joint Lead Managers in the Subscription Agreement that, for a period of 30 days after the Issue Date, none of the Issuer, the Guarantor nor any other subsidiary of the Group shall, without the prior written consent of the Joint Lead Managers, make any announcements of, or any issue or offering of debt securities (other than the Notes) to the public or through a private placement or otherwise in connection with which the Issuer, the Guarantor or any member of the Group is the borrower, debtor, issuer or guarantor, directly or on their behalf, save for the announcement of, or issue or offering of, debt or hybrid securities by the Guarantor or any other Subsidiary of the Guarantor in the PRC.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

No action has been or will be taken that would, or is intended to, permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Notes should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

## **General**

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Group will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes, other than as contained in this Offering Circular or any amendment or supplement thereto.

## **United States**

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. Persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in the preceding paragraphs of this sub-section have the meanings given to them by Regulation S under the Securities Act.

In addition to the foregoing selling restrictions, the Notes are not being offered or sold to any United States citizen, United States permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

**Only Non-U.S. Persons outside the United States are eligible to receive this Offering Circular and participate in the offering of the Notes. Recipients of this Offering Circular are reminded to ensure that they are not engaging in a prohibited transaction under the Executive Order and associated subsequent guidance. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing and is deemed to have represented to the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, advisors and affiliates that (i) such offeree and any customers it represents are Non-U.S. Persons outside the United States and therefore not (a) a U.S. Person as defined in the Executive Order as any “United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States”, or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers, the Trustee or any Agent to enter into any transactions for or on behalf of any U.S. Person and (ii) in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with such offeree or any customer it represents, any of their respective subsidiaries/affiliates, any of their respective parent companies or any of their subsidiaries/affiliates which relates to this Offering Circular or any Note, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order.**

### **United Kingdom**

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Hong Kong**

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMPO)”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **The People’s Republic of China**

Each Joint Lead Manager represents, warrants and agrees that no Notes will be offered or sold in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) directly or indirectly, except in compliance with applicable laws and regulations. The Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC.



## Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and, accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## GENERAL INFORMATION

- 1. Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 234053914 for the USD Notes and 234053868 for the EUR Notes and the International Securities Identification Number is XS2340539142 for the USD Notes and XS2340538680 for the EUR Notes.
- 2. Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 12 May 2021. The Guarantor has obtained all consents, approvals and authorisations (including without limitation the obtaining of the approval from SAFE in respect of the Guarantor giving the Guarantee of the Notes and all other consents and licences and the making of any filing or registration) in connection with the giving of the Guarantee of the Notes and the performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee of the Notes was authorised by resolutions of the board and the shareholders of the Guarantor passed on 29 March 2019 and 18 June 2019, respectively.
- 3. Registrations and Filings:** Pursuant to the NDRC Circular issued by the NDRC on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on 26 May 2020 evidencing such registration and undertakes to provide the requisite information on the issuance of the Notes to the NDRC within the prescribed timeframe. The NDRC Post-issue Filing is a procedural process rather than a substantive approval or consent process. Any failure by the Issuer to complete the NDRC Post-issue Filing in accordance with the NDRC Circular will not impact the enforceability or validity of the Notes.

The Guarantor will undertake to file or cause to be filed with SAFE for the registration of the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014, and any implementation rules as issued by SAFE from time to time. The Guarantor intends to complete this filing as soon as practicable before the Registration Deadline (being 45 PRC Business Days after the Issue Date).

- 4. No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2020 (in the case of the Guarantor) or the date of incorporation (in the case of the Issuer), in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor or the Group.
- 5. Litigation:** From time to time, the Issuer, the Guarantor and other members of the Group may be involved in litigation or other disputes that arise in the ordinary course of business. However, none of the Issuer, the Guarantor or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which the Group believes are material in the context of the Notes and the giving of the Guarantee of the Notes, and the Issuer or the Guarantor is not aware of any material litigation, disputes or arbitration proceedings that are currently pending or threatened.
- 6. Listing of Notes:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange by way of debt issues to professional investors only.
- 7. Available Documents:** As long as any of the Notes are outstanding, copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraph (b) below, copies may be obtained during normal business hours at the specified office of the Issuer at 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong:
  - Articles of Association of the Issuer and the Guarantor;
  - copies of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2019 and 2020;
  - the Deed of Guarantee in respect of each series of Notes;

- the Agency Agreement in respect of each series of Notes; and
- the Trust Deed in respect of each series of Notes.

**8. Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 655600JBL38JBHLO9190.

**9. Independent Auditors:** The Company's consolidated audited financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent auditor of the Company.

The independent auditor of the Company have agreed to the inclusion in this Offering Circular herein of, and all references to, (i) their name; (ii) their audit report dated 30 March 2020 on the consolidated financial statements of the Group for the year ended 31 December 2019 and (iii) their audit report dated 30 March 2021 on the consolidated financial statements of the Group for the year ended 31 December 2020.

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31 December 2019

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# Independent Auditor's Report

De Shi Bao (Shen) Zi (20) No.P00841

**To the shareholders of China Railway Construction Corporation Limited**

## **I. OPINION**

We have audited the accompanying financial statements of China Railway Construction Corporation Limited ("the Company", the company and its subsidiaries collectively referred to as the Group), which comprise the consolidated and company statements of financial position as at 31 December 2019, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of China Railway Construction Corporation Limited give a true and fair view, in all material respects, of the consolidated and company financial position as of 31 December 2019, and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## **II. BASIS FOR OPINION**

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **III. KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The followings are key audit matters that we have determined to communicate in the independent auditor's report.

## Independent Auditor's Report (continued)

### III. KEY AUDIT MATTERS (Continued)

#### 1. Revenue from construction operations

##### 1.1 Description

As disclosed in Note V.47 to the consolidated financial statements, the revenue of the Group mainly are derived from construction operations, which has significance to the consolidated financial statements. As stated in Note III.19 to the consolidated financial statements, for most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations and, through regular review, revises the estimates when the Group management considers there are changes in the assumptions in deriving the estimates throughout the contract period. We identified the revenue from construction operations as a key audit matter due to the fact that the accounting treatments of which require significant estimations and judgments.

##### 1.2 Audit Response

Our procedures in relation to recognition of revenue from construction operations mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls in place on budget preparation and revenue recognition of the construction operations;
- (2) Evaluating the basis in determining total revenue and expected total costs and checking to the construction contracts and related budgets on a sample basis;
- (3) Checking construction costs incurred during the year by tracing to support documentation on a sample basis;
- (4) Recalculating the calculation accuracy on performance progress of construction operations by reference to construction contract ledger on a sample basis; and
- (5) Visiting the selected samples of sites of construction projects to observe the progress of the construction work, discussing with the site project managers the extent to which the construction work was completed and investigating for unusual deviations compared to the performance progress in record.

## Independent Auditor's Report (continued)

### III. KEY AUDIT MATTERS (Continued)

#### 2. Impairment of trade receivables and contract assets

##### 2.1 Description

As stated in Note III.32 "Impairment of trade receivables and contract assets" to the consolidated financial statements, the Group measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually by estimating the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. Except for the trade receivables and contract assets whose impairment of credit losses are assessed individually, the Group's management uses provision matrix to assess expected credit losses, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical actual loss rates, taking into consideration forward-looking information. We identified the impairment of trade receivables and contract assets as a key audit matter due to its significance to the consolidated financial statements and its involvement of management's significant accounting estimations and judgements.

##### 2.2 Audit response

Our procedures in relation to the impairment of trade receivables and contract assets mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls relating to the management and impairment test of trade receivables and contract assets;
- (2) Corroborating the relevant consideration and objective evidences used by the management in assessing the expected credit losses of trade receivables and contract assets;
- (3) For trade receivables and contract assets individually assessed for expected credit losses, reviewing the supporting documentation and its reasonableness for the estimated future cash flows on a sample basis; and
- (4) For trade receivables and contract assets assessed by provision matrix based on collective credit risk characteristics for expected credit losses, assessing the reasonableness of the provision rate determined by the management, including recalculation of historical actual loss rates determined by the management, and involving our internal valuation specialists to evaluate the appropriateness of management's assessment of forward-looking information; Meanwhile, checking the appropriateness of classification of trade receivables and contract assets in the provision matrix based on collective credit risk characteristics for expected credit losses on a sample basis.

## Independent Auditor's Report (continued)

### IV. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the 2019 Annual Report, but does not include the financial statements and our independent auditor's report thereon.

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

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

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

### V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditor's Report (continued)

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Independent Auditor's Report (continued)

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

**Deloitte Touche Tohmatsu CPA LLP**  
Shanghai China

Chinese Certified Public Accountant: **Ma Yanmei**  
(Engagement Partner)

Chinese Certified Public Accountant: **Yin Lili**  
(Engagement Partner)

30 March 2020

*This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

# Consolidated Statement of Financial Position

As at 31 December 2019

RMB'000

ASSETS	Note V	31 December 2019	31 December 2018
<b>Current assets</b>			
Cash and bank balances	1	156,887,177	143,801,598
Held-for-trading financial assets	2	3,587,646	3,344,458
Bills receivable	3	10,305,274	7,636,443
Receivables at FVTOCI	4	2,654,263	2,143,802
Trade receivables	5	112,138,537	99,382,305
Advances to suppliers	6	24,335,981	18,591,945
Other receivables	7	60,100,338	63,474,288
Inventories	8	194,891,575	159,891,368
Contract assets	9	154,903,081	123,938,151
Current portion of non-current assets	12, 22	18,109,883	10,836,740
Other current assets	10	17,900,227	17,236,252
<b>Total current assets</b>		<b>755,813,982</b>	650,277,350
<b>Non-current assets</b>			
Loans and advances to customers	11	2,730,000	2,145,000
Long-term receivables	12	60,804,614	54,442,045
Long-term equity investments	13	49,644,634	28,978,555
Debt investments		41	41
Other debt investments		–	100,513
Other non-current financial assets		1,643,494	779,049
Other equity instrument investments	14	10,038,609	8,268,378
Investment properties	15	5,357,757	5,644,080
Fixed assets	16	50,891,768	50,300,597
Construction in progress	17	5,614,803	4,428,384
Right-of-use assets	18	5,678,711	/
Intangible assets	19	59,871,943	50,667,006
Development expenditure		9,436	–
Goodwill	20	118,841	228,713
Long-term prepayments		420,477	384,745
Deferred tax assets	21	5,624,947	4,916,848
Other non-current assets	22	66,975,156	56,109,278
<b>Total non-current assets</b>		<b>325,425,231</b>	267,393,232
<b>TOTAL ASSETS</b>		<b>1,081,239,213</b>	917,670,582

## Consolidated Statement of Financial Position (continued)

As at 31 December 2019

RMB'000

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Note V</i>	<b>31 December 2019</b>	31 December 2018
<b>Current liabilities</b>			
Short-term loans	23	<b>42,749,266</b>	61,781,084
Due to customers	24	<b>3,820,235</b>	5,881,497
Bills payable	25	<b>69,601,977</b>	51,036,428
Trade payables	26	<b>325,785,304</b>	274,354,876
Advances from customers		<b>128,914</b>	64,390
Contract liabilities	27	<b>108,506,589</b>	89,276,585
Employee benefits payable	28	<b>11,880,367</b>	11,280,571
Taxes payable	29	<b>6,970,004</b>	6,948,114
Other payables	30	<b>70,116,812</b>	55,429,042
Current portion of non-current liabilities	31	<b>34,672,076</b>	23,218,971
Other current liabilities	32	<b>14,747,536</b>	12,434,964
<b>Total current liabilities</b>		<b>688,979,080</b>	591,706,522
<b>Non-current liabilities</b>			
Long-term loans	33	<b>87,936,038</b>	69,840,477
Bonds payable	34	<b>26,143,894</b>	37,458,422
Lease liabilities	35	<b>3,160,980</b>	/
Long-term payables	36	<b>8,563,197</b>	7,197,581
Long-term employee benefits payable	37	<b>233,175</b>	407,145
Provisions		<b>417,208</b>	145,810
Deferred income	38	<b>2,842,220</b>	2,263,783
Deferred tax liabilities	21	<b>507,813</b>	233,522
Other non-current liabilities	39	<b>434,034</b>	1,082,465
<b>Total non-current liabilities</b>		<b>130,238,559</b>	118,629,205
<b>Total liabilities</b>		<b>819,217,639</b>	710,335,727

## Consolidated Statement of Financial Position (continued)

As at 31 December 2019

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2019	31 December 2018
<b>Shareholders' equity</b>			
Share capital	40	13,579,542	13,579,542
Other equity instruments	41	40,189,093	20,392,922
Capital reserve	42	44,154,726	40,434,270
Other comprehensive income	43	(66,158)	(515,059)
Special reserve	44	–	–
Surplus reserve	45	4,613,506	3,229,881
Retained earnings	46	107,488,965	92,768,356
<b>Total equity attributable to owners of the Company</b>		<b>209,959,674</b>	169,889,912
<b>Non-controlling interests</b>		<b>52,061,900</b>	37,444,943
<b>Total shareholders' equity</b>		<b>262,021,574</b>	207,334,855
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,081,239,213</b>	917,670,582

The accompanying notes form part of the financial statements.

The financial statements have been signed by:

*Chairman of the Company:*  
**Chen Fenjian**

*CFO:*  
**Wang Xiuming**

*Head of the Finance Department:*  
**Qiao Guoying**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

RMB'000

ITEM	Note V	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>Revenue</b>	47	<b>830,452,157</b>	730,123,045
Less: Cost of sales	47	<b>750,365,068</b>	658,711,266
Taxes and surcharges	48	<b>4,633,550</b>	4,805,880
Selling and distribution expenses	49	<b>5,432,855</b>	4,431,330
General and administrative expenses	50	<b>18,151,260</b>	17,235,632
Research and development expenses	51	<b>16,527,801</b>	11,571,783
Finance costs	52	<b>3,632,348</b>	3,910,313
Including: Interest expenses		<b>6,693,276</b>	5,680,164
Interest income		<b>3,982,445</b>	3,077,852
Add: Other income	55	<b>415,139</b>	260,140
Investment losses	56	<b>(420,036)</b>	(226,251)
Including: Share of profits of associates and joint ventures		<b>2,396,480</b>	1,257,184
Losses from derecognition of financial assets measured at amortised cost		<b>(2,908,505)</b>	(1,627,411)
Gains/(losses) on fair value changes	57	<b>656,543</b>	(226,347)
Impairment losses on assets	53	<b>(1,493,799)</b>	(179,635)
Impairment of credit losses	54	<b>(3,517,359)</b>	(4,292,765)
Gains on disposal of assets		<b>279,016</b>	529,783
<b>Operating profit</b>		<b>27,628,779</b>	25,321,766
Add: Non-operating income	58	<b>974,713</b>	1,096,998
Less: Non-operating expenses	59	<b>576,842</b>	1,313,502
<b>Profit before tax</b>		<b>28,026,650</b>	25,105,262
Less: Income tax expenses	61	<b>5,402,959</b>	5,266,854
<b>Net profit</b>		<b>22,623,691</b>	19,838,408
<b>Classified by the continuity of operation</b>			
Net profit from continuing operations		<b>22,623,691</b>	19,838,408
Net profit from discontinued operations		<b>–</b>	–
<b>Classified by the ownership</b>			
Net profit attributable to owners of the Company		<b>20,197,378</b>	17,935,281
Net profit attributable to non-controlling interests		<b>2,426,313</b>	1,903,127

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2019

*RMB'000*

ITEM	Note V	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>Other comprehensive income/(expense), net of tax</b>	43		
Other comprehensive income/(expense) attributable to owners of the Company, net of tax		<b>446,984</b>	(338,677)
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit, net of tax		<b>13,015</b>	48,750
Changes in fair value of other equity instrument investments		<b>301,561</b>	(380,451)
Other comprehensive income/(expense) to be reclassified to profit or loss			
Shares of other comprehensive income/(expense) that will be reclassified subsequently into profit or loss by the investee under equity method		<b>251,093</b>	13,550
Changes in fair value of other debt investments		<b>(417)</b>	513
Other comprehensive income recognised due to reclassification of financial assets		<b>(5,082)</b>	–
Exchange differences on translation of foreign operations		<b>(113,186)</b>	(21,039)
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax		<b>(25,487)</b>	(11,579)
<b>Total comprehensive income</b>		<b>23,045,188</b>	19,488,152
Including:			
Total comprehensive income attributable to owners of the Company		<b>20,644,362</b>	17,596,604
Total comprehensive income attributable to non-controlling interests		<b>2,400,826</b>	1,891,548
<b>Earnings per share:</b>			
Basic earnings per share ( <i>RMB/share</i> )	62	<b>1.40</b>	1.26
Diluted earnings per share ( <i>RMB/share</i> )	62	<b>1.33</b>	1.23

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

RMB'000

ITEM	Note V	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from the sale of goods or rendering of services		<b>830,912,219</b>	738,836,489
Refunds of tax		<b>119,616</b>	536,999
Net increase in due to customers and due to banks		–	5,076,663
Cash received from other operating activities	63(1)	<b>16,512,485</b>	13,280,074
Subtotal of cash inflows from operating activities		<b>847,544,320</b>	757,730,225
Cash paid for goods and services		<b>702,630,596</b>	657,105,765
Net increase in loans and advances to customers		<b>600,000</b>	500,000
Net decrease in due to customers and due to banks		<b>2,061,262</b>	–
Net increase in balances with the central bank		<b>1,346,240</b>	1,090,359
Cash paid to and on behalf of employees		<b>63,879,466</b>	57,431,142
Cash paid for all taxes		<b>26,148,753</b>	25,592,749
Cash paid for other operating activities	63(2)	<b>10,872,165</b>	10,562,349
Subtotal of cash outflows from operating activities		<b>807,538,482</b>	752,282,364
Net cash flows generated from/(used in) operating activities	64(1)	<b>40,005,838</b>	5,447,861



## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

RMB'000

ITEM	Note V	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from disposal of investments		6,309,580	3,456,819
Cash received from investment income		1,023,430	174,571
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,258,099	1,834,570
Net cash received from disposal of subsidiaries		–	23,619
Cash received from other investing activities		95,795	659,233
Subtotal of cash inflows from investing activities		8,686,904	6,148,812
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		32,264,997	32,338,988
Cash paid for acquisition of investments		23,958,633	21,044,766
Net increase in cash and bank balances with title restrictions		1,533,440	810,057
Net cash paid for acquisition of subsidiaries		212,883	17,534
Cash paid for other investing activities		885,809	1,181,693
Subtotal of cash outflows from investing activities		58,855,762	55,393,038
Net cash flows generated from/(used in) investing activities		(50,168,858)	(49,244,226)

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

RMB'000

ITEM	Note V	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received as capital contributions		51,276,449	14,945,566
Including: Cash received from non-controlling shareholders of subsidiaries		18,766,645	7,952,877
Cash received from issuing bonds		18,827,127	2,200,000
Cash received from borrowings		137,963,607	118,980,818
Cash received from other financing activities	63(3)	6,507,000	4,700,000
Subtotal of cash inflows from financing activities		214,574,183	140,826,384
Cash repayments for borrowings		163,071,203	82,808,194
Cash paid for distribution of dividends or profits and for interest expenses		16,324,940	14,106,213
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		1,819,328	1,456,459
Cash paid for other financing activities	63(4)	14,980,045	-
Subtotal of cash outflows from financing activities		194,376,188	96,914,407
Net cash flows generated from/(used in) financing activities		20,197,995	43,911,977
<b>4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		170,924	579,385
<b>5. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		10,205,899	694,997
Add: Cash and cash equivalents at beginning of the year	64(2)	130,087,717	129,392,720
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	64(2)	140,293,616	130,087,717

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

RMB'000

ITEM	For the year ended 31 December 2019									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
<b>I. As at 1 January 2019</b>	13,579,542	20,392,922	40,434,270	(515,059)	-	3,229,881	92,768,356	169,889,912	37,444,943	207,334,855
<b>II. Increase/(decrease) during the year</b>	-	19,796,171	3,720,456	448,901	-	1,383,625	14,720,609	40,069,762	14,616,957	54,686,719
(I) Total comprehensive income	-	-	-	446,984	-	-	20,197,378	20,644,362	2,400,826	23,045,188
(II) Capital contributions and withdrawals by shareholders	-	19,796,171	3,720,456	-	-	-	-	23,516,627	14,708,804	38,225,431
1. Capital contributions by shareholders	-	-	-	-	-	-	-	-	11,974,506	11,974,506
2. Capital contributions by other equity instrument holders (Note V. 41)	-	20,185,964	(7,896)	-	-	-	-	20,178,068	-	20,178,068
3. Equity transactions with non-controlling shareholders (Note V. 42)	-	-	3,338,559	-	-	-	-	3,338,559	2,734,298	6,072,857
4. Others (Note V. 42)	-	(389,793)	389,793	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	1,383,625	(5,474,852)	(4,091,227)	(2,492,673)	(6,583,900)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,383,625	(1,383,625)	-	-	-
2. Distribution to shareholders (Note V. 46)	-	-	-	-	-	-	(4,091,227)	(4,091,227)	(2,492,673)	(6,583,900)
(IV) Special reserve (Note V. 44)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	12,436,845	-	-	-	12,436,845	12,436,845
2. Used in current year	-	-	-	-	(12,436,845)	-	-	(12,436,845)	-	(12,436,845)
(V) Others	-	-	-	1,917	-	-	(1,917)	-	-	-
1. Others	-	-	-	1,917	-	-	(1,917)	-	-	-
<b>III. As at 31 December 2019</b>	13,579,542	40,189,093	44,154,726	(66,158)	-	4,613,506	107,488,965	209,959,674	52,061,900	262,021,574

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

RMB'000

ITEM	For the year ended 31 December 2018									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
<b>I. As at 31 December 2017</b>	13,579,542	13,400,233	40,428,564	(92,447)	-	2,891,462	79,204,629	149,411,983	29,236,862	178,648,845
(I) Changes in accounting policies	-	-	-	(83,432)	-	(1,025)	(721,313)	(805,770)	-	(805,770)
<b>II. As at 1 January 2018</b>	13,579,542	13,400,233	40,428,564	(175,879)	-	2,890,437	78,483,316	148,606,213	29,236,862	177,843,075
<b>III. Increase/(decrease) during the year</b>	-	6,992,689	5,706	(339,180)	-	339,444	14,285,040	21,283,699	8,208,081	29,491,780
(I) Total comprehensive income	-	-	-	(338,677)	-	-	17,935,281	17,596,604	1,891,548	19,488,152
(II) Capital contributions and withdrawals by shareholders	-	6,992,689	14,480	-	-	-	-	7,007,169	8,061,456	15,068,625
1. Capital contributions by shareholders	-	-	-	-	-	-	-	-	9,113,936	9,113,936
2. Capital contributions by other equity instrument holders (Note V. 41)	-	6,992,689	-	-	-	-	-	6,992,689	-	6,992,689
3. Others	-	-	14,480	-	-	-	-	14,480	(1,052,480)	(1,038,000)
(III) Profit distribution	-	-	-	-	-	339,444	(3,650,744)	(3,311,300)	(1,744,923)	(5,056,223)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	339,444	(339,444)	-	-	-
2. Distribution to shareholders (Note V. 46)	-	-	-	-	-	-	(3,311,300)	(3,311,300)	(1,744,923)	(5,056,223)
(IV) Special reserve (Note V. 44)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	9,164,297	-	-	9,164,297	-	9,164,297
2. Used in current year	-	-	-	-	(9,164,297)	-	-	(9,164,297)	-	(9,164,297)
(V) Others	-	-	(8,774)	(503)	-	-	503	(8,774)	-	(8,774)
1. Others	-	-	(8,774)	(503)	-	-	503	(8,774)	-	(8,774)
<b>IV. As at 31 December 2018</b>	13,579,542	20,392,922	40,434,270	(515,059)	-	3,229,881	92,768,356	169,889,912	37,444,943	207,334,855

# The Company's Statement of Financial Position

As at 31 December 2019

RMB'000

<b>ASSETS</b>	<i>Note XIV</i>	<b>31 December 2019</b>	31 December 2018
<b>Current assets</b>			
Cash and bank balances		<b>15,303,074</b>	13,407,775
Held-for-trading financial assets		<b>54,086</b>	35,709
Trade receivables	1	<b>5,187,891</b>	3,151,936
Advances to suppliers		<b>93,263</b>	374,028
Other receivables	2	<b>25,767,145</b>	26,285,916
Contract assets		<b>309,861</b>	675,348
Current portion of non-current assets		<b>8,501,726</b>	8,165,000
Other current assets		<b>155,106</b>	85,773
<b>Total current assets</b>		<b>55,372,152</b>	52,181,485
<b>Non-current assets</b>			
Long-term receivables		<b>23,776,000</b>	17,776,000
Long-term equity investments	3	<b>96,644,338</b>	94,487,290
Other equity instrument investments		<b>364,646</b>	262,652
Fixed assets		<b>32,278</b>	25,731
Construction in progress		<b>29,691</b>	46,364
Right-of-use assets		<b>63,547</b>	/
Intangible assets		<b>49,036</b>	29,516
Long-term prepayments		–	1,445
Deferred tax assets		<b>348</b>	380
Other non-current assets		<b>2,640,297</b>	1,959,816
<b>Total non-current assets</b>		<b>123,600,181</b>	114,589,194
<b>TOTAL ASSETS</b>		<b>178,972,333</b>	166,770,679

## The Company's Statement of Financial Position (continued)

As at 31 December 2019

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2019	31 December 2018
<b>Current liabilities</b>			
Short-term loans		–	11,000,000
Trade payables		6,498,216	6,028,927
Contract liabilities		168,538	123,861
Employee benefits payable		75,578	82,161
Taxes payable		71,000	41,951
Other payables	4	23,360,538	25,333,933
Current portion of non-current liabilities		14,396,304	2,644,626
Other current liabilities		414,417	3,000,000
<b>Total current liabilities</b>		<b>44,984,591</b>	48,255,459
<b>Non-current liabilities</b>			
Long-term loans	5	3,415,448	5,750,439
Bonds payable	Note V. 34	3,298,086	16,192,972
Lease liabilities		33,295	/
Long-term payables		2,417,169	1,248,904
Long-term employee benefits payable		12,440	14,290
Deferred tax liabilities		193,204	28,355
Deferred income		970	3,646
Other non-current liabilities		244,414	850,865
<b>Total non-current liabilities</b>		<b>9,615,026</b>	24,089,471
<b>Total liabilities</b>		<b>54,599,617</b>	72,344,930
<b>Shareholders' equity</b>			
Share capital	Note V. 40	13,579,542	13,579,542
Capital reserve		46,875,449	46,493,552
Other comprehensive income		109,164	85,292
Other equity instruments	Note V. 41	40,189,093	20,392,922
Special reserve		–	–
Surplus reserve	Note V. 45	4,613,506	3,229,881
Retained earnings		19,005,962	10,644,560
<b>Total shareholders' equity</b>		<b>124,372,716</b>	94,425,749
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>178,972,333</b>	166,770,679

# The Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

RMB'000

ITEM	Note XIV	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>Revenue</b>	6	<b>17,365,607</b>	16,978,838
Less: Cost of sales	6	<b>16,248,993</b>	16,438,087
Taxes and surcharges		<b>6,494</b>	7,277
Selling and distribution expenses		<b>26,846</b>	29,615
General and administrative expenses		<b>483,619</b>	418,846
Research and development expenses		<b>55,790</b>	45,691
Finance costs	7	<b>(13,966)</b>	446,949
Including: Interest expenses		<b>2,543,016</b>	2,410,878
Interest income		<b>2,662,929</b>	2,332,272
Add: Other income		<b>654</b>	–
Investment income	8	<b>12,913,509</b>	3,929,889
Including: Share of profits(losses) of joint ventures		<b>(136)</b>	2,059
Gains(losses) on fair value changes		<b>624,828</b>	(144,672)
Impairment of credit losses		<b>(116,286)</b>	(32,748)
Losses on disposal of assets		<b>–</b>	(146)
<b>Operating profit</b>		<b>13,980,536</b>	3,344,696
Add: Non-operating income		<b>15,151</b>	15,835
Less: Non-operating expenses		<b>1,839</b>	1,042
<b>Profit before tax</b>		<b>13,993,848</b>	3,359,489
Less: Income tax expenses		<b>157,594</b>	(34,949)
<b>Net profit</b>		<b>13,836,254</b>	3,394,438
<b>Classified by the continuity of operation</b>			
Net profit from continuing operations		<b>13,836,254</b>	3,394,438
Net profit from discontinued operations		<b>–</b>	–
<b>Other comprehensive income/(expense), net of tax</b>		<b>23,872</b>	(28,921)
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit plan, net of tax		<b>(525)</b>	(2,723)
Changes in fair value of other equity instrument investments		<b>24,397</b>	(26,198)
Other comprehensive income/(expense) to be reclassified to profit or loss			
<b>Total comprehensive income</b>		<b>13,860,126</b>	3,365,517

# The Company's Statement of Cash Flows

For the year ended 31 December 2019

RMB'000

ITEM	Note XIV	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from the sale of goods or rendering of services		16,406,737	17,393,095
Cash received from other operating activities		35,203,341	21,661,325
Subtotal of cash inflows from operating activities		51,610,078	39,054,420
Cash paid for goods and services		15,470,066	16,489,777
Cash paid to and on behalf of employees		288,618	255,145
Cash paid for all taxes		125,348	77,780
Cash paid for other operating activities		38,255,695	26,226,320
Subtotal of cash outflows from operating activities		54,139,727	43,049,022
Net cash flows generated from/(used in) operating activities	9(1)	(2,529,649)	(3,994,602)
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from disposal of investments		–	10,000
Cash received from investment income		10,438,829	3,910,072
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	47
Net decrease in cash and bank balances with title restrictions		–	2,892,600
Subtotal of cash inflows from investing activities		10,438,829	6,812,719
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		43,446	38,163
Cash paid for acquisition of investments		2,328,128	3,680,000
Increase in cash and bank balances with title restrictions		67,179	–
Cash paid for other investing activities		–	–
Subtotal of cash outflows from investing activities		2,438,753	3,718,163
Net cash flows generated from/(used in) investing activities		8,000,076	3,094,556



## The Company's Statement of Cash Flows (continued)

For the year ended 31 December 2019

ITEM	Note XIV	RMB'000	
		For the year ended 31 December 2019	For the year ended 31 December 2018
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash received as capital contributions		33,178,069	6,992,689
Cash received from borrowings		7,537,502	11,000,000
Cash received from issuing bonds		7,000,000	3,000,000
Subtotal of cash inflows from financing activities		47,715,571	20,992,689
Cash repayments for borrowings		32,925,904	14,580,096
Cash paid for distribution of dividends or profits and for interest expenses		5,496,166	4,664,653
Cash paid for other financing activities		13,043,538	–
Subtotal of cash outflows from financing activities		51,465,608	19,244,749
Net cash flows generated from/(used in) financing activities		(3,750,037)	1,747,940
<b>4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		107,730	227,128
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,828,120	1,075,022
Add: Cash and cash equivalents at beginning of the year	9(2)	13,393,575	12,318,553
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	9(2)	15,221,695	13,393,575

# The Company's Statement of Changes in Equity

For the year ended 31 December 2019

RMB'000

ITEM	For the year ended 31 December 2019							Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
<b>I. As at 1 January 2019</b>	13,579,542	20,392,922	46,493,552	85,292	-	3,229,881	10,644,560	94,425,749
<b>II. Increase/(decrease) during the year</b>	-	19,796,171	381,897	23,872	-	1,383,625	8,361,402	29,946,967
(I) Total comprehensive income	-	-	-	23,872	-	-	13,836,254	13,860,126
(II) Capital contributions and withdrawals by shareholders	-	19,796,171	381,897	-	-	-	-	20,178,068
1. Capital contributions by other equity instrument holders (Note V. 41)	-	20,185,964	(7,896)	-	-	-	-	20,178,068
2. Others (Note V. 41)	-	(389,793)	389,793	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	1,383,625	(5,474,852)	(4,091,227)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,383,625	(1,383,625)	-
2. Distribution to shareholders (Note V. 46)	-	-	-	-	-	-	(4,091,227)	(4,091,227)
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	317,516	-	-	317,516
2. Used in current year	-	-	-	-	(317,516)	-	-	(317,516)
<b>III. As at 31 December 2019</b>	13,579,542	40,189,093	46,875,449	109,164	-	4,613,506	19,005,962	124,372,716

# The Company's Statement of Changes in Equity

For the year ended 31 December 2019

RMB'000

ITEM	For the year ended 31 December 2018							Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
<b>I. As at 31 December 2017</b>	13,579,542	13,400,233	46,493,552	114,213	-	2,891,462	10,910,084	87,389,086
(I) Changes in accounting policies	-	-	-	-	-	(1,025)	(9,218)	(10,243)
<b>II. As at 1 January 2018</b>	13,579,542	13,400,233	46,493,552	114,213	-	2,890,437	10,900,866	87,378,843
<b>III. Increase/(decrease) during the year</b>	-	6,992,689	-	(28,921)	-	339,444	(256,306)	7,046,906
(I) Total comprehensive income	-	-	-	(28,921)	-	-	3,394,438	3,365,517
(II) Capital contributions and withdrawals by shareholders	-	6,992,689	-	-	-	-	-	6,992,689
1. Capital contributions by other equity instrument holders (Note V. 41)	-	6,992,689	-	-	-	-	-	6,992,689
(III) Profit distribution	-	-	-	-	-	339,444	(3,650,744)	(3,311,300)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	339,444	(339,444)	-
2. Distribution to shareholders (Note V. 46)	-	-	-	-	-	-	(3,311,300)	(3,311,300)
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	231,167	-	-	231,167
2. Used in current year	-	-	-	-	(231,167)	-	-	(231,167)
<b>IV. As at 31 December 2018</b>	13,579,542	20,392,922	46,493,552	85,292	-	3,229,881	10,644,560	94,425,749

# Notes to the Financial Statements

For the year ended 31 December 2019

## I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”) on 5 November 2007. The Company’s shares, have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of the Company’s head office is located at East No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of construction operations, survey, design and consultancy operations, trade and logistics, manufacturing operations and real estate development operations.

The Company’s parent and ultimate holding company is China Railway Construction Group Co., Ltd. (CRCG), a company registered in PRC.

These financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2020.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by the Group on a going-concern basis in accordance with *Accounting Standards for Business Enterprises* and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”). In addition, the financial statements are also disclosed in accordance with *Information Disclosure and Presentation Rules for Companies Public offering Securities No. 15 — General Provisions on Financial Reporting* (revised by China Securities Regulatory Commission in 2014).

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the impairment of receivables and contract assets, the measurement of inventories, the provisions for decline in value of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the method of long-term assets impairment testing, and the policy for revenue recognition, etc.

#### 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Group and the Company as at 31 December 2019 and the consolidated and company financial performance, changes in equity and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### 2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

#### 3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

#### 4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

##### 4.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the year in which they are incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 4. Business combinations (Continued)

##### 4.2 Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. Goodwill is subsequently measured at cost deducted by accumulated provision. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

##### 4.3 Acquire assets through the acquisition of subsidiaries

For the acquisition of subsidiaries not constituting a business, the acquisition cost is allocated to each single identifiable asset and liability at fair value, and no goodwill or purchase gain will be recognised.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "net profit attributable to non-controlling interests" in the consolidated statement of profit or loss and other comprehensive income below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 5. Consolidated financial statements (Continued)

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (1) the aggregate of the consideration received on disposal and the fair value of any retained interest and (2) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

#### 6. Joint arrangement and joint operations

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In respect of joint operations, the Group as a party of joint operation recognises its interest in a joint operation: (1) its assets held individually and its share of assets held jointly; (2) its liabilities assumed individually and its share of liabilities assumed jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its expenses incurred individually and its share of expenses incurred jointly.

The Group measures its joint ventures under equity method, please refer to Note III. 11.3.2.

#### 7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 8. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. All differences are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year; The undistributed profit at the end of the year is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. For the financial assets that are purchased and sold under regular ways, the assets to be acquired and the liabilities to be assumed are recognised on the trade days, and the assets sold are derecognised on the trade days.

On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For trade receivables initially recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of *Accounting Standard for Business Enterprises No. 14 — Revenue* (ASBE No.14), transaction prices shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

##### 9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

###### 9.1.1 *Financial assets measured as at amortised cost*

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable, trade receivables, other receivables, loans and advances to customers, long-term receivables and debt investments.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial asset, except:

- (1) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- (2) For the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment no longer exists due to an improvement in credit risk of the financial instruments subsequently and such improvement is relevant to some events occurred after applying the policies mentioned above, the Group recognises interest income based on applying effective interest rate to gross carrying amount of the financial assets.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

##### 9.1.2 *Financial assets classified as at fair value through other comprehensive income (FVTOCI)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets classified as at FVTOCI are presented by the Group as other debt investments and receivables at FVTOCI in financial statements.

Financial assets classified as at FVTOCI's relevant loss/gain on impairment and interest income based on effective interest rate are recognised in profit or loss. Except for the above circumstances, changes in fair value of such financial assets are all recognised in other comprehensive income. Such financial assets' changes that are recognised in profit or loss in each period equal to their changes that are recognised in profit or loss in each period as they are measured at amortised cost from acquisition date. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in profit or loss.

##### 9.1.3 *Financial assets designated as at fair value through other comprehensive income*

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. Financial assets designated as at fair value through other comprehensive income are presented by the Group as other equity instrument investments in financial statements.

The fair value changes of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

##### 9.1.4 Financial assets measured at fair value through profit or loss (FVTPL)

Any financial assets that does not qualify for amortised cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL. FVTPL are presented by the Group as held-for-trading financial assets and other non-current financial assets items in the statement of financial position, based on its liquidity.

The above financial assets are subsequently measured at fair value. Gains or losses arising from fair value changes and dividends and interest income in relation to such financial assets are recognised in profit or loss for the period.

##### 9.2 Impairment of financial assets

The Group recognises loss allowance for financial assets measured as at amortised cost, financial assets classified as at FVTOCI, lease receivables, contract assets and financial guarantee contracts based on expected credit losses ("ECL").

The Group measures loss allowance for contract assets, trade receivables and lease receivables based on the amount of full lifetime ECL.

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. If the credit risk of the above financial instruments has increased significantly, the Group measures loss based on the amount of ECL for their full lifetime. The increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for financial assets classified as at FVTOCI, impairment of credit losses decreases the gross carrying amount of financial assets. For financial assets classified as at FVTOCI, the Group recognises credit loss allowance in other comprehensive income and does not decrease the carrying amount of such financial assets in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, at each balance sheet date, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at each balance sheet date. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

###### 9.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group uses available, reasonable and supportable forward-looking information, to compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: Whether the actual or expected operating results of the debtor have changed significantly; Whether supervisory, economic or technical environment for the debtor has significant detrimental changes; Whether value of collateral against debt mortgage or guarantee/ credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default; Whether the debtor's expected performance and repayment activities have changed significantly; Whether the Group's financial instrument management measures have changed, etc.

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to low credit risk. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

##### 9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or overdue in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) Other objective evidences indicating the impairment of financial assets.

##### 9.2.3 Measurement and recognition of ECL

The Group recognises credit losses for lease receivables and financial guarantee contracts on an individual basis. For trade receivables and contract assets, the Group individually assesses credit losses for those individually significant and credit-impaired and uses provision matrix to assess credit losses for the remaining. For other financial assets measured as at amortised cost and financial assets measured at fair value through other comprehensive income, the Group individually assesses credit losses for those individually significant and uses provision matrix to assess credit losses for the remaining. The Group classifies financial instruments into different groups based on similar credit risk characteristics. Similar credit risk characteristics include: type of financial instruments, credit risk rating, contractual billing period and industry of debtor etc.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

##### 9.2.3 Measurement and recognition of ECL (Continued)

ECL of relevant financial instruments is recognised based on the following methods:

- (1) For a financial asset, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (2) For a lease receivable, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (3) For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- (4) For credit-impaired financial assets other than the purchased or internally generated of credit-impaired financial assets at the balance sheet date, credit loss is the difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

##### 9.2.4 Reduction in financial assets

The Group directly reduces the gross carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee; or (3) although the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- (1) For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- (2) For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred and the consideration received from the transfer; and (2) the accumulated changes in fair value initially recorded in other comprehensive income is recognised in profit or loss. While regarding non-trading equity instruments designated as at fair value through other comprehensive income, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.3 Transfer of financial assets (Continued)

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts at the date of transfer. The difference between (1) the consideration received from the transfer; and (2) the cumulative changes in fair value previously recognised in other comprehensive income allocated to the part derecognised plus the carrying amount allocated to the part derecognised is recognised in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument investments designated as at FVTOCI, the cumulative gains or losses previously recognised in other comprehensive income allocated to the part derecognised are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety and recognises the consideration received as a liability.

##### 9.4 Classification and measurement of financial liabilities

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### 9.4.1 *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss.

Held-for-trading financial liabilities are subsequently measured at fair value, any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.4 Classification and measurement of financial liabilities (Continued)

###### 9.4.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period.

###### 9.4.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognised less cumulative amortisation amount during the guarantee period.

##### 9.5 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Changes of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

##### 9.7 Derivatives and embedded derivatives

Derivative financial instruments related to the Group include option contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The changes in fair value is recognised in profit or loss.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and meets all of the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a standalone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not highly related to the economic characteristics and risks of the host contract;
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.7 Derivatives and embedded derivatives (Continued)

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent reporting dates after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

##### 9.8 Convertible bonds

Convertible bonds issued by the Group that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is accounted for as equity rather than conversion option derivatives.

Convertible bonds are initially recognised at fair value at the issue date. If the convertible bonds includes equity instruments, the fair value of liability component of the convertible bonds is determined based on the market value of similar bonds which have no conversion option. The balance of issue price and the fair value of liability is the value of conversion option and is recognised in shareholders' equity. The liability and conversion embedded derivatives of the convertible bonds which include conversion embedded derivatives are initially recognised at fair value at the issue date.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of the convertible bonds are allocated to the liability, equity and derivative financial instruments components in proportion to their respective fair values. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the derivative financial instruments are charged to profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

#### 10. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially measured at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the first-in first-out method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised using immediate write-off, and other turnover materials are amortised based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of net realisable value, provision for inventories is recognised in the statement of profit or loss and other comprehensive income. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments

##### 11.1 Basis for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

##### 11.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the date of combination. For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as one transaction to acquire control. If it does not belong to 'package deal', the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for other investments in equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognised in other comprehensive income are included in retained earnings for the current period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.2 Determination of initial investment cost (Continued)

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standard for Business Enterprises No. 22-Financial Instruments; Recognition and Measurement* (ASBE No. 22) and the additional investment cost.

##### 11.3 Subsequent measurement and recognition of profit or loss

###### 11.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

###### 11.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.3 Subsequent measurement and recognition of profit or loss (Continued)

##### *11.3.2 Long-term equity investment accounted for using the equity method (Continued)*

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; for the share of the investee's profit or cash dividends declared by the investee, the carrying amount of long-term equity should be decreased accordingly; for changes in owner's equity rather than the investee's net profit or loss, other comprehensive income and profit distribution, carrying amount of long-term equity investments should be adjusted and included in capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investee adopts different accounting policies and accounting period with the Company's, the financial statements are adjusted in accordance with the Company's accounting policies and accounting period, and then investment income and other comprehensive income are recognised. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.4 Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the carrying amount and the consideration shall be recorded through profit or loss in the current period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and carried forward proportionately; other shareholders' equity recognised from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognised in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, when preparing separate financial statement, remaining shares after disposal which can make joint control or significant influence on investee, are accounted under equity method, and are adjusted as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and carrying amount is recognised in profit or loss for the current period.

#### 12. Investment properties

Investment property is property held to earn rentals or for capital appreciation or for both purpose. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 12. Investment properties (Continued)

The Group uses the cost model for subsequent measurement of investment properties, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed assets, intangible assets or inventories before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

#### 13. Fixed assets

A fixed asset is a tangible asset whose useful life exceeds one accounting year and which is held for production of goods, rendering services, offering leases or operation and management. A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to *Accounting Standard for Business Enterprises No. 17 — Borrowing Costs* (ASBE No.17).

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 13. Fixed assets (Continued)

For fixed assets depreciated with the straight-line method, the estimated useful lives, estimated residual values rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rates	Useful lives	Annual depreciation rates
Buildings	5%	20-35 years	2.71%-4.75%
Machinery	5%	10-25 years	3.80%-9.50%
Vehicles	5%	5-10 years	9.50%-19.00%
Production equipment	5%	5-10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3-5 years	19.00%-31.67%

Where the individual component parts of a fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year, makes adjustments and accounts for any change as a change in an accounting estimate when necessary.

#### 14. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowings before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 15. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised and other borrowing costs are recognised as expenses. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantially long period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have incurred; and
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 16. Intangible assets

The Group's intangible assets include land use rights, concession rights, and mining rights.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured initially at fair value at the date of acquisition.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

##### 16.1 Land use rights

Land use rights represent costs incurred for a certain lease period of land.

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 16. Intangible assets (Continued)

##### 16.2 Concession rights

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be calculated according to their arrangement nature.

The Group recognises revenue and a contract asset or a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the “concession rights” under intangible assets included in the statement of financial position. The amortisation approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset’s future economic benefits are expected to be realised at the commencement of operations.

##### 16.3 Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortisation is calculated in adoption of the unit of production method based on proved mining reserves.

##### 16.4 Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 17. Long-term prepayments

Long-term prepayments represent expenditures incurred which should be recognised as expenses over one year and should be allocated in current and subsequent periods, including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

#### 18. Provisions

Except for contingent liabilities assumed in business combinations involving entities not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group; and
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue

The revenue of the Group is mainly generated from business types as follows:

- The construction operations, which mainly comprises the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- The survey, design and consultancy operations, which mainly comprises the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- The manufacturing operations, which mainly comprises the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- The real estate development operations, which mainly comprises the development, construction and sale of residential properties and commercial properties;
- The other business operations, which mainly comprises trade and logistics, finance and insurance and highway operation.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation.

A performance obligation is the Group's promise to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or the Group satisfies the performance obligation at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services. When the Group is not able to reasonably measure its performance progress, the Group recognises revenue only to the extent of the recoverable amount of costs incurred until such time that it can reasonably measure the performance progress.

For survey, design and consultancy operations, manufacturing operations, real estate development operations and other business operations, revenue is recognised over the contract period based on the performance progress, or recognised at a point in time when the customer obtains control of relevant goods or services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

##### Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates the estimated transaction price.

##### Existence of significant financing component

For contracts that contain significant financing components, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when the control of goods or services is transferred to the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

Consideration payable to a customer

If the contract includes consideration payable to a customer, the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and shall recognise the reduction of revenue when (or as) the later of either of the following events occurs: (1) the Group recognises revenue for the transfer of the related goods or services to the customer; and (2) the Group pays or promises to pay the consideration.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to each performance obligation on a basis of relative stand-alone selling price, at which an entity would sell a promised good or service separately to a customer. When an entity has observable evidence that the contract discount or the variable consideration relates to only one or more, but not all, performance obligations in a contract, the entity shall allocate the contract discount or the variable consideration to one or more, but not all, performance obligations in the contract.

The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Sales with warranties

For sales with warranties, if the warranties are separate services to the customer other than serving as an assurance that the products sold comply with agreed-upon specifications, the warranties constitute single performance obligations. Otherwise, the Group accounts for warranties in accordance with the *Accounting Standards for Business Enterprises No. 13 — Contingencies* (ASBE No.13).

Principal versus agent

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognises revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by some established amounts or proportions.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs as an asset if it expects to recover these costs. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year. Other costs of obtaining a contract are recognised in profit or loss when they occur, unless they are going to be reimbursed by customers. The asset is presented as other current assets or other non-current assets according to whether the amortisation period exceeds one normal operating period.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of any standards other than ASBE No.14, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset is presented as inventories or other non-current assets according to whether the amortisation period exceeds one normal operating period.

The asset mentioned above shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised as expenses in relevant periods.

The Group shall recognise an impairment loss to the extent that the carrying amount of the asset mentioned above exceeds:

- (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (2) the estimated costs that relate to providing those goods or services and that have not been recognised as expenses.

The Group shall, after the impairment has been provided, recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

##### Contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract assets are specified in Note III. 9.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

##### Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due from the customer.

#### 20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attached and the Group would receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

##### 20.1 Judgment basis and accounting treatments for government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets.

Government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 20. Government grants (Continued)

##### 20.2 Judgment basis and accounting treatments for government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

For repayment of a government grant already recognised, if government grants were charged against carrying amount of the related assets at initial recognition, the repayment adjusts the carrying amount of assets. If there is related deferred income, the repayment is offset against the gross carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

##### 20.3 Relocation compensation received due to public interests

The Group receives relocation compensation directly from the government for the benefit of public interests such as urban overall planning, reservoir construction, and renovation of shanty towns and subsidence area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received. Therein compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income and recognised as government grants relating to assets and government grants related to income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 21. Income tax

Income tax expenses comprise current and deferred tax. Current tax expenses and deferred tax expenses are recognised as income or expenses in profit or loss for the current period, except for the deferred tax as an adjustment of goodwill arising from a business combination, or the current tax expenses and the deferred tax expenses to be recognised directly in other comprehensive income or shareholders' equity, which arise from transactions or events that should be recognised directly in other comprehensive income or shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 21. Income tax (Continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### 22. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

For contracts entered into, the Group assesses whether the contract is, or contains, a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### 22.1 As a lessee

###### *Separating components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.1 As a lessee (Continued)

###### *Right-of-use assets*

Except for short-term leases and leases of low-value assets, the Group recognises a right-of-use asset at the commencement date of the lease. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use. The right-of-use asset is measured at cost. The cost of the right-of-use asset shall include:

- (1) the amount of the initial measurement of the lease liability;
- (2) any lease payments made at or before the commencement date, less any lease incentives received;
- (3) any initial direct costs incurred by the Group; and
- (4) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease terms are depreciated from commencement date to the end of their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group assesses and determines whether the right-of-use asset is impaired and accounts for any impairment loss identified in accordance with *Accounting Standards for Business Enterprises No. 8 — Impairment of Assets* (ASBE No.8).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.1 As a lessee (Continued)

###### *Lease liabilities*

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognises the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determined.

The lease payments are payments to the lessor for the right to use the underlying asset during the lease term made by the Group:

- (1) fixed payments, including in-substance fixed payments, less any lease incentives receivable, if applicable;
- (2) the exercise price of a purchase option reasonably certain to be exercised by the Group;
- (3) payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, the Group recognises interest expenses in each accounting periods during the lease, based on a constant periodic rate of interest on the remaining balance of the lease liabilities. The interest expenses are recognised into profit or loss for the current period or the cost of the related assets.

After the commencement date, the Group shall remeasure the lease liability and make corresponding adjustments to the related right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognise any remaining amount of the remeasurement in profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.1 As a lessee (Continued)

###### *Short-term leases and leases of low-value assets*

The Group elects not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and vehicles and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain any purchase options. A lease of a low-value asset, is a lease that the single underlying asset, when is new, is of low value. The Group shall recognise the lease payments associated with short-term leases and leases of low-value assets as the cost of the related assets or profit or loss on a straight-line basis over the lease term.

###### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group reallocates the consideration in the contract, and remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.2 As a lessor

###### *Separating components of a contract*

For a contract that contains lease components and non-lease components, the Group applies ABSE No.14 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### *Classification of leases*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

###### *Recognition and measurement as a lessor of an operating lease*

The Group recognises lease receivables from operating leases as income on a straight-line basis over the lease term. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the lease income.

For the contingent receivables not included in the operating lease receivables, the Group recognises into profit or loss when received.

##### 22.3 Sale and leaseback transactions

###### *As a seller-lessee*

The Group applies the requirements of ASBE No.14 to assess whether the sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For the sales and leaseback transaction that does not constitute a sale, the Group continues to recognise the transferred asset, and recognises a financial liability which equals to the transfer proceeds and accounts for the financial liability applying ASBE No. 22. If the sales and leaseback transaction constitutes a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained, and recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 23. Impairment of long-term assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets, financial assets, contract assets and assets related to the costs incurred in fulfilling a contract, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset or an asset group is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset or the asset group.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the difference is recognised as a provision for impairment loss and profit or loss for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In impairment testing for goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognised any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent periods.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 24. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

##### 24.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

##### 24.2 Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

##### 24.3 Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the statement of financial position immediately and recorded in equity as other comprehensive income in the accounting period the remeasurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: (1) when the Group modifies the defined benefit plans; and (2) when the Group recognises relevant restructuring costs or termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as general and administrative expenses in the statement of profit or loss and other comprehensive income. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 24. Employee benefits (Continued)

##### 24.4 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: (1) when the Group can no longer unilaterally withdraw the offer of those benefits for proposals or suggestions for termination of employment; and (2) when the Group recognises costs for restructuring and involves the payment of termination costs.

##### 24.5 Housing funds

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

##### 24.6 Bonus entitlements

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within twelve months and are measured at the amounts estimated to be paid when they are settled.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 25. Debt restructuring

##### 25.1 Recording of debt restructuring obligation as the debtor

When a debt is settled by an asset in a debt restructuring, the Group derecognises the relevant asset and the debt settled when the derecognition criteria for the asset and the debt are satisfied. The difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is recognised in profit or loss for the current period.

When a debt is converted into an equity instrument in a debt restructuring, the Group derecognises the debt settled when the derecognition criteria for the debt are satisfied. On initial recognition, the equity instrument are recognised at fair value. When the fair value of the equity instrument cannot be measured reliably, the equity instruments are recognised at the fair value of the debt. The difference between the carrying amount of the debt and the carrying amount of the equity instrument is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the Group recognises and measures the debt restructured in accordance with ASBE No. 22 and *Accounting Standard for Business Enterprises No.37- Presentation of Financial Instruments* (ASBE No. 37).

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Group recognises and measures the equity instrument and the debt restructured in accordance with the policies regarding debts settled by assets and debts converted into equity instruments, as mentioned above. The difference between the carrying amount of the debt and the sum of the carrying amount of the assets transferred, the carrying amount of the equity instrument recognised and the carrying amount of the debt restructured, is recognised in profit or loss for the current period.

##### 25.2 Recording of debt restructuring obligation as the creditor

When a debt is settled by assets in a debt restructuring, on initial recognition of the assets other than financial assets, the assets are recognised at cost.

- (1) The cost of inventories includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, insurance and other costs, for bringing the assets to the current position and condition;
- (2) The cost of fixed assets includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, installation costs, professional service costs and other costs, for bringing the assets to working condition for intended use.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 25. Debt restructuring (Continued)

##### 25.2 Recording of debt restructuring obligation as the creditor (Continued)

The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

When the debt restructuring causes the Group to convert the debt receivable to an equity investment of joint ventures or associates, the creditor shall measure the equity investment based on the sum of the fair value of debt receivable, and any directly attributable taxes and other costs of the investment. The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the Group recognises and measures the restructured debt receivable in accordance with ASBE No. 22.

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Group first recognises and measures the financial assets received and restructured debt receivable in accordance with ASBE No. 22, and then allocates the net value, which is the fair value of the debt receivable deducted by the recognised total carrying amount of financial assets received and restructured debt receivable, to the costs of non-financial assets received based on their relative fair value. The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 26. Nonmonetary Transactions

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the nonmonetary transactions are measured at fair value. For the asset received, the fair value of the asset given up and related taxes payable are recognised as the cost at initial recognition; For the asset given up, at derecognition, the difference between the fair value and the carrying amount is recognised in profit or loss for the current period. When there is clear evidence indicating that the fair value of the received asset is more reliable, for the asset received, the fair value of the asset received and related taxes payable are recognised as the cost at initial recognition; For the asset given up, at derecognition, the difference between the fair value of the asset received and the carrying amount of the asset given up is recognised in profit or loss for the current period.

When the nonmonetary transactions fail to meet criteria to be measured at fair value, the transactions are measured at carrying amounts. For the asset received, the carrying amount of the asset given up and relevant taxes payable are recognised as the cost of at initial recognition. For the asset given up, at derecognition, no profit or loss is recognised.

When several assets are received at the same time in a nonmonetary transaction, if the transaction is measured at fair value, the cost of each asset other than financial assets received is determined by apportioning the net amount, which is the total fair value of all assets given up deducted by the fair value of the financial assets received, based on the proportion of the fair value of each asset received, and plus related taxes payable, at initial recognition; When there is clear evidence indicating that the fair value of the received assets is more reliable, the fair value of each asset received and related taxes payable are recognised as cost of each asset received at initial recognition; If the transaction is measured at carrying amounts, the cost of each asset received is determined by apportioning the total carrying amounts of all assets given up based on the proportion of the fair value of each asset received to the total fair value of all assets received.

When several assets are given up at the same time in a nonmonetary transaction, if the transaction is measured at fair value, at each asset's derecognition, the difference between each asset's fair value and carrying amount is recognised in profit or loss for the current period; When there is clear evidence indicating that the fair value of the received assets is more reliable, the profit or loss, recognised for the current period, of derecognition of each asset given up is the net amount, which is the apportioning of the total fair value of the assets received, based on the proportion of the fair value of each asset given up to the total fair value of all assets given up, deducted by the carry amount of each asset given up; if the transaction is measured by carrying amounts, no profit or loss of derecognition of assets given up, is recognised.

#### 27. Profit distribution

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 28. Renewable corporate bonds and other financial instruments

The perpetual securities and other financial instruments issued by the Group shall be classified as equity instruments if no contractual obligations of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable.

For perpetual securities and other financial instruments classified as equity instruments, distribution of interests and dividends are recognised into distribution of equity. Its repurchase and cancellation are recognised as changes of equity and transaction costs related to equity transactions are deducted from equity.

#### 29. Production safety expenses

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation* (Cai Qi [2012] No.16) and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation*, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

#### 30. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date;

Level 2: Inputs are inputs, other than quoted process included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 31. Asset securitisation

The Group has securitised a portion of receivables (“underlying assets”) where underlying assets are sold and transferred to a special purpose entity (“SPE”). The SPE issues senior and subordinate assets-backed securities to investors, while the Group holds some portion of subordinate assets-backed securities which are not transferrable until the principal and interests of the senior assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as asset management and collection, contract revision and other services. The cash received from the underlying assets during the periods of collection, after paying SPE taxation and relevant fees, will be firstly used to repay the principal and interests of the senior assets-backed securities; the remaining cash after paying the principal and interests in full is treated as income from subordinate assets-backed securities. The Group shares relevant income based on its proportion of subordinate assets-backed securities.

When applying the accounting policy of securitisation of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- (1) When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the relevant financial asset;
- (2) When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the relevant financial asset;
- (3) When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the transferred financial asset.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at each balance sheet date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

At the balance sheet date, key assumptions and uncertainties that probably lead to significant future adjustments on the carrying amount of assets and liabilities are as follows:

##### Revenue from construction operations

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations to determine the performance progress and identify onerous contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Due to the nature of activities associated with construction, the Group has to continuously review and revise budget prepared for each construction operation throughout the contract period. Revision may have effect on revenue, profit and other items related to construction operations during the period when the revision incurred.

##### Impairment of trade receivables and contract assets

For trade receivables and contract assets scoped in ASBE No. 14, the Group measures loss allowances for trade receivables and contract assets based on lifetime ECL. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually by estimating the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. Except for trade receivables and contract assets which are individually significant and credit-impaired, the Group's management uses provision matrix to assess ECL, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical actual loss rates, taking into consideration forward-looking information. The impairment of trade receivables and contract assets involves management's accounting estimations and judgements. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of trade receivables and contract assets during the period when the reassessment incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

##### Impairment of other financial assets

For financial assets which are not scoped in ASBE No. 14, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date and calculates the ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. The calculation of ECL involves management's judgment on whether significant increase in credit risk and management's estimation on future contractual cash flows. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of financial assets during the period which the reassessment incurred.

##### Impairment of properties under development and completed properties held for sale

The Group has to evaluate the net realisable values for properties under development and completed properties held for sale at each balance sheet date. When the net realisable values are lower than the carrying amounts, a provision is made by the Group.

The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to prevailing market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

The Group estimates the net realisable value for completed properties held for sale based on the selling price, sales projections, sales expenses to be incurred and relevant tax expenses, with reference to the current market prices and actual sale progress.

##### Impairment of concession rights

The Group assesses at the balance sheet date whether there is any indication that the concession rights may be impaired. If there is any indication of impairment, the Group will estimate the recoverable amount and perform the impairment test. The provision for impairment loss is recognised according to the difference where the recoverable amount of an asset is less than its carrying amount and charged to the impairment loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

##### Impairment of concession rights (Continued)

The recoverable amount of the franchise rights is the higher of its fair value less costs of disposal and the present value of the estimated future cash flows. The present value of estimated future cash flows is determined based on the present value of estimated future cash flows during the period of the concession rights, i.e. based on the estimated future cash flows generated by the concession rights in the continuous use and discounted to the present value by selecting the appropriate discount rates. The estimated future cash flows are estimated based on the expected revenue of services rendered under concession arrangements and other income from the concession rights, net of necessary maintenance expenses and operating costs.

Based on the best estimate of the management, the Group has recognised provision for impairment loss of RMB1,060,130,000 for concession rights as at 31 December 2019 (31 December 2018: Nil). The Group's estimation results based on existing experience may be affected by business development, external environment and other factors, resulting in different actual results for the next year.

##### Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgments.

##### Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are less than previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

##### Amortisation of concession rights of highways

If the assets under the concession arrangement acquired by the “Build-Operate-Transfer” (“BOT”) participating in the construction of the expressway is applicable to intangible asset model, the concession rights is amortised at the early stage of operation period based on expected realisation approach of associated economic benefits using traffic volume method or straight-line method. In the case of traffic volume method amortisation (namely, calculating the total annual amortisation amount based on the percentage of actual traffic volume in certain years in the estimated total traffic volumes), amortisation calculation is initiated since the operation of the relevant turnpike highways.

The Group’s management made judgments on the proportion of actual traffic volume in the total estimated traffic volume. Where the difference between the actual amount and the estimation is substantial, the management will reestimate the total estimated traffic volume based on the actual traffic volume and adjust the amortisation of annual provisions for standard traffic volumes in subsequent years.

##### Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. In cases where the actual future profits generated are different from the estimation, such difference will influence on or change the deferred tax assets and income tax recognised in the relevant period.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

##### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

##### Provisions for long-term post-leaving benefits

The Group recognised the benefits paid to certain long-term post-leaving personnel as a liability. The amounts of employee benefit expenses and liabilities are determined using various assumptions, including the estimated rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The differences between actual experience and assumptions are recognised immediately in other comprehensive income in the period in which such differences arise. While management believes that its assumptions are reasonable, differences in actual experience or changes in assumptions may affect other comprehensive income and balance of liabilities related to the long-term post-leaving benefit obligations.

#### 33. Changes in significant accounting policies

The Group has implemented the *Accounting Standards for Business Enterprises No.21 — Leases* amended by the Ministry of Finance (“MoF”) in 2018 (hereinafter by referred to as the “New Leases Standard”), the *Accounting Standards for Business Enterprises No.12 — Debt Restructurings*, the *Accounting Standards for Business Enterprises No.7 — Nonmonetary Transactions* amended by MoF in 2019, since 1 January 2019 (the first implementation). Updated group accounting policies are presented in Note III. 22, 25 and 26.

In addition, the financial statements have been prepared based on *Notice of the Revised Format of Consolidated Financial Statements for General Business Enterprise for the year of 2019* (Cai Kuai [2019] No.6), issued by MoF on 30 April 2019 and the comparative financial information are presented according to Cai Kuai [2019] No.6.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard

The New Leases Standard improves the definition of leases; adds contents including identifying a lease, separating components of a lease and combination of leases; no longer adopts the original classification of operating leases and finance leases for lessees, requiring that in cases of all leases (except short-term leases and leases of low-value assets), a right-of-use asset and a lease liability shall be recognised at the commencement date of the lease, while depreciation and interest expenses shall be recognised respectively; improves subsequent measurement of leases for lessors, adding accounting treatments for changes in the lease term or the assessment of an option to purchase the underlying asset; Sets out relevant principles for disclosure.

For the lease contracts that already existed before the implementation of the standard, the Group chose not to reassess whether the contract was, or contained, a lease on the date of initial implementation.

##### *As a lessee*

In accordance with the New Leases Standard, during the first implementation of the standard, the accumulative amounts impacted shall be adjusted in the opening balance of relevant items in the financial statements, with no impacts on comparative information.

Except for the leases of low-value assets, for all the leases classified as operating leases before the first implementation of the New Leases Standard, the Group chooses one or more of the following practical expedients:

- (1) leases for which the lease term ends within 12 months of the date of initial implementation are accounted for in the same way as short-term leases;
- (2) the measurement of right-of-use assets excludes any initial direct costs incurred;
- (3) If the contract contains options to extend or terminate the lease, the Group determines the lease term based on the actual usage of the options before the date of initial implementation and hindsight.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

###### *As a lessee (Continued)*

On the date of initial implementation, the Group made the following adjustments in accordance with the New Leases Standard:

- (1) For leases that were classified as finance leases previously, the carrying amount of the right-of-use asset and the lease liability at the date of initial implementation shall be the carrying amount of the lease asset and lease liability immediately before that date.
- (2) For a lease previously classified as an operating lease, the Group recognised a lease liability at the date of initial implementation, by measuring that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate(4.5%-4.9%) at the date of initial implementation, and a right-of-use asset at the date of initial implementation, by measuring that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

###### *As a lessor*

The Group is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying the New Leases Standard from the date of initial implementation.

###### *Sale and leaseback transactions*

For sale and leaseback transactions existed before the first implementation, the Group did not apply the requirements in ASBE No.14 to determine whether the transfer of an asset in a sale and leaseback transaction is a sale on the date of first implementation. For transactions that occur after the first implementation, the Group, as the seller-lessee, applies the requirements ASBE No.14 to determine whether the transfer of an asset in a sale and leaseback transaction is a sale.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

The information regarding the lease liabilities recognised by the Group on 1 January 2019 and the significant operating leases disclosed in the financial statements for the year ended 31 December 2018 is listed as follows:

Item	1 January 2019
I. Significant operating leases as at 31 December 2018	<b>6,676,434</b>
Lease liabilities, discounted using the incremental borrowing rate at the date of initial implementation	<b>5,753,482</b>
Add: Finance lease payables as at 31 December 2018	<b>907,517</b>
II. Lease liabilities as at 1 January 2019	<b>6,660,999</b>
Presented as:	
Current liabilities	<b>1,976,247</b>
Non-current liabilities	<b>4,684,752</b>

Carrying amount of right-of-use assets as at 1 January 2019 is listed as follows:

Category	Notes	1 January 2019
Right-of-use assets:		<b>7,144,313</b>
Right-of-use assets recognised for the leases classified as operating leases before the initial implementation		<b>5,753,482</b>
The assets recognised from finance leases under the Original Leases Standard	Note 1	<b>1,390,831</b>
Total		<b>7,144,313</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

Right-of-use assets by category as at 1 January 2019 is listed as follows:

RMB'000

Category	1 January 2019
Buildings	907,708
Machinery	5,131,559
Vehicles	1,010,508
Others	94,538
Total	7,144,313

*Note 1:* For the leases classified as finance leases under the Original Leases Standard and had not terminated as at 1 January 2019, the carrying amount of such lease assets amounted to RMB1,390,831,000 and were recognised as right-of-use assets by the Group.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

Impacts of the New Leases Standard on opening balances of items in the consolidated statement of financial position are as follows:

RMB'000

Item	31 December 2018	Impacts of the New Leases Standard	1 January 2019
<b>Current assets:</b>			
<b>Total current assets</b>	650,277,350	–	<b>650,277,350</b>
<b>Non-current assets:</b>			
Fixed assets ( <i>Note 2</i> )	50,300,597	(1,390,831)	<b>48,909,766</b>
Right-of-use assets ( <i>Note 1, Note 2</i> )	/	7,144,313	<b>7,144,313</b>
Others	217,092,635	–	<b>217,092,635</b>
<b>Total non-current assets</b>	267,393,232	5,753,482	<b>273,146,714</b>
<b>TOTAL ASSETS</b>	917,670,582	5,753,482	<b>923,424,064</b>
<b>Current liabilities:</b>			
Current portion of non-current liabilities ( <i>Note 1</i> )	23,218,971	1,632,494	<b>24,851,465</b>
Others	568,487,551	–	<b>568,487,551</b>
<b>Total current liabilities</b>	591,706,522	1,632,494	<b>593,339,016</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

RMB'000

Item	31 December 2018	Impacts of the New Leases Standard	1 January 2019
<b>Non-current liabilities</b>			
Lease liabilities ( <i>Note 1</i> )	/	4,684,752	<b>4,684,752</b>
Long-term payables ( <i>Note 2</i> )	7,197,581	(563,764)	<b>6,633,817</b>
Others	111,431,624	–	<b>111,431,624</b>
<b>Non-current liabilities</b>	<b>118,629,205</b>	<b>4,120,988</b>	<b>122,750,193</b>
<b>Total liabilities</b>	<b>710,335,727</b>	<b>5,753,482</b>	<b>716,089,209</b>
<b>Shareholders' equity :</b>			
<b>Total equity attributable to owners of the Company</b>	<b>169,889,912</b>	<b>–</b>	<b>169,889,912</b>
Non-controlling interests	37,444,943	–	<b>37,444,943</b>
<b>Total shareholders' equity</b>	<b>207,334,855</b>	<b>–</b>	<b>207,334,855</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>917,670,582</b>	<b>5,753,482</b>	<b>923,424,064</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 33. Changes in significant accounting policies (Continued)

##### 33.1 Impacts of the New Leases Standard (Continued)

*Note 1:* For the leases classified as operating leases before the initial implementation, the Group recognised the lease liabilities at the date of initial implementation, by measuring that lease liability at the present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate at the date of initial implementation. As at 1 January 2019, the Group recognised right-of-use assets amounting to RMB5,753,482,000 and lease liabilities amounting to RMB5,753,482,000. Among the lease liabilities, the current portion of lease liabilities amounting to RMB1,632,494,000 were presented in the current portion of non-current liabilities.

*Note 2:* For the leases classified as finance leases before the initial implementation and had not terminated as at 1 January 2019, the carrying amount of such lease assets amounted to RMB1,390,831,000. The Group recognised such lease assets as right-of-use assets at their carrying amount. Also, finance lease payables over one year amounting to RMB563,764,000 were reclassified to lease liabilities from long-term payables.

##### 33.2 Debt restructuring and nonmonetary transactions

The Group has implemented the *Accounting Standards for Business Enterprises No. 12 — Debt Restructuring* and the *Accounting Standards for Business Enterprises No. 7 — Nonmonetary Transactions* amended by MoF since 1 January 2019. The Group makes no retrospective adjustments for debt restructurings and nonmonetary transactions occurred before 1 January 2019. The amended standards mentioned above have no significant impact on the Group.

##### 33.3 Format of consolidated financial statements

Cai Kuai [2019] No.6 has modified the items in the statements of financial position, the statements of profit or loss and other comprehensive income, the statements of cash flows and the statements of changes in equity. The *Bills receivable and trade receivables* is separated as the *Bills receivable* and the *Trade receivables*. The *Bills payable and trade payables* is separated as the *Bills payable* and the *Trade payables*. A new line item *Receivables at FVTOCI* is included. The disclosure of several line items has been clarified or modified, which includes *Other receivables*, *Current portion of non-current assets*, *Other payables*, *Deferred income*, *Other equity instruments*, *Research and development expenses*, *Interest income* under *Finance costs*, *Other income*, *Non-operating income*, *Non-operating expenses* and *Capital contributions by other equity instrument holders*. Impairment of losses for commitments for loans and financial guarantees are required. A new sub-item *Income from derecognition of financial assets measured at amortised cost* is included in the *Investment income/(loss)*. The positions of several line items in the statements of profit or loss and other comprehensive income have been adjusted. The line item where the government grants should be included in the statements of cash flows has been clarified. Regarding the modified items, the comparative financial information is presented after reclassification.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES

#### 1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Value-added tax ("VAT")	Sales revenue and construction installation income in accordance with relevant tax law	3%, 6%, 9% (10% before 1 April 2019), 13% (16% before 1 April 2019)
Enterprise income tax ("EIT")	Taxable income	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for tax preferential ( <i>Note IV. 2</i> ) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
City maintenance and construction tax ("CCT")	Based on the actual VAT and circulation tax payment	1%, 5%, 7%
Educational surcharge	Based on the actual VAT and circulation tax payment	3%
Local educational surcharge	Based on the actual VAT and circulation tax payment	2%
Land appreciation tax ("LAT")	Calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate	Extra progressive tax rate: 30%, 40%, 50%, 60%

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential

Super deduction of research and development (R&D) expenses

Pursuant to Chapter IV, Item 1 of Article 30 of the *Law of the PRC on Enterprise Income Tax Law* (the “New EIT Law”), the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2015] No. 119) and *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction Proportion of Research and Development Expenses* (Cai Shui [2018] No. 99), the Company and its subsidiaries complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

Tax preferential for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs* (Cai Shui [2011] No. 58), the tax preference for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 70% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* shall be issued separately.”

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

At present, the Catalogue of Encouraged Industries in the Western Region has been approved by the State Council, and shall be implemented as from 1 October 2014. Certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), China Railway 12th Bureau Group Railway Maintenance Engineering Co., Ltd. (中鐵十二局集團鐵路養護工程有限公司), China Railway 12th Bureau Group (Tibet) Engineering Co., Ltd. (中鐵十二局集團(西藏)工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), Lanzhou Tunnel Equipment Co., Ltd. of China Railway Construction Bridge Engineering Bureau Group (中鐵建大橋局集團蘭州隧道裝備有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 15th Bureau Group Tibet Engineering Co., Ltd. (中鐵十五局集團西藏工程有限公司), China Railway 16th Bureau Group Tibet Engineering Co., Ltd. (中鐵十六局集團西藏工程有限公司), China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 17th Bureau Group Tibet Engineering Co., Ltd. (中鐵十七局集團西藏工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 18th Bureau Group Tibet Engineering Co., Ltd. (中鐵十八局集團西藏工程有限公司), China Railway 19th Bureau Group Tibet Engineering Co., Ltd. (中鐵十九局集團西藏工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團市政工程有限公司), China Railway Guizhou Engineering Co., Ltd. (中鐵貴州工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

集團第六工程有限公司), China Railway 23rd Bureau Group Rail Transit Chengdu Engineering Co., Ltd. (中鐵二十三局集團軌道交通成都工程有限公司), China Railway 25th Bureau Group (Ganzhou) Engineering Co., Ltd. (中鐵二十五局集團(贛州)工程有限公司), China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司), China Railway Chongqing Urban Rail Transit Engineering Co., Ltd. (中鐵建重慶軌道環線建設有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Shaanxi Xingan Runtong Electrification Co., Ltd. (陝西興安潤通電氣化有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Lanzhou Railway Survey and Design Institute Co., Ltd. (蘭州鐵道設計院有限公司), China Railway Siyuan Group Nanning Survey and Design Co., Ltd. (中鐵四院集團南寧勘察設計院有限公司), China Railway Siyuan Group Southwest Survey and Design Co., Ltd. (中鐵四院集團西南勘察設計有限公司), China Railway Material Group Southwest Co., Ltd. (中鐵物資集團西南有限公司), CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), China Railway Construction Heavy Industry Xinjiang Co., Ltd. (鐵建重工新疆有限公司), China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司), Chongqing China Petroleum & Railway Construction Industrial Co., Ltd. (重慶中油鐵建實業有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), CRCC Chongqing Investment Group Co., Ltd. (中鐵建重慶投資集團有限公司), China Railway Construction Kunlun Metro Investment Construction Management Co., Ltd. (中鐵建昆侖地鐵投資建設管理有限公司), CRCC Kunlun Investment Co., Ltd. (中國鐵建昆侖投資集團有限公司), China Railway Construction Guizhou Construction Co., Ltd. (中鐵建貴州建設有限公司), China Railway Construction Yunnan Transportation Construction Management Co., Ltd. (中鐵建雲南交通建設管理有限公司), China Railway Construction Yunnan Investment Co., Ltd. (中鐵建雲南投資有限公司), CRCC Kunlun Tianfu Greenway Chengdu Co., Ltd. (中鐵建昆侖天府綠道成都有限公司), CRCC Beibuwan Construction and Investment Co., Ltd. (中鐵建北部灣建設投資有限公司) and China Railway Construction Northwest Investment & Construction Co., Ltd. (中鐵建西北投資建設有限公司), met requirements of "enterprises located in the Western Region, whose principal businesses are encouraged industries, and the income of which accounts for more than 70% of the total income of such enterprises" in 2018 and 2019, and are applicable to preferential income tax rate of 15% for the Western Region Development.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries

China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司): (1) its subsidiaries including China Railway 11th Bureau Group 1st Engineering Co., Ltd. (中鐵十一局集團第一工程有限公司), China Railway 11th Bureau Group 2nd Engineering Co., Ltd. (中鐵十一局集團第二工程有限公司), China Railway 11th Bureau Group 3rd Engineering Co., Ltd. (中鐵十一局集團第三工程有限公司), China Railway 11th Bureau Group 4th Engineering Co., Ltd. (中鐵十一局集團第四工程有限公司) and China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary China Railway 11th Bureau Group Bridge Engineering Co., Ltd. (中鐵十一局集團橋梁有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Science and Technology Department, Jiangxi Provincial Department of Finance, and Jiangxi Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (3) its subsidiary China Railway 11th Bureau Group 6th Engineering Co., Ltd. (中鐵十一局集團第六工程有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei Provincial Tax Service, State Taxation Administration, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (4) its subsidiaries including China Railway 11th Bureau Hanjiang Heavy Industry Co., Ltd. (中鐵十一局集團漢江重工有限公司), China Railway 11th Bureau Electrical Engineering Co., Ltd. (中鐵十一局集團電務工程有限公司) and China Railway 11th Bureau Construction and Installation Engineering Co., Ltd. (中鐵十一局集團建築安裝工程有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司): (1) its subsidiary China Railway 12th Bureau Group 7th Engineering Co., Ltd. (中鐵十二局集團第七工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary Building and Installing Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團建築安裝工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, Shanxi Provincial Tax Service, State Taxation Administration, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiaries including China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) and China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) have been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary Electrification Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團電氣化工程有限公司) has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (1) its subsidiary China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd. (中國鐵建大橋工程局集團第一工程有限公司) has been recognised as a High-tech Enterprise by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, and Dalian Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiary China Railway Construction Bridge Engineering Bureau Group 2nd Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第二工程有限公司) has been recognised as a High-tech Enterprise by Science and Technology Innovation Committee of Shenzhen Municipality, Shenzhen Finance Bureau, Shenzhen Tax Service, State Taxation Administration, and Shenzhen Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中鐵建大橋工程局集團第六工程有限公司) has been recognised as a High-tech Enterprise by Jilin Science and Technology Department, Jilin Province Department of Finance, Jilin Provincial Tax Service, State Taxation Administration, and Jilin Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (4) its subsidiary China Railway Construction Bridge Engineering Bureau Group Electrification Engineering Co., Ltd. (中鐵建大橋工程局集團電氣化工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration, and Tianjin Local Taxation Bureau since 2017 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiary China Railway Modern Survey and Design Institute Group Co., Ltd. (中鐵現代勘察設計院有限公司) has been recognised as a High-tech Enterprise by Jilin Science and Technology Department, Jilin Province Department of Finance, and Jilin Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司): (1) its subsidiary Beijing China Railway Fangshan Bridge Co., Ltd. (北京中鐵房山橋梁有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiaries including Electrification Engineering Co., Ltd. of China Railway 14th Bureau Group (中鐵十四局集團電氣化工程有限公司), and Shandong Tiezheng Testing Technology Co., Ltd. (山東鐵正工程試驗檢測中心有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 14th Bureau Group 3rd Engineering Co., Ltd. (中鐵十四局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司): (1) its subsidiary China Railway 15th Bureau Group 3rd Engineering Co., Ltd. (中鐵十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary China Railway 15th Bureau Group 4th Engineering Co., Ltd. (中鐵十五局集團第四工程有限公司) has been recognised as a High-tech Enterprise by the Henan Science and Technology Department, Henan Provincial Department of Finance, and Henan Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 15th Bureau Group 5th Engineering Co., Ltd. (中鐵十五局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (1) China Railway 16th Bureau Group Co., Ltd. and its subsidiary China Railway 16th Bureau Group 1st Engineering Co., Ltd. (中鐵十六局集團第一工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiaries including China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司), China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司) and China Railway 16th Bureau Group Electrification Engineering Co., Ltd. (中鐵十六局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (3) its subsidiary China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, and Hebei Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (4) its subsidiary China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration, and Zhejiang Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiaries including China Railway 16th Bureau Group Urban Construction Development Co., Ltd. (中鐵十六局集團城市建設發展有限公司) and China Railway 16th Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵十六局集團路橋工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration, and Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway 16th Bureau Group 2nd Engineering Co., Ltd. (中鐵十六局集團第二工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (7) its subsidiary China Railway 16th Bureau Group Subway Engineering Co., Ltd. (中鐵十六局集團地鐵工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (8) its subsidiary China Railway 16th Bureau Group Railway Transportation Engineering Co., Ltd. (中鐵十六局集團鐵運工程有限公司) has been recognised as a High-tech Enterprise by Inner Mongolia Autonomous Region Science & Technology Department, Inner Mongolia Autonomous Region Department of Finance, and Inner Mongolia Autonomous Region Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司): (1) its subsidiary China Railway 17th Bureau 3rd Engineering Co., Ltd. (中鐵十七局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, Hebei Provincial Tax Service, State Taxation Administration, and Hebei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway 17th Bureau 5th Engineering Co., Ltd. (中鐵十七局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, Shanxi Provincial Tax Service, State Taxation Administration, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway(Guizhou) Municipal Engineering Co., Ltd. (中鐵(貴州)市政工程有限公司) has been recognised as a High-tech Enterprise by Guizhou Provincial Department of Science and Technology, Guizhou Provincial Finance Bureau, and Guizhou Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary China Railway 17th Bureau Shanghai Rail Transit Engineering Co., Ltd. (中鐵十七局集團上海軌道交通工程有限公司) has been recognised as a High-tech Enterprise by Science and Technology Commission Shanghai Municipality, Shanghai Municipal Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary China Railway 17th Bureau 1st Engineering Co., Ltd. (中鐵十七局集團第一工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (6) its subsidiary China Railway 17th Bureau Group Electrification Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司): (1) its subsidiaries including China Railway 18th Bureau Group 1st Engineering Co., Ltd. (中鐵十八局集團第一工程有限公司) and China Railway 18th Bureau Group 2nd Engineering Co., Ltd. (中鐵十八局集團第二工程有限公司) have been recognised as High-tech Enterprises by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, Hebei Provincial Tax Service, State Taxation Administration, and Hebei Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway 18th Bureau Group 3rd Engineering Co., Ltd. (中鐵十八局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Zhuozhou Municipal Tax Service, State Tax Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 18th Bureau Group 4th Engineering Co., Ltd. (中鐵十八局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary China Railway 18th Bureau Group 5th Engineering Co., Ltd. (中鐵十八局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, Tianjin Municipal Tax Service, State Taxation Administration, and Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiary China Railway 18th Bureau Group Construction and Installation Engineering Co., Ltd. (中鐵十八局集團建築安裝工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (1) its subsidiaries including China Railway 19th Bureau Group Rail Transit Engineering Co., Ltd. (中鐵十九局集團軌道交通工程有限公司) and China Railway 19th Bureau Group Mining Investment Co., Ltd. (中鐵十九局集團礦業投資有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiary China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, and Dalian Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (3) its subsidiaries including China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) and China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Liaoning Province, Liaoning Province Finance Department, Liaoning Provincial Tax Service, State Taxation Administration, and Liaoning Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (4) its subsidiary China Railway 19th Bureau Group Corporation Electric Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration, and Beijing Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019;

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

(5) its subsidiary China Railway 19th Bureau Group 3rd Engineering Co., Ltd. (中鐵十九局集團有限公司第三工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Liaoning Province, Liaoning Province Finance Department, and Liaoning Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary China Railway 19th Bureau Group 7th Engineering Co., Ltd. (中鐵十九局集團有限公司第七工程有限公司) has been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司): (1) its subsidiary China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Qingdao Science and Technology Bureau, Qingdao Municipal Bureau of Finance, and Qingdao Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary China Railway Building and Installing Engineering Design Institute Co., Ltd. (中鐵建安工程設計院有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, and Hebei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司): its subsidiary China Railway 21st Bureau Group Metro Engineering Co., Ltd. (中鐵二十一局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprises by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司): (1) China Railway 22nd Bureau Group Co., Ltd. and its subsidiary China Railway 22nd Bureau Group Metro Co., Ltd. (中鐵二十二局集團有限公司軌道有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (3) its subsidiary China Railway 22nd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十二局集團有限公司第三工程有限公司) has been recognised as a High-tech Enterprise by Xiamen Science and Technology Bureau, Xiamen Municipal Bureau of Finance, and Xiamen Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiaries China Railway 22nd Bureau Group 2nd Engineering Co., Ltd. (中鐵二十二局有限公司第二工程有限公司) and China Railway 22nd Bureau Group Electrical Engineering Co., Ltd. (中鐵二十二局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration, and Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司): (1) its subsidiary China Railway 23rd Bureau Group Metro Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by Science and Technology Commission Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Tax Service, State Taxation Administration, and Shanghai Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway 23rd Bureau Group Survey & Design Institute Co., Ltd (中鐵二十三局集團建築設計研究院有限公司) has been recognised as a High-tech Enterprise by Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司): (1) China Railway 25th Bureau Group Co., Ltd. and its subsidiary China Railway 25th Bureau Group 1st Engineering Co., Ltd. (中鐵二十五局集團第一工程有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiary China Railway 25th Bureau Group 5th Engineering Co., Ltd. (中鐵二十五局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Qingdao Science and Technology Bureau, Qingdao Municipal Bureau of Finance, and Qingdao Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 25th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (4) its subsidiary Guangzhou Tiecheng Engineering Inspection Co., Ltd. (廣州鐵誠工程質量檢測有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

China Railway Construction Group Ltd. (中鐵建設集團有限公司): (1) its subsidiaries Beijing CRCC Decoration Engineering Co., Ltd. (北京中鐵裝飾工程有限公司), Beijing CRCC Architecture & Technology Co., Ltd. (北京中鐵建築科技有限公司) and Beijing CRCC Elevator Engineering Co., Ltd. (北京中鐵電梯工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiaries China Railway Construction Group Equipment Co., Ltd. (中鐵建設集團設備安裝有限公司) and China Railway Construction Group Municipal Engineering Co., Ltd. (中鐵建設集團市政工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司): (1) its subsidiary China Railway Construction Electrification Bureau Group 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Henan Science and Technology Department, Henan Provincial Department of Finance, and Henan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (2) its subsidiary China Railway Construction Electrification Bureau Group 2nd Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (3) its subsidiary China Railway Construction Electrification Bureau Group 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, and Hebei Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (4) its subsidiary China Railway Construction Electrification Bureau Group 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (5) its subsidiary Beijing CRCC Electrification Design Institute Co., Ltd. (北京中鐵建電氣化設計研究院有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary China Railway Construction Electrification Bureau Group North Engineering Co., Ltd. (中鐵建電氣化局集團北方工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, Shanxi Provincial Tax Service, State Taxation Administration, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (7) its subsidiary China Railway Construction Electrification Bureau Group Kangyuan New Material Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognised as a High-tech Enterprise by Jiangsu Provincial Science and Technology Department, Department of Finance of Jiangsu Province, Jiangsu Provincial Tax Service, State Taxation Administration, and Jiangsu Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (8) its subsidiary the 4th Engineering Co., Ltd. of China Railway Construction Electrification Bureau Group (中鐵建電氣化局集團第四工程有限公司) has been recognised as a High-tech Enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Tax Service, State Taxation Administration, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (9) its subsidiary China Railway Construction Electrification Bureau Group South Engineering Co., Ltd. (中鐵建電氣化局集團南方工程有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (10) its subsidiary China Railway Construction Electrification Bureau Group Science and Technology Co., Ltd. (中

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

鐵建電氣化局集團科技有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Finance Bureau of Hebei Province, and Hebei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (11) its subsidiary China Railway Construction Electrification Bureau Group Metro Engineering Machinery Co., Ltd. (中鐵建電氣化局集團軌道交通器材有限公司) has been recognised as a High-tech Enterprise by Jiangsu Provincial Science and Technology Department, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (12) China Railway Construction Electrification Bureau Group Co., Ltd. has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC Harbor & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司): (1) CRCC Harbor & Channel Engineering Bureau Group Co., Ltd. has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration, and Guangdong Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary CRCC Harbour & Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC Urban Construction Group Co., Ltd. (中鐵城建集團有限公司): (1) its subsidiary Beijing Engineering Company Limited of China Railway Urban Construction Group (中鐵城建集團北京工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration, and Beijing Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Urban Construction Group 1st Engineering Co., Ltd. (中鐵城建集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) CRCC Urban Construction Group Co., Ltd. has been recognised as a High-tech Enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary China Railway Urban Construction Group 2nd Engineering Co., Ltd. (中鐵城建集團第二工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary China Railway Urban Construction

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

Group 3rd Engineering Co., Ltd. (中鐵城建集團第三工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary China Railway Urban Construction Group Nanchang Construction Co., Ltd. (中鐵城建集團南昌建設有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Science and Technology Department, Jiangxi Provincial Department of Finance, Jiangxi Provincial Tax Service, State Taxation Administration, and Jiangxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司): (1) China Railway Siyuan Survey and Design Group Co., Ltd. and its subsidiary Railway Siyuan (Hubei) Engineering Supervision Consulting Co., Ltd. (鐵四院(湖北)工程監理諮詢有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei Provincial Tax Service, State Taxation Administration, and Hubei Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary Guangzhou Holding Company of the China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團廣州設計院有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration, and Guangdong Local Taxation Bureau since 2017 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary Geotechnical Engineering Co., Ltd. of China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團巖土工程有限責任公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary Wuhan Tiechen Engineering Testing Co., Ltd. (武漢鐵辰工程檢測有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary New Rail Transit Design and Research Institute Co., Ltd. of China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團新型軌道交通設計研究院有限公司) has been recognised as a High-tech Enterprise by Jiangsu Provincial Science and Technology Department, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2018 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary Wuhan Railway Siyuan Engineering Consulting Co., Ltd. (武漢鐵四院工程諮詢有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2019 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IV. TAXES (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司): China Railway Fifth Survey and Design Institute Group Co., Ltd. and its subsidiaries Beijing Railway Fifth Group Engineering Machinery Co., Ltd. (北京鐵五院工程機械有限公司) and Beijing China Railway Construction North Road & Bridge Engineering Co., Ltd. (北京中鐵建北方路橋工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration, and Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團股份有限公司): China Railway Construction Heavy Industry Co., Ltd. has been recognised as a High-tech Enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Tax Service, State Taxation Administration, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Civil Engineering Construction Corporation (中國土木工程集團有限公司): its subsidiary China Railway CCECC Fuzhou Survey & Design Institute Co., Ltd. (中土集團福州勘察設計研究院有限公司) has been recognised as a High-tech Enterprise by Fujian Provincial Department of Science and Technology, Fujian Provincial Department of Finance, Fujian Provincial Tax Service, State Taxation Administration, and Fujian Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司): China Railway Shanghai Design Institute Group Co., Ltd. has been recognised as a High-tech Enterprise by Science and Technology Commission Shanghai Municipality, Shanghai Municipal Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC High-tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司): its subsidiary Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC Cyber Informational Technology Co., Ltd. (中鐵建網絡信息科技有限公司): CRCC Cyber Informational Technology Co., Ltd. has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

*RMB'000*

Item	31 December 2019	31 December 2018
Cash on hand	97,202	88,145
Cash at banks	142,462,384	132,538,139
Other cash and bank balances	7,770,596	5,964,559
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	6,556,995	5,210,755
Total	156,887,177	143,801,598

The restricted cash and bank balances of the Group are stated in Note V. 65.

As at 31 December 2019, the Group held foreign cash and bank balances amounting to RMB9,263,845,000 (31 December 2018: RMB11,863,714,000), and held no restricted deposits. (31 December 2018: Nil).

*RMB'000*

Item	31 December 2019	31 December 2018
Cash and bank balances at the end of the year	156,887,177	143,801,598
Less: Mandatory reserves placed by CRCC Finance Company Limited with the central bank	6,556,995	5,210,755
Less: Other restricted cash and bank balances	7,708,492	5,851,756
Less: Non-pledged time deposits with original maturity of three months or more when acquired	2,328,074	2,651,370
Cash and cash equivalents at the end of the year	140,293,616	130,087,717



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Held-for-trading financial assets

RMB'000

Item	31 December 2019	31 December 2018
Monetary fund products	3,009,186	2,964,966
Equity instruments	168,119	235,657
Others	410,341	143,835
Total	3,587,646	3,344,458

#### 3. Bills receivable

RMB'000

Item	31 December 2019	31 December 2018
Commercial acceptance bills	10,260,964	7,636,443
Bank acceptance bills	91,053	–
Less: Impairment of credit losses	46,743	–
Total	10,305,274	7,636,443

The restricted bills receivable of the Group are stated in Note V. 65.

#### 4. Receivables at FVTOCI

RMB'000

Item	31 December 2019	31 December 2018
Bank acceptance bills	2,654,263	2,143,802
Total	2,654,263	2,143,802

As at 31 December 2019, the Group had RMB1,098,468,000 (31 December 2018: RMB908,101,000) non-matured bills receivable which had right of recourse and had been discounted or endorsed to other parties. The Group derecognised those bills receivable as the Group considered that all risks and rewards of the ownership had been transferred from the discounted or endorsed bills receivable since there was extremely low risk of the acceptor's inability to cash the bills upon expiry due to the acceptor's good reputation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables

An aging analysis of trade receivables is listed as follows:

	<i>RMB'000</i>	
<b>Aging</b>	<b>31 December 2019</b>	31 December 2018
Within 1 year	<b>92,147,207</b>	80,446,020
1 to 2 years	<b>14,220,068</b>	13,580,936
2 to 3 years	<b>6,306,436</b>	4,509,348
Over 3 years	<b>6,077,845</b>	5,551,846
Subtotal	<b>118,751,556</b>	104,088,150
Less: Impairment of credit losses	<b>6,613,019</b>	4,705,845
<b>Total</b>	<b>112,138,537</b>	99,382,305

Movements in impairment of credit losses for trade receivables is listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Opening balance of current year	<b>4,705,845</b>	3,685,717
Provision for the year	<b>2,939,511</b>	1,768,510
Less: Reversal for the year	<b>898,997</b>	651,671
Less: Write-off for the year	<b>99,405</b>	56,811
Others	<b>(33,935)</b>	(39,900)
<b>Closing balance of current year</b>	<b>6,613,019</b>	4,705,845

The movements in detail of impairment of credit losses for the year ended 31 December 2019 are presented in Note VIII. 3.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

Trade receivables and impairment of credit losses are listed by category are listed as follows:

RMB'000

Category	Gross carrying amount		31 December 2019 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	5,337,174	4.49	3,394,656	63.60	1,942,518
Impairment of credit losses assessed by credit risk portfolio	113,414,382	95.51	3,218,363	2.84	110,196,019
<b>Total</b>	<b>118,751,556</b>	<b>100.00</b>	<b>6,613,019</b>	<b>5.57</b>	<b>112,138,537</b>

RMB'000

Category	Gross carrying amount		31 December 2018 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	3,841,201	3.69	2,922,003	76.07	919,198
Impairment of credit losses assessed by credit risk portfolio	100,246,949	96.31	1,783,842	1.78	98,463,107
<b>Total</b>	<b>104,088,150</b>	<b>100.00</b>	<b>4,705,845</b>	<b>4.52</b>	<b>99,382,305</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

As at 31 December 2019, trade receivables whose impairment of credit losses were assessed individually are listed as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Provision percentage (%)	Reasons
Company 1	575,639	219,907	38.20	Note
Company 2	241,519	241,519	100.00	Note
Company 3	212,523	140,091	65.92	Note
Company 4	164,184	111,636	67.99	Note
Company 5	162,474	162,474	100.00	Note
Others	3,980,835	2,519,029	63.28	—
<b>Total</b>	<b>5,337,174</b>	<b>3,394,656</b>	<b>63.60</b>	—

Note: According to the recoverability of receivables, the Group recorded all or a portion of impairment of credit losses.

As at 31 December 2019, trade receivables whose impairment of credit losses were assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2019			
	Gross carrying amount Amount	Impairment of credit losses Percentage (%)	Gross carrying amount Amount	Impairment of credit losses Percentage (%)
Within 1 year	91,484,013	80.66	857,849	0.94
1 to 2 years	14,172,822	12.50	850,887	6.00
2 to 3 years	5,278,706	4.65	631,717	11.97
Over 3 years	2,478,841	2.19	877,910	35.42
<b>Total</b>	<b>113,414,382</b>	<b>100.00</b>	<b>3,218,363</b>	<b>2.84</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

As at 31 December 2019, trade receivables from the five largest customers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	2,058,196	Within 1 year	1.73
Company 2	Joint venture	1,536,437	Within 1 year	1.29
Company 3	Third party	1,523,394	Within 1 year	1.28
Company 4	Third party	1,183,224	Within 1 year	1.00
Company 5	Joint venture	936,166	Within 1 year	0.79
Total	—	7,237,417	—	6.09

As at 31 December 2018, trade receivables from the five largest customers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,304,403	Within 1 year	1.25
Company 2	Third party	1,230,876	Within 1 year	1.18
Company 3	Third party	1,041,037	Within 1 year	1.00
Company 4	Third party	1,007,531	Within 1 year	0.97
Company 5	Third party	986,359	Within 1 year	0.95
Total	—	5,570,206	—	5.35

For the year ended 31 December 2019, the write-off of trade receivables amounted to RMB99,405,000 (For the year ended 31 December 2018: RMB56,811,000)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

Transferred trade receivables that are derecognised are analysed as follows:

For the year ended 31 December 2019, the Group derecognised trade receivables of RMB52,130,810,000 (For the year ended 31 December 2018: RMB34,944,140,000) due to transfer of financial assets and recognised losses from derecognition of financial assets RMB2,720,403,000 (For the year ended 31 December 2018: 1,627,411,000).

Assets and liabilities recognised due to continuing involvement in the transferred asset:

As at 31 December 2019, the Group recognised assets of RMB374,000,000 and liabilities of RMB374,000,000 (As at 31 December 2018: RMB231,600,000 and RMB231,600,000) related to continuing involvement of transferred trade receivables.

The restricted trade receivables of the Group are stated in Note V. 65.

#### 6. Advances to suppliers

An aging analysis of advances to suppliers is listed as follows:

*RMB'000*

Aging	31 December 2019		31 December 2018	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	23,826,757	97.91	17,874,496	96.15
1 to 2 years	261,322	1.07	555,890	2.99
2 to 3 years	191,190	0.79	37,941	0.20
Over 3 years	56,712	0.23	123,618	0.66
Total	24,335,981	100.00	18,591,945	100.00

As at 31 December 2019, there were no significant advances to suppliers aged over one year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Advances to suppliers (Continued)

As at 31 December 2019, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	1,966,795	Within 1 year	8.08
Company 2	Third party	226,388	Within 1 year	0.93
Company 3	Third party	206,381	Within 1 year	0.85
Company 4	Third party	197,282	Within 1 year	0.81
Company 5	Third party	180,000	Within 1 year	0.74
Total	—	2,776,846	—	11.41

As at 31 December 2018, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	646,000	Within 1 year	3.47
Company 2	Third party	625,000	Within 1 year	3.36
Company 3	Third party	217,386	Within 1 year	1.17
Company 4	Third party	205,666	Within 1 year	1.11
Company 5	Third party	197,761	Within 1 year	1.06
Total	—	1,891,813	—	10.17

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables

An aging analysis of other receivables is listed as follows:

	<i>RMB'000</i>	
<b>Aging</b>	<b>31 December 2019</b>	31 December 2018
Within 1 year	<b>50,868,850</b>	51,410,221
1 to 2 years	<b>6,229,654</b>	10,316,663
2 to 3 years	<b>2,998,293</b>	2,411,940
Over 3 years	<b>4,770,025</b>	3,164,183
<b>Subtotal</b>	<b>64,866,822</b>	67,303,007
Less: Impairment of credit losses	<b>4,766,484</b>	3,828,719
<b>Total</b>	<b>60,100,338</b>	63,474,288

Movements in the impairment of credit losses/provision for bad debts are listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Opening balance of the year	<b>3,828,719</b>	3,554,913
Provision for the year	<b>1,000,212</b>	697,462
Less: Reversal for the year	<b>272,810</b>	375,830
Less: Write-off for the year	<b>53,916</b>	26,573
Others	<b>264,279</b>	(21,253)
<b>Closing balance of the current year</b>	<b>4,766,484</b>	3,828,719



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

- (1) As at 31 December 2019, analysis of impairment of credit losses of other receivables at phase I by portfolio are listed as follows:

RMB'000

Nature	Gross carrying amount	Impairment of credit losses	Provision percentage (%)
Loans for cooperative development project	23,622,256	23,744	0.10
Security deposit and cash pledged	16,650,856	485,313	2.91
Advance payments	6,342,722	127,372	2.01
Others	12,191,756	228,961	1.88
Total	58,807,590	865,390	1.47

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

- (2) As at 31 December 2019, analysis of impairment of credit losses of other receivables at phase II are listed as follows:

RMB'000

Category	31 December 2019				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed individually	1,145,162	54.01	243,635	21.28	901,527
Impairment of credit losses assessed by credit risk portfolio	975,160	45.99	408,899	41.93	566,261
Total	2,120,322	100.00	652,534	30.78	1,467,788

Impairment of credit losses assessed individually of other receivables are listed as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Percentage (%)	Reasons
Company 1	847,837	193,345	22.80	Note
Others	297,325	50,290	16.91	—
Total	1,145,162	243,635	21.28	—

Note: According to the recoverability of other receivables, the Group recorded a portion of impairment of credit losses.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

- (3) As at 31 December 2019, analysis of impairment of credit losses of other receivables at phase III are listed as follows:

RMB'000

Category	31 December 2019				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed individually	3,658,652	92.88	3,103,484	84.83	555,168
Impairment of credit losses assessed by credit risk portfolio	280,258	7.12	145,076	51.77	135,182
<b>Total</b>	<b>3,938,910</b>	<b>100.00</b>	<b>3,248,560</b>	<b>82.47</b>	<b>690,350</b>

Impairment of credit losses assessed individually of other receivables are listed as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Provision percentage (%)	Reasons
Company 1	446,618	446,618	100.00	Note
Company 2	193,168	193,168	100.00	Note
Company 3	129,521	129,521	100.00	Note
Company 4	123,104	123,104	100.00	Note
Company 5	109,252	109,252	100.00	Note
Others	2,656,989	2,101,821	79.11	—
<b>Total</b>	<b>3,658,652</b>	<b>3,103,484</b>	<b>84.83</b>	<b>—</b>

Note: According to the recoverability of other receivables, the Group recorded all or a portion of impairment of credit losses.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

For the year ended 31 December 2019, the write-off of other receivables amounted to RMB53,916,000 (for the year ended 31 December 2018: RMB26,573,000).

Other receivables categorized by nature are listed as follows:

*RMB'000*

Nature	31 December 2019 Gross carrying amount	31 December 2018 Gross carrying amount
Loans for cooperative development project	23,622,256	25,594,807
Security deposit/cash pledged	17,947,945	17,466,964
Advance payments	7,363,930	5,807,345
Others	15,932,691	18,433,891
Total	64,866,822	67,303,007

As at 31 December 2019, other receivables from the five largest customers are listed as follows:

*RMB'000*

Company name	Gross carrying amount	Percentage of total other receivables (%)	Nature	Aging	Impairment of credit losses
Company 1	3,009,661	4.64	Loans for cooperative development project	Within 2 years	3,007
Company 2	2,528,986	3.90	Loans for cooperative development project	Within 2 years	2,529
Company 3	1,962,977	3.03	Loans for cooperative development project	Within 1 year	1,963
Company 4	1,540,329	2.37	Loans for cooperative development project	Within 1 year	1,540
Company 5	1,359,148	2.10	Loans for cooperative development project	Within 3 years	1,359
Total	10,401,101	16.04	—	—	10,398

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

As at 31 December 2018, other receivables from the five largest customers are listed as follows:

*RMB'000*

Company name	Gross carrying amount	Percentage of total other receivables (%)	Nature	Aging	Impairment of credit losses
Company 1	3,697,681	5.49	Loans for cooperative development project	Within 1 year	3,698
Company 2	2,865,484	4.26	Loans for cooperative development project	Within 1 year	2,865
Company 3	2,805,537	4.17	Loans for cooperative development project	Within 1 year	2,806
Company 4	2,749,694	4.09	Loans for cooperative development project	Within 1 year	2,750
Company 5	1,906,619	2.83	Loans for cooperative development project	Within 1 year	1,907
<b>Total</b>	<b>14,025,015</b>	<b>20.84</b>	—	—	<b>14,026</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories

RMB'000

Item	31 December 2019		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	22,367,821	14,056	22,353,765
Work in progress	2,095,484	–	2,095,484
Finished goods	5,998,048	197,507	5,800,541
Turnover materials	10,299,081	99,514	10,199,567
Properties under development (1)	123,214,723	840,394	122,374,329
Completed properties held for sale (2)	32,635,344	567,455	32,067,889
<b>Total</b>	<b>196,610,501</b>	<b>1,718,926</b>	<b>194,891,575</b>

RMB'000

Item	31 December 2018		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	18,522,934	21,815	18,501,119
Work in progress	2,009,792	–	2,009,792
Finished goods	5,334,211	168,380	5,165,831
Turnover materials	9,244,582	99,514	9,145,068
Properties under development (1)	101,440,556	1,099,596	100,340,960
Completed properties held for sale (2)	25,123,217	394,619	24,728,598
<b>Total</b>	<b>161,675,292</b>	<b>1,783,924</b>	<b>159,891,368</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

Movements in the provision for decline in value of inventories are listed as follows:

RMB'000

Item	1 January 2019	Additions		Reductions		31 December 2019
		Provision	Others	Reversal	Write-off and others	
Raw materials	21,815	3,321	–	–	11,080	14,056
Finished goods	168,380	41,341	–	6,986	5,228	197,507
Turnover materials	99,514	–	–	–	–	99,514
Properties under development	1,099,596	51,747	20,118	–	331,067	840,394
Completed properties held for sale	394,619	113,658	257,881	–	198,703	567,455
<b>Total</b>	<b>1,783,924</b>	<b>210,067</b>	<b>277,999</b>	<b>6,986</b>	<b>546,078</b>	<b>1,718,926</b>

RMB'000

Item	1 January 2018	Additions		Reductions		31 December 2018
		Provision	Others	Reversal	Write-off and others	
Raw materials	21,686	521	–	386	6	21,815
Finished goods	199,644	15,593	–	46,317	540	168,380
Turnover materials	–	99,514	–	–	–	99,514
Properties under development	1,400,781	202,768	–	503,953	–	1,099,596
Completed properties held for sale	110,792	288,477	–	–	4,650	394,619
<b>Total</b>	<b>1,732,903</b>	<b>606,873</b>	<b>–</b>	<b>550,656</b>	<b>5,196</b>	<b>1,783,924</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

(1) Details of the properties under development are listed as follows:

Project name	Construction commencement date	Estimated latest completion date	Estimated aggregate investment amount	RMB'000	
				31 December 2019 Gross carrying amount	31 December 2018 Gross carrying amount
Tianjin Guoyin Wenyuan Project	October 2018	August 2021	10,156,510	6,474,997	3,558,133
International Mansion Project (Original name: Beijing Daxing Yizhuang Development Zone X89R2 lot Project)	July 2019	June 2021	5,552,440	4,117,115	3,715,183
CRCC Haiyu Xi'an Project	August 2019	November 2021	10,727,370	3,978,450	2,628,265
CRCC Xipai City Project	September 2017	June 2022	12,365,490	3,776,429	5,638,801
Chongqing Dadukou Project	July 2019	September 2022	5,961,690	3,085,278	-
CRCC Huayutang Project	December 2019	December 2022	5,900,000	2,870,085	-
Shaoxing Huayujiangnan Mansion Project	August 2019	September 2021	5,748,770	2,817,615	1,170,500
Lingxiu Mansion North Zone Project	December 2018	November 2020	4,711,900	2,816,722	2,211,765
CRCC Huayu City Project	May 2020	April 2022	5,912,480	2,552,919	-
Wutong Bay Project	December 2018	September 2020	2,920,080	2,354,323	2,013,194
Jinan Wutong Bay Project	November 2019	June 2022	4,665,170	2,326,046	-
Lingxiu Mansion South Zone Project	December 2018	November 2020	3,826,430	2,179,894	1,907,551
Huayu Lingnanyuan Project (Original Name: Original lot of Anmei Fire-proof Plastic Products Co., Ltd. in Yixing Industrial Park, Panyu District, Guangzhou City Project)	November 2019	November 2021	3,054,280	2,096,593	1,731,225
Huayu Tianjingfu Project	August 2019	August 2021	2,872,340	2,063,841	-
Jiaxing Huayu Jiangnan Project	July 2017	June 2020	2,670,770	1,991,356	1,628,816
Buffalo Fang Lot Project	September 2020	July 2022	2,725,390	1,956,787	1,820,491
Changchun Xipai Tangsong Project	June 2019	October 2020	3,868,270	1,942,581	1,594,436
Huayu Jinjun Project	March 2019	August 2021	2,957,680	1,863,270	1,056,468
Xi'an CRCC International City III Project	August 2011	July 2020	5,721,880	1,831,685	1,489,515
Nanchoumingju Project	May 2020	September 2021	3,792,080	1,821,846	-
Others	—	—	356,540,494	68,296,891	69,276,213
<b>Total</b>	—	—	462,651,514	123,214,723	101,440,556

As at 31 December 2019, the aggregate carrying amount of borrowing costs capitalised in properties under development was RMB8,235,648,000 (31 December 2018: RMB7,815,050,000). Borrowing costs capitalised for the year ended 31 December 2019 amounted to RMB3,867,604,000 (for the year ended 31 December 2018: RMB2,589,835,000). The capitalisation rates of borrowing costs ranged from 3.66% to 8.20% (2018: 3.40% to 7.13%).



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

(2) Details of the completed properties held for sale are listed as follows:

*RMB'000*

Project name	Latest completion date	1 January 2019 Gross carrying amount	Additions	Reductions	31 December 2019 Gross carrying amount
Xiangxie International Project	April 2019	–	4,470,677	1,997,531	2,473,146
Chengdu Beihu Xinqu Project	December 2019	1,694,046	1,587,337	1,358,210	1,923,173
Guiyang CRCC International City Project	December 2019	766,177	1,228,055	308,158	1,686,074
Chengdu CRCC Xipai Lan'an Project	January 2019	475,881	1,264,455	89,587	1,650,749
Tianjin CRCC International City Project	April 2019	485,941	1,853,781	792,300	1,547,422
CRCC Southern Headquarter Base Project	June 2019	497,031	1,529,139	556,794	1,469,376
Nananhuayu Project	October 2018	1,623,115	–	233,286	1,389,829
CRCC Kaiyuan Community Project	August 2019	–	1,793,770	549,795	1,243,975
Beijing CRCC International City Project	September 2019	138,582	1,114,412	142,628	1,110,366
CRCC Xipai City Project	December 2019	–	4,076,158	2,985,430	1,090,728
Dalian Qingxiu Lanwan Project	December 2018	1,383,467	–	309,831	1,073,636
CRCC Guobinyuan Project	December 2017	1,054,245	9,766	288,648	775,363
Qingyangpeng Project	November 2019	–	1,103,084	339,190	763,894
CRCC Jiangsu Qingxiu City Project	September 2019	181,238	3,317,497	2,804,293	694,442
Jiucheng Yihao Project	December 2018	719,371	–	51,427	667,944
Beijing Tongzhou Yongshun Town No.51 Lot Project	September 2017	675,099	–	99,360	575,739
Yuehu International Project	November 2019	–	707,336	272,272	435,064
Changsha Meixi Lake Project	November 2019	264,388	824,257	679,286	409,359
CRCC Yangchun Hupan Project	April 2019	301,885	602,000	496,465	407,420
Xi'an CRCC International City I Project	May 2018	272,630	87,033	11,057	348,606
Others	—	14,590,121	14,345,266	18,036,348	10,899,039
<b>Total</b>	<b>—</b>	<b>25,123,217</b>	<b>39,914,023</b>	<b>32,401,896</b>	<b>32,635,344</b>

The restricted inventories of the Group are stated in Note V. 65.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. Contract assets

Contract assets are from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset, and is disclosed in contract assets/other non-current assets based on liquidity. While progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

RMB'000

Item	31 December 2019		Carrying amount
	Gross carrying amount	Impairment of credit losses	
Contract assets	160,274,029	5,370,948	154,903,081

RMB'000

Item	31 December 2018		Carrying amount
	Gross carrying amount	Impairment of credit losses	
Contract assets	129,206,889	5,268,738	123,938,151

The movements of impairment of credit losses for contract assets for the year ended 31 December 2019 are presented in Note VIII. 3.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 10. Other current assets

	<i>RMB'000</i>	
Item	31 December 2019	31 December 2018
Prepaid taxes and VAT input to be deducted	17,329,486	14,126,170
Treasury bond related investment	–	2,999,900
Others	570,741	110,182
Total	text-align: right;">17,900,227	text-align: right;">17,236,252

#### 11. Loans and advances to customers

	<i>RMB'000</i>	
Item	31 December 2019	31 December 2018
Loans to customers	text-align: right;">2,730,000	text-align: right;">2,145,000

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables

RMB'000

Item	31 December 2019		
	Gross carrying amount	Impairment of credit losses	Carrying amount
Long-term project receivables	29,711,700	518,519	29,193,181
A-land development	21,037,729	139,544	20,898,185
Long-term loans to customers	10,357,357	50,625	10,306,732
Others	10,615,141	53,245	10,561,896
<b>Total</b>	<b>71,721,927</b>	<b>761,933</b>	<b>70,959,994</b>
Less: Current portion of non-current assets:			
Including: Long-term project receivables	10,207,608	52,228	10,155,380
Long-term loans to customers	3,696,172	21,366	3,674,806
A-land development	3,127,905	13,945	3,113,960
Others	3,293,487	16,467	3,277,020
Long-term receivables due after one year	90,044	450	89,594
	<b>61,514,319</b>	<b>709,705</b>	<b>60,804,614</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

RMB'000

Item	31 December 2018		
	Gross carrying amount	Impairment of credit losses	Carrying amount
Long-term project receivables	28,131,695	419,902	27,711,793
Long-term loans to customers	17,811,309	23,576	17,787,733
A-land development	6,395,825	12,792	6,383,033
Others	8,486,216	35,277	8,450,939
<b>Total</b>	<b>60,825,045</b>	<b>491,547</b>	<b>60,333,498</b>
Less: Current portion of non-current assets:	5,922,862	31,409	5,891,453
Including: Long-term project receivables	3,615,503	22,129	3,593,374
Long-term loans to customers	1,694,713	2,450	1,692,263
A-land development	612,646	6,830	605,816
Long-term receivables due after one year	54,902,183	460,138	54,442,045

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

The Group assesses ECL of long-term receivables on an individual or a collective basis of credit risk characteristics.

RMB'000

Category	Gross carrying amount		31 December 2019 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Impairment of credit losses assessed individually	747,596	1.04	406,378	54.36	341,218
Impairment of credit losses assessed by credit risk portfolio	70,974,331	98.96	355,555	0.50	70,618,776
Total	71,721,927	100.00	761,933	1.06	70,959,994

As at 31 December 2019, long-term receivables with significant financing component were presented in accordance with the net amount after discount. The discount rate is 4.35%-5.50% (31 December 2018: 4.75%-6.17%).

Movements in the impairment of credit losses/provision for bad debts of long-term receivables were as follows:

RMB'000

Item	2019	2018
Opening balance of the current year	491,547	364,792
Provision for the year	325,863	138,780
Less: Reversal for the year	55,646	1,005
Others	169	(11,020)
Closing balance of the current year	761,933	491,547

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

Transferred long-term receivables that are derecognised are analysed as follows:

For the year ended 31 December 2019, the Group derecognised long-term receivables of RMB2,902,721,000 (For the year ended 31 December 2018: Nil) due to transfer of financial assets and recognised losses from derecognition of financial assets RMB158,656,000 (For the year ended 31 December 2018: Nil).

Assets and liabilities recognised due to continuing involvement in the transferred asset:

As at 31 December 2019, the Group recognised assets of RMB15,250,000 and liabilities of RMB15,250,000 (As at 31 December 2018: Nil) related to continuing involvement of transferred trade receivables.

The restricted long-term receivables of the Group are stated in Note V. 65.

#### 13. Long-term equity investments

<b>Item</b>	<b>31 December 2019</b>	<i>RMB'000</i> 31 December 2018
Investments in unlisted companies		
— equity method		
Joint ventures (1)	<b>24,533,795</b>	13,085,418
Associates (2)	<b>25,160,118</b>	15,893,208
Less: Provision for impairment of long-term equity investments	<b>49,279</b>	71
<b>Total</b>	<b>49,644,634</b>	28,978,555

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments

##### (1) Investment in joint ventures

31 December 2019:

RMB'000

Investee	Investment cost	1 January 2019	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			Others	31 December 2019	Provision for impairment at the end of year
					Investment profits or losses under equity method	Declaration of cash dividends	Provision for impairment of long-term equity investments			
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	3,310,664	1,240,000	2,070,664	-	-	-	-	3,310,664	-	
Sichuan Tianfu Airport Expressway Co., Ltd.	3,100,000	1,900,000	1,200,000	-	-	-	-	3,100,000	-	
Yunnan Yulin Expressway Construction Co., Ltd.	2,078,996	289,770	1,789,226	-	-	-	-	2,078,996	-	
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	1,838,159	-	(150,000)	(60)	-	-	1,688,099	-	
Chongqing Tielia Jilanxin Highway Co., Ltd.	1,554,400	854,400	700,000	-	-	-	-	1,554,400	-	
CRCC Sharxi Highway Co., Ltd.	1,149,380	190,020	959,360	-	(14)	-	-	1,149,366	-	
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,021,998	1,018,247	-	-	(9,071)	-	-	1,009,176	-	
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	870,188	-	-	(475)	(3,500)	-	866,213	-	
Chongqing Tielia Shuanghe Expressway Co., Ltd.	850,000	470,000	380,000	-	-	-	-	850,000	-	
Kunming Kunlun Shouzhi Real Estate Co., Ltd.	598,200	-	598,200	-	(313)	-	-	597,887	-	
Others	-	4,414,634	2,798,657	(154,557)	1,842,440	(522,590)	(49,208)	8,279,786	(49,208)	
Total	-	13,085,418	10,496,107	(304,557)	1,832,507	(526,090)	(49,208)	24,484,587	(49,208)	



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (1) Investment in joint ventures (Continued)

31 December 2018:

RMB'000

Investee	Investment cost	1 January 2018	Changes for the year				31 December 2018	Provision for impairment at the end of year	
			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method	Declaration of cash dividends			Others
Sichuan Tianfu Airport Expressway Co., Ltd.	1,900,000	1,000,000	900,000	-	-	-	1,900,000	-	
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,838,159	1,688,500	150,000	-	(341)	-	1,838,159	-	
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	1,240,000	520,000	720,000	-	-	-	1,240,000	-	
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,021,998	1,027,310	-	(9,089)	26	-	1,018,247	-	
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	868,129	-	-	2,059	-	870,188	-	
Chongqing Tiefa Jianxin Highway Co., Ltd.	854,400	288,000	566,400	-	-	-	854,400	-	
Changzhou Jingrui Real Estate Development Co., Ltd.	510,000	-	510,000	-	(1,178)	(14,203)	494,619	-	
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	470,000	40,000	430,000	-	-	-	470,000	-	
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	451,586	-	-	608	-	452,194	-	
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	450,070	-	-	(5,323)	-	444,747	-	
Others	-	1,318,447	1,447,290	(114,686)	925,231	(9,397)	(64,021)	3,502,864	-
<b>Total</b>	<b>-</b>	<b>7,652,042</b>	<b>4,723,690</b>	<b>(123,775)</b>	<b>921,082</b>	<b>(9,397)</b>	<b>(78,224)</b>	<b>13,085,418</b>	<b>-</b>

*Note 1:* According to the articles of association of Hohhot Metro Line 2 Construction & Management Co., Ltd. ("Hohhot Metro Line 2"), the major decisions made in the shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. As the Group holds 51.00% shares in Hohhot Metro Line 2, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

*Note 2:* According to the articles of association of China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. ("The 6th Continent"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 70.00% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

*Note 3:* According to the articles of association of China-Africa Lekkil Investment Co., Ltd. ("China-Africa Lekkil"), the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

(2) Investment in associates

31 December 2019:

RMB'000

Investee	Investment cost	1 January 2019	Changes for the year					31 December 2019	Provision for impairment at the end of year	
			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends			Others
Hengda Real Estate (Shenzhen) Co., Ltd.	2,313,506	-	2,313,506	-	-	-	-	2,313,506	-	
CRCC Financial Leasing Co., Ltd. (Note 1)	1,747,618	1,718,427	-	-	332,638	-	-	24,466	2,075,531	-
Ningxia Inter-City Railway Co., Ltd.	2,036,500	2,236,500	-	(200,000)	154,315	-	(154,315)	-	2,036,500	-
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,449,910	-	-	(28,163)	238,511	-	-	1,660,258	-
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 2)	775,400	409,400	366,000	-	-	-	-	-	775,400	-
CRCC Gansu Zhangbian Highway Co., Ltd.	739,850	254,240	485,610	-	10,765	-	-	-	750,615	-
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 3)	660,099	300,000	360,099	-	-	-	-	-	660,099	-
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	575,017	575,017	-	-	38,164	-	(38,164)	-	575,017	-
Chongqing Yurong Highway Co., Ltd.	853,960	566,549	-	-	7,196	-	-	-	573,745	-
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) (Note 4)	560,000	-	560,000	-	-	-	-	-	560,000	-
Others	-	8,383,094	4,926,336	(102,306)	49,058	12,582	(87,988)	(1,400)	13,179,376	(71)
<b>Total</b>	<b>-</b>	<b>15,893,137</b>	<b>9,011,551</b>	<b>(302,306)</b>	<b>563,973</b>	<b>251,093</b>	<b>(280,467)</b>	<b>23,066</b>	<b>25,160,047</b>	<b>(71)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (2) Investment in associates (Continued)

31 December 2018:

RMB'000

Investee	Investment cost	1 January 2018	Changes for the year							31 December 2018	Provision for impairment at the end of year
			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends	Provision for impairment of long-term equity investments	Others		
Ningxia Inter-City Railway Co., Ltd.	2,236,500	1,860,000	376,500	-	-	-	-	-	-	2,236,500	-
CRCC Financial Leasing Co., Ltd. (Note 1)	1,747,618	1,067,172	547,618	-	225,499	-	-	-	(121,862)	1,718,427	-
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,446,596	-	-	(10,086)	13,400	-	-	-	1,449,910	-
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	575,017	451,887	123,130	-	33,036	-	(33,036)	-	-	575,017	-
Chongqing Yurong Highway Co., Ltd.	853,960	570,791	-	-	(4,242)	-	-	-	-	566,549	-
CRCC Real Estate Co., Ltd.	298,900	441,002	-	-	85,030	-	(25,264)	-	-	500,768	-
Fujian Green Energy Construction & Development Co., Ltd.	495,000	-	495,000	-	-	-	-	-	-	495,000	-
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.	464,832	-	464,832	-	-	-	-	-	-	464,832	-
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 2)	409,400	309,400	100,000	-	-	-	-	-	-	409,400	-
Guizhou Wengma Railway Co., Ltd.	339,400	274,000	65,400	-	-	-	-	-	-	339,400	-
Others	-	3,796,635	3,623,896	(209,671)	6,865	150	(54,207)	(71)	(26,263)	7,137,334	(71)
<b>Total</b>	-	<b>10,217,483</b>	<b>5,796,376</b>	<b>(209,671)</b>	<b>336,102</b>	<b>13,550</b>	<b>(112,507)</b>	<b>(71)</b>	<b>(148,125)</b>	<b>15,893,137</b>	<b>(71)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (2) Investment in associates (Continued)

*Note 1:* According to the articles of association of CRCC Financial Leasing Co., Ltd. ("Financial Leasing Co., Ltd."), the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution or changing the company form, scope of operations and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50% shares in Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

*Note 2:* According to the articles of association of Kunming Metro Line 5 Construction & Operation Co., Ltd. ("Kunming Metro Line 5"), as the decision-making authority, all decisions made in the broad of directors' meetings shall be subject to 100% consent of directors. Kunming Metro Line 5 has five directors, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders over the entity, but has significant influence. Therefore, it is accounted for an associate of the Group.

*Note 3:* According to the shareholders' agreement and the articles of association of Yunnan Kunchu Highway Investment & Development Co., Ltd. ("Yunnan Kunchu"), the decisions made in the shareholders' meetings of increasing or decreasing the registered capital, transferring shareholders' shares, establishing and amending the company's articles of association shall be subject to 100% consent of voting rights of shareholders. Other decisions shall be subject to more than three quarters of voting rights of shareholders. The Group holds 72% of the voting rights of Yunnan Kunchu. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the Company. Therefore, it is accounted for an associate of the Group.

*Note 4:* According to rules of procedure of Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) ("City Vice-Center Fund Partnership"), The City Vice-Center Fund Partnership has established an investment decision-making committee (hereinafter referred to as the "investment committee"). The resolutions made by the investment committee shall be subject to more than half (excluding half) of members' consent. The investment committee consists of 9 members, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 14. Other equity instrument investments

RMB'000

Item	31 December 2019	31 December 2018
Equity investments in listed companies	2,130,633	1,704,079
Equity investments in unlisted companies	7,907,976	6,564,299
<b>Total</b>	<b>10,038,609</b>	<b>8,268,378</b>

2019:

RMB'000

Item	1 January 2019	Increase of investment	Decrease of investment	Changes for the year Changes in fair value	Others	31 December 2019	Dividends recognised for the year
Other equity instrument investments	8,268,378	1,673,638	(260,000)	353,903	2,690	10,038,609	187,668

2018:

RMB'000

Item	1 January 2018	Increase of investment	Decrease of investment	Changes for the year Changes in fair value	Others	31 December 2018	Dividends recognised for the year
Other equity instrument investments	7,701,886	1,528,525	(89,035)	(492,114)	(380,884)	8,268,378	65,287

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Investment properties

Subsequent measurement under cost method

2019:

	<i>RMB'000</i>	
	Buildings	Total
<b>I. Original costs</b>		
1 January 2019	6,336,471	6,336,471
Additions	18,239	18,239
Transferred in from inventories	278,746	278,746
Transferred in from fixed assets	224,398	224,398
Transferred in	1,198	1,198
Transferred out to fixed assets	102,500	102,500
Transferred out	285,767	285,767
31 December 2019	6,470,785	6,470,785
<b>II. Accumulated depreciation and amortisation</b>		
1 January 2019	646,646	646,646
Provision	201,900	201,900
Transferred in from fixed assets	17,551	17,551
Transferred out to fixed assets	4,378	4,378
Transferred out	17,928	17,928
31 December 2019	843,791	843,791
<b>III. Provision for impairment</b>		
1 January 2019	45,745	45,745
Provision	64,184	64,184
Transferred in	159,308	159,308
31 December 2019	269,237	269,237
<b>IV. Carrying amount</b>		
Closing balance	5,357,757	5,357,757
Opening balance	5,644,080	5,644,080

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Investment properties (Continued)

Subsequent measurement under cost method (Continued)

2018:

	<i>RMB'000</i>	
	Buildings	Total
<b>I. Original costs</b>		
1 January 2018	4,188,492	4,188,492
Additions	4,298	4,298
Transferred in from inventories	2,629,928	2,629,928
Transferred in	56,003	56,003
Transferred out	542,250	542,250
31 December 2018	6,336,471	6,336,471
<b>II. Accumulated depreciation and amortisation</b>		
1 January 2018	496,002	496,002
Provision	207,411	207,411
Transferred in	1,478	1,478
Transferred out	58,245	58,245
31 December 2018	646,646	646,646
<b>III. Provision for impairment</b>		
1 January 2018 and 31 December 2018	45,745	45,745
<b>IV. Carrying amount</b>		
Closing balance	5,644,080	5,644,080
Opening balance	3,646,745	3,646,745

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Investment properties (Continued)

Subsequent measurement under cost method (Continued)

As at 31 December 2019, the Group was in the process of applying for and handling registration or transfer of the title certificates of investment properties with an aggregate carrying amount of RMB51,503,000 (31 December 2018: RMB52,981,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 31 December 2019.

As at 31 December 2019, investment properties whose title rights certificates had not been obtained are listed as follows:

*RMB'000*

Item	Carrying amount	Reason
East China Headquarter Base of China Railway Construction Group	51,503	In progress



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets

2019:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
31 December 2018	20,471,891	46,424,736	14,388,468	44,074,335	125,359,430
Changes in accounting policies (Note III, 33)	–	(3,045,613)	–	–	(3,045,613)
1 January 2019	20,471,891	43,379,123	14,388,468	44,074,335	122,313,817
Additions	122,693	4,056,656	1,678,994	9,562,384	15,420,727
Transferred in from construction in progress	1,186,021	932,654	–	672,802	2,791,477
Transferred in from investment properties	102,500	–	–	–	102,500
Transferred in	74,764	1,822	799	1,204	78,589
Disposal or retirement	335,276	1,559,537	825,847	3,840,383	6,561,043
Transferred out to investment properties	224,398	–	–	–	224,398
Transferred out	30,888	586,472	–	27,108	644,468
31 December 2019	21,367,307	46,224,246	15,242,414	50,443,234	133,277,201
<b>II. Accumulated depreciation</b>					
31 December 2018	4,634,087	27,493,365	11,522,575	31,233,393	74,883,420
Changes in accounting policies (Note III, 33)	–	(1,654,782)	–	–	(1,654,782)
1 January 2019	4,634,087	25,838,583	11,522,575	31,233,393	73,228,638
Provision	531,031	4,271,887	1,110,019	9,002,469	14,915,406
Transferred in from investment properties	4,378	–	–	–	4,378
Disposal or retirement	154,367	1,411,379	707,090	3,438,560	5,711,396
Transferred out to investment properties	17,551	–	–	–	17,551
Transferred out	15,003	193,295	–	401	208,699
31 December 2019	4,982,575	28,505,796	11,925,504	36,796,901	82,210,776

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets (Continued)

2019: (Continued)

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>III. Provision for impairment</b>					
31 December 2018 and 1 January 2019	74,128	74,794	902	25,589	175,413
Provision	2,397	–	–	–	2,397
Disposal or retirement	4	3,007	72	70	3,153
31 December 2019	76,521	71,787	830	25,519	174,657
<b>IV. Carrying amount</b>					
Closing balance	16,308,211	17,646,663	3,316,080	13,620,814	50,891,768
1 January 2019	15,763,676	17,465,746	2,864,991	12,815,353	48,909,766
31 December 2018	15,763,676	18,856,577	2,864,991	12,815,353	50,300,597

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets (Continued)

2018:

	<i>RMB'000</i>				
Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
1 January 2018	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
Additions	588,522	2,981,880	1,000,498	10,359,918	14,930,818
Transferred in from					
construction in progress	1,270,226	1,574,670	57,215	389,869	3,291,980
Transferred in	395,618	580,182	79,083	3,742	1,058,625
Disposal or retirement	457,989	2,550,620	1,036,016	4,271,028	8,315,653
Transferred out	62,225	130,718	131,955	–	324,898
31 December 2018	20,471,891	46,424,736	14,388,468	44,074,335	125,359,430
<b>II. Accumulated depreciation</b>					
1 January 2018	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
Provision	612,838	3,604,484	811,847	8,144,187	13,173,356
Transferred in	41,095	29,460	40,235	4,860	115,650
Disposal or retirement	159,594	1,893,965	937,158	3,617,453	6,608,170
Transferred out	6,239	46,993	82,215	–	135,447
31 December 2018	4,634,087	27,493,365	11,522,575	31,233,393	74,883,420
<b>III. Provision for impairment</b>					
1 January 2018	199,045	71,786	924	126,922	398,677
Provision	–	3,009	–	–	3,009
Disposal or retirement	124,917	1	22	101,333	226,273
31 December 2018	74,128	74,794	902	25,589	175,413
<b>IV. Carrying amount</b>					
Closing balance	15,763,676	18,856,577	2,864,991	12,815,353	50,300,597
Opening balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets (Continued)

The restricted fixed assets of the Group are stated in Note V. 65.

As at 31 December 2019, the amount of interest expenses capitalised in the balance of fixed assets was RMB35,866,000 (31 December 2018: RMB32,737,000). For the year ended 31 December 2019, the amount of interest expenses capitalised which was transferred in from construction in progress had been RMB3,129,000 (2018: RMB8,061,000).

As at 31 December 2019, the Group had no significant fixed assets that were temporarily idle (31 December 2018: Nil).

As at 31 December 2019, the Group was in the process of applying for and handling registration or transfer of the title certificates of certain buildings with an aggregate carrying amount of RMB1,631,534,000 (31 December 2018: RMB1,439,602,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 31 December 2019.

As at 31 December 2019, fixed assets whose title rights certificates had not been obtained are listed as follows:

RMB'000

Buildings	Carrying amount	Reasons
Headquarters Building of China Railway Siyuan Survey and Design Group Co., Ltd.	486,928	In progress
Integrated Office Building of China Railway 21st Bureau Group Co., Ltd.	352,103	In progress
Office building of China Railway Urban Construction Group Co., Ltd.	194,780	In progress
East China Headquarters Base of China Railway Construction Group Co., Ltd.	107,253	In progress
Others	490,470	In progress
Total	1,631,534	—

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress

RMB'000

Item	31 December 2019			31 December 2018		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Zhuhai Tiejian Plaza Project of China Railway Construction Investment Group Co., Ltd.	568,508	–	568,508	–	–	–
Public Wharf of Qiwei Operating Area, Taixing Port Area, Taizhou Port of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	369,230	–	369,230	74,983	–	74,983
Yangtze River Wharf Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	327,869	–	327,869	87,446	–	87,446
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	318,428	–	318,428	265,840	–	265,840
Zhuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	264,829	–	264,829	175,781	–	175,781
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	239,802	–	239,802	170,978	–	170,978
Guanggu Hi-Tech Innovation Base Project of China Railway Siyuan Survey and Design Group Co., Ltd.	227,186	–	227,186	92,316	–	92,316
Prefabricated Construction Base of China Railway Construction 14th Bureau Group Co., Ltd.	214,425	–	214,425	4,215	–	4,215
TBM(Tunnel Boring Machine) (S1051) Renovation Project of China Railway 14th Bureau Group Co., Ltd.	191,514	–	191,514	–	–	–
Hengda Weilai City Phase 2 Office Building No.3 of China Railway 12th Bureau Group Co., Ltd.	146,956	–	146,956	–	–	–
Others	2,755,619	9,563	2,746,056	3,566,388	9,563	3,556,825
<b>Total</b>	<b>5,624,366</b>	<b>9,563</b>	<b>5,614,803</b>	<b>4,437,947</b>	<b>9,563</b>	<b>4,428,384</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2019:

RMB'000

Item	Budget	1 January 2019	Additions	Transfer out	Disposals	Others	31 December 2019	Source of funds	Proportion of investment to budget (%)
Zuhai Tiejian Plaza Project of China Railway Construction Investment Group Co., Ltd.	2,056,000	-	568,508	-	-	-	568,508	Self-funding	28
Public Wharf of Qiwei Operating Area, Taixing Port Area, Taizhou Port of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	1,211,836	74,983	294,247	-	-	-	369,230	Self-funding	30
Yangtze River Wharf Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	371,250	87,446	240,423	-	-	-	327,869	Self-funding	88
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	446,000	265,840	52,588	-	-	-	318,428	Self-funding	71
Zuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	510,030	175,781	89,048	-	-	-	264,829	Self-funding/ loan	52
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	499,000	170,978	68,824	-	-	-	239,802	Self-funding/ loan	48
Guanggu Hi-Tech Innovation Base Project of China Railway Siyuan Survey and Design Group Co., Ltd.	822,482	92,316	134,870	-	-	-	227,186	Self-funding	28
Prefabricated Construction Base of China Railway Construction 14th Bureau Group Co., Ltd.	467,300	4,215	210,210	-	-	-	214,425	Self-funding/ loan	46
TBM(Tunnel Boring Machine) (S1051) Renovation Project of China Railway 14th Bureau Group Co., Ltd.	250,000	-	191,514	-	-	-	191,514	Self-funding	77
Hengda Weilai City Phase 2 Office Building No.3 of China Railway 12th Bureau Group Co., Ltd.	276,937	-	146,956	-	-	-	146,956	Self-funding	53
Others	-	3,566,388	2,231,051	3,015,123	27,397	700	2,755,619	Self-funding/ loan	-
<b>Total</b>	<b>-</b>	<b>4,437,947</b>	<b>4,228,239</b>	<b>3,015,123</b>	<b>27,397</b>	<b>700</b>	<b>5,624,366</b>	<b>—</b>	<b>—</b>
Less: Provision for impairment	-	9,563	-	-	-	-	9,563	—	—
<b>Net value at the end of the year</b>	<b>-</b>	<b>4,428,384</b>	<b>4,228,239</b>	<b>3,015,123</b>	<b>27,397</b>	<b>700</b>	<b>5,614,803</b>	<b>—</b>	<b>—</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2018:

Item	Budget	1 January 2018	Additions	Transfer out	Disposals	Others	31 December 2018	RMB'000	
								Source of funds	Proportion of investment to budget (%)
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	470,000	176,065	165,183	-	-	-	361,268	Self-funding	77
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	446,000	114,783	151,057	-	-	-	265,840	Self-funding	60
Zhuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	510,030	-	175,781	-	-	-	175,781	Self-funding/ loan	34
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	499,000	91,607	79,371	-	-	-	170,978	Self-funding/ loan	34
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	145,981	-	-	-	-	145,981	Self-funding	65
Jingjiang Bridge Science and Technology Industrial Park Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	942,370	32,908	110,660	-	-	-	143,568	Self-funding	15
Nanjing Changjiang No.5 Bridge TMB Renovation Project of China Railway 14th Bureau Co., Ltd.	140,000	51,381	85,810	-	-	-	137,191	Self-funding	98
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	123,220	12,239	-	-	-	135,459	Self-funding/ loan	81
Others	-	3,151,461	3,461,817	3,492,522	229,485	10,610	2,901,881	Self-funding/ loan	-
<b>Total</b>	<b>-</b>	<b>3,887,426</b>	<b>4,261,918</b>	<b>3,492,522</b>	<b>229,485</b>	<b>10,610</b>	<b>4,437,947</b>	<b>-</b>	<b>-</b>
Less: Provision for impairment	-	23,848	-	-	14,285	-	9,563	-	-
<b>Net value at the end of the year</b>	<b>-</b>	<b>3,863,578</b>	<b>4,261,918</b>	<b>3,492,522</b>	<b>215,200</b>	<b>10,610</b>	<b>4,428,384</b>	<b>-</b>	<b>-</b>

For the year ended 31 December 2019, construction in progress with a carrying amount of RMB2,791,477,000 (2018: RMB3,291,980,000), RMB19,017,000 (2018: RMB15,407,000) and Nil (2018: Nil) had been transferred to fixed assets, intangible assets and investment properties respectively.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

The amounts of interest expenses capitalised in the balance of construction in progress and the capitalisation rates are listed as follows:

2019:

RMB'000

Item	Progress as at 31 December 2019 (%)	Accumulated amount of interest capitalised as at 31 December 2019	Interest capitalised during the period	Capitalisation rate during the period (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	48	17,392	6,783	4.74
Zhuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	52	5,933	4,986	4.89
North Blue Ocean Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	54	4,484	1,185	4.35
Others	–	1,985	1,850	–
Total	–	29,794	14,804	–



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2018:

*RMB'000*

Item	Progress as at 31 December 2018 (%)	Accumulated amount of interest capitalised as at 31 December 2018	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	34	10,609	6,810	5.17
North Blue Ocean Production Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	74	3,299	1,113	4.35
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	81	2,121	2,121	4.35
Others	–	1,082	1,082	–
<b>Total</b>	–	17,111	11,126	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Right-of-use assets

2019:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
31 December 2018	/	/	/	/	/
Changes in accounting policies (Note III, 33)	907,708	5,131,559	1,010,508	94,538	7,144,313
1 January 2019	907,708	5,131,559	1,010,508	94,538	7,144,313
Additions	449,687	902,548	–	40,744	1,392,979
Disposal or retirement	146,884	194,321	472,865	9,493	823,563
31 December 2019	1,210,511	5,839,786	537,643	125,789	7,713,729
<b>II. Accumulated depreciation</b>					
1 January 2019	–	–	–	–	–
Provision	348,636	1,606,072	59,898	30,073	2,044,679
Disposal or retirement	1,804	4,400	2,102	1,355	9,661
31 December 2019	346,832	1,601,672	57,796	28,718	2,035,018
<b>III. Carrying amount</b>					
Closing balance	863,679	4,238,114	479,847	97,071	5,678,711
Opening balance	907,708	5,131,559	1,010,508	94,538	7,144,313

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets

2019:

RMB'000

Item	Land use rights	Concession rights	Mining rights	Others	Total
<b>I. Original costs</b>					
1 January 2019	7,193,473	45,497,193	164,837	1,216,932	54,072,435
Additions	529,508	11,723,703	3,501	211,763	12,468,475
Transferred in from construction in progress	–	–	–	19,017	19,017
Disposal of subsidiaries	–	1,444,297	–	–	1,444,297
Disposal or retirement	157,557	–	–	68,900	226,457
31 December 2019	7,565,424	55,776,599	168,338	1,378,812	64,889,173
<b>II. Accumulated amortisation</b>					
1 January 2019	1,321,363	1,691,133	23,330	357,460	3,393,286
Provision	216,458	219,944	915	170,389	607,706
Disposal or retirement	21,372	–	–	32,441	53,813
31 December 2019	1,516,449	1,911,077	24,245	495,408	3,947,179
<b>III. Provision for impairment</b>					
1 January 2019	11,265	–	878	–	12,143
Provision	–	1,060,130	–	–	1,060,130
Disposal	2,222	–	–	–	2,222
31 December 2019	9,043	1,060,130	878	–	1,070,051
<b>IV. Carrying amount</b>					
Closing balance	6,039,932	52,805,392	143,215	883,404	59,871,943
Opening balance	5,860,845	43,806,060	140,629	859,472	50,667,006

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

2018:

	<i>RMB'000</i>				
Item	Land use rights	Concession rights	Mining rights	Others	Total
<b>I. Original costs</b>					
1 January 2018	7,098,602	35,035,094	172,511	900,535	43,206,742
Additions	290,678	10,460,031	–	313,071	11,063,780
Transferred in from construction in progress	–	2,068	–	13,339	15,407
Disposal	195,807	–	7,674	10,013	213,494
31 December 2018	7,193,473	45,497,193	164,837	1,216,932	54,072,435
<b>II. Accumulated amortisation</b>					
1 January 2018	1,203,694	1,512,663	24,604	266,060	3,007,021
Provision	165,355	178,470	–	95,512	439,337
Disposal	47,686	–	1,274	4,112	53,072
31 December 2018	1,321,363	1,691,133	23,330	357,460	3,393,286
<b>III. Provision for impairment</b>					
1 January 2018	42,979	–	878	–	43,857
Disposal	31,714	–	–	–	31,714
31 December 2018	11,265	–	878	–	12,143
<b>IV. Carrying amount</b>					
Closing balance	5,860,845	43,806,060	140,629	859,472	50,667,006
Opening balance	5,851,929	33,522,431	147,029	634,475	40,155,864

As at 31 December 2019, there were no intangible assets recognised through internal research and development (31 December 2018: Nil).

The restricted intangible assets of the Group are stated in Note V. 65.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

As at 31 December 2019, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB78,326,000 (31 December 2018: RMB102,326,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant adverse impact on the Group's financial position as at 31 December 2019.

As at 31 December 2019, intangible assets whose title rights certificates had not been obtained are listed as follows:

RMB'000

Land	Carrying amount	Reasons
Yanliang New Production Base of China Railway 20th Bureau Group Co., Ltd.	39,015	In progress
Doumen Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	13,723	In progress
New office land in Dares Salaam, Tanzania of China Civil Engineering Construction Corporation	12,138	In progress
Others	13,450	In progress
Total	78,326	—

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are analysed as follows:

2019:

RMB'000

Item	Progress as at 31 December 2019 (%)	Accumulated amount of interest capitalised as at 31 December 2019	Interest capitalised during the period	Capitalisation rate during the period (%)
Sichuan JianPu Highway Project concession rights	100	1,151,795	–	–
Sichuan Dejian Highway Project concession rights	80	586,472	309,936	4.76
Guangxi Ziyuan (Meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Sichuan Dedu Highway Project concession rights	56	215,877	133,665	4.88
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	165,669	–	–
Hunan Anxiang to Cili Highway Project concession rights	48	85,667	58,465	4.60
Beijing New Airport North Line Highway project	100	57,579	7,201	4.45
Beijing Xingyan Highway Project concession rights	100	45,554	–	–
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
S404 from Sucheng, Suzhou to demarcation between Anhui and Jiangsu concession rights	48	20,720	20,720	5.00
Others	–	12,295	11,586	–
<b>Total</b>	<b>–</b>	<b>3,104,772</b>	<b>541,573</b>	<b>–</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

2018:

*RMB'000*

Item	Progress as at 31 December 2018 (%)	Accumulated amount of interest capitalised as at 31 December 2018	Interest capitalised during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	100	1,151,795	–	–
Guangxi Ziyuan (Meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Sichuan Dejian Highway Project concession rights	63	276,536	205,546	4.68
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	165,669	14,606	4.75
Sichuan Dedu Highway Project concession rights	27	82,212	80,509	4.69
Beijing New Airport North Line Highway project	49	50,378	50,378	5.98
Beijing Xingyan Highway Project concession rights	92	45,554	42,968	4.61
Lotus Avenue Project of China Railway 16th Bureau Group Co., Ltd.	82	34,583	–	4.90
Hunan Anxiang to Cili Highway Project concession rights	26	27,202	27,202	4.65
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
Others	–	709	709	–
<b>Total</b>	–	<b>2,597,782</b>	<b>421,918</b>	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 20. Goodwill

For the year ended 31 December 2019:

Original costs

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	38,280	5,919	–	44,199
<b>Total</b>	<b>229,784</b>	<b>5,919</b>	<b>–</b>	<b>235,703</b>

Accumulated depreciation

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Acquisition of Hangsheng Company (Note 1)	–	100,135	–	100,135
Acquisition of CIDEON Company (Note 2)	–	15,656	–	15,656
Others	1,071	–	–	1,071
<b>Total</b>	<b>1,071</b>	<b>115,791</b>	<b>–</b>	<b>116,862</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 20. Goodwill (Continued)

For the year ended 31 December 2018:

Original costs

<i>RMB'000</i>				
Item	1 January 2018	Increase	Decrease	31 December 2018
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	10,073	28,207	–	38,280
<b>Total</b>	<b>201,577</b>	<b>28,207</b>	<b>–</b>	<b>229,784</b>

Accumulated depreciation

<i>RMB'000</i>				
Item	1 January 2018	Increase	Decrease	31 December 2018
Acquisition of Hangsheng Company (Note 1)	–	–	–	–
Acquisition of CIDEON Company (Note 2)	–	–	–	–
Others	1,071	–	–	1,071
<b>Total</b>	<b>1,071</b>	<b>–</b>	<b>–</b>	<b>1,071</b>

*Note 1:* The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012. In 2019, due to internal business restructuring and institutional reform, the synergies of the business combination no longer existed and the group accrued impairment of the goodwill of RMB100,135,000.

*Note 2:* On 29 February 2016, the Group purchased CIDEON Engineering GmbH & Co. KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG (collectively referred to as "CIDEON Company"), which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000. The group accrued impairment of the goodwill of RMB15,656,000 in 2019

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Deferred tax assets/liabilities

RMB'000

Item	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	352,843	73,006	571,443	108,148
Provision for impairment of assets and credit losses	11,228,915	2,253,061	7,129,053	1,604,742
Deductible tax losses	2,771,562	511,742	2,377,448	428,018
Revaluation surplus from restructuring	1,383,180	341,388	1,504,711	371,683
Convertible bonds	–	–	19,871	4,968
Unrealised profits of intra-group transactions	4,714,240	1,093,891	3,367,573	789,049
Changes in fair value of other equity instrument investments	306,758	64,654	204,958	47,819
Others	5,745,402	1,389,770	6,917,243	1,590,694
<b>Total</b>	<b>26,502,900</b>	<b>5,727,512</b>	22,092,300	4,945,121
Item	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of other equity instrument investments	1,207,810	227,163	753,815	133,847
Convertible bonds	586,580	146,644	–	–
Others	1,037,233	236,571	531,112	127,948
<b>Total</b>	<b>2,831,623</b>	<b>610,378</b>	1,284,927	261,795

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Deferred tax assets/liabilities (Continued)

Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

RMB'000

Item	Offset amount between deferred tax assets and liabilities at the end of the year	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	102,565	5,624,947	28,273	4,916,848
Deferred tax liabilities	102,565	507,813	28,273	233,522

Deductible temporary differences and deductible tax losses for which deferred tax assets are not recognised are listed as follows:

RMB'000

Item	31 December 2019	31 December 2018
Deductible temporary differences	11,291,639	10,780,349
Deductible tax losses	11,563,321	9,525,497
Total	22,854,960	20,305,846

Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

RMB'000

Year	31 December 2019	31 December 2018
2019	–	179,136
2020	726,436	1,311,151
2021	758,148	1,093,106
2022	1,533,850	2,255,109
2023	3,607,344	4,170,673
2024	4,154,083	17,246
2025	25,675	25,675
2026	35,299	39,503
2027	130,889	139,775
2028	295,292	294,123
2029	296,305	–
Total	11,563,321	9,525,497

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 22. Other non-current assets

*RMB'000*

Item	31 December 2019	31 December 2018
Retention receivables	62,759,430	51,481,822
A-land development and other projects	7,439,734	5,095,362
Prepayment for investment	355,254	356,254
Others	4,220,093	4,121,127
Subtotal	74,774,511	61,054,565
Less: Retention receivables due within one year	7,799,355	4,945,287
Including: Retention receivables	7,799,355	4,945,287
Total	66,975,156	56,109,278

The restricted other non-current assets of the Group are stated in Note V. 65.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Short-term loans

*RMB'000*

Item	31 December 2019	31 December 2018
Pledged loans ( <i>Note 1, Note 2</i> )	1,799,449	380,000
Mortgaged loans ( <i>Note V. 33 (Note 5)</i> )	112,873	205,000
Guaranteed loans ( <i>Note 3</i> )	5,093,140	4,358,930
Credit loans	35,743,804	56,837,154
<b>Total</b>	<b>42,749,266</b>	61,781,084

*Note 1:* As at 31 December 2019, short-term loans with carrying amounts of RMB1,236,968,000 (31 December 2018: RMB380,000,000) were secured by the pledge of the Group's trade receivables with a carrying amount of RMB1,245,243,000 (31 December 2018: RMB389,222,000).

*Note 2:* As at 31 December 2019, short-term loans with carrying amounts of RMB562,481,000 (31 December 2018: Nil) were secured by the pledge of the Group's bills receivable with a carrying amount of RMB562,481,000 (31 December 2018: Nil).

*Note 3:* As at 31 December 2019, all guaranteed loans were guaranteed by the entities comprising the Group (31 December 2018: all guaranteed loans were guaranteed by the entities comprising the Group).

As at 31 December 2019, annual interest rates of above short-term loans ranged from 2.15% to 7.99% (31 December 2018: 2.35% to 8.00%).

As at 31 December 2019, the Group had no overdue short-term loans (31 December 2018: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 24. Due to customers

*RMB'000*

Item	31 December 2019	31 December 2018
Due to customers	<b>3,820,235</b>	5,881,497

#### 25. Bills payable

*RMB'000*

Item	31 December 2019	31 December 2018
Commercial acceptance bills	17,409,156	8,696,965
Bank acceptance bills	52,192,821	42,339,463
Total	<b>69,601,977</b>	51,036,428

As at 31 December 2019, the Group had no unpaid overdue bills payable (31 December 2018: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 26. Trade payables

Aging of trade payables is listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2019</b>	31 December 2018
Within 1 year	<b>318,511,674</b>	267,308,664
1 to 2 years	<b>5,059,474</b>	5,067,436
2 to 3 years	<b>1,050,771</b>	914,250
Over 3 years	<b>1,163,385</b>	1,064,526
<b>Total</b>	<b>325,785,304</b>	274,354,876

As at 31 December 2019, trade payables aged over one year amounted to RMB7,273,630,000 (31 December 2018: 7,046,212,000), primarily consisted of payables for construction contracts and materials. Since the progress of relevant projects had not reached the point of payments, these trade payables had not been settled.

#### 27. Contract liabilities

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2019</b>	31 December 2018
Advances for construction contracts	<b>61,232,083</b>	44,249,968
Advances for the sale of properties ( <i>Note</i> )	<b>41,866,261</b>	39,148,662
Advances for the sale of materials	<b>4,040,219</b>	4,862,273
Advances for the sale of goods	<b>353,972</b>	161,881
Others	<b>1,014,054</b>	853,801
<b>Total</b>	<b>108,506,589</b>	89,276,585

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 27. Contract liabilities (Continued)

Note: Details of advances for the sale of properties are listed as follows:

RMB'000

Project name	31 December 2019	Percentage of accumulated pre-sales as at	Estimated completion date
		31 December 2019 %	
Xi'an CRCC International City III Project	3,133,951	65	July 2020
Jiaxing Huayu Jiangnan Project	2,565,443	80	June 2020
Xi'an CRCC International City II Project	2,025,592	67	June 2021
CRCC Kaiyuan Community Project	1,985,352	99	August 2019
Guian Shanyucheng Project	1,459,423	88	March 2020
CRCC Yangchun Hupan Project	1,316,424	75	December 2021
Xi'an Tiexing Xipai International Project	1,281,383	76	October 2021
CRCC Yujing Yangguang Project	1,230,186	53	November 2020
Hefei Qingxiucheng Project	1,174,891	77	December 2020
Changsha Meixi Lake Project	1,168,950	89	December 2020
CRCC Donglindao Project	1,157,057	98	August 2020
Xiangman Xi'an Project	1,149,603	85	August 2020
CRCC Wanguo City Project	1,099,780	83	July 2020
Changchun Economic Development Zone Yangpu Plot Project	939,480	77	October 2020
CRCC Xishan Wutong Project	807,336	63	November 2020
CRCC Qingxiucheng Project	764,980	90	April 2020
CRCC Zhuhai Tiejian Tower Project	764,563	35	June 2020
CRCC Fengling International City Project	757,187	90	June 2021
Xiangxie International Project	745,544	52	November 2020
CRCC Shanyucheng (Ningbo) Project	645,870	73	August 2020
CRCC Fuzhou Langqi Shanyu City	604,107	57	December 2020
Shanghai Tiefeng Real Estate Development Co., Ltd. Lingangluochaogang Community Lot E0605 Commercial Center Project	589,343	62	June 2020
Yushuilanwan Project Phase 1	479,241	34	October 2021
CRCC Taiyuanxifu International Project	442,363	77	April 2021
CRCC Guiyang International City	416,345	77	September 2021
CRCC Chengdu Xipai Project	410,813	46	December 2020
Zhangzhou Gaoxin Area Yuanshanxincheng Middle Area Grouped Resettlement House Reconstruction Project (Phase 1)	406,823	45	August 2020
Lanzhou SOHO Project	397,210	93	December 2019
CRCC Huayu Jiangnan Project	394,048	8	May 2020
CRCC Donglai Shangcheng Project	384,879	73	June 2020
Others	11,168,094	—	—
<b>Total</b>	<b>41,866,261</b>	<b>—</b>	<b>—</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 27. Contract liabilities (Continued)

As at the balance sheet date, significant contract liabilities aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2019	Reasons
Company 1	Third party	404,251	Work performed but not billed
Company 2	Third party	261,556	Work performed but not billed
Company 3	Third party	253,424	Work performed but not billed
Company 4	Third party	181,340	Work performed but not billed
Company 5	Third party	145,784	Work performed but not billed
Total	—	1,246,355	—

#### 28. Employee benefits payable

2019:

RMB'000

Item	1 January 2019	Accrued	Paid	31 December 2019
Short-term benefits	9,717,291	57,590,072	57,078,695	10,228,668
Post-employment benefits (defined contribution plans)	1,563,280	6,673,519	6,585,100	1,651,699
Total	11,280,571	64,263,591	63,663,795	11,880,367

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

2018:

Item	<i>RMB'000</i>			
	1 January 2018	Accrued	Paid	31 December 2018
Short-term benefits	8,701,940	52,318,090	51,302,739	9,717,291
Post-employment benefits (defined contribution plans)	1,457,566	5,911,297	5,805,583	1,563,280
<b>Total</b>	<b>10,159,506</b>	<b>58,229,387</b>	<b>57,108,322</b>	<b>11,280,571</b>

Short-term benefits:

2019:

Item	<i>RMB'000</i>			
	1 January 2019	Accrued	Paid	31 December 2019
Salaries, bonuses, allowances and subsidies	<b>6,978,400</b>	<b>41,585,790</b>	<b>41,198,724</b>	<b>7,365,466</b>
Staff welfare	–	3,571,972	3,571,972	–
Social insurance	<b>1,110,730</b>	<b>3,481,968</b>	<b>3,496,710</b>	<b>1,095,988</b>
Including: Medical insurance	<b>970,674</b>	<b>3,038,880</b>	<b>3,052,835</b>	<b>956,719</b>
Work injury insurance	<b>91,072</b>	<b>236,105</b>	<b>241,052</b>	<b>86,125</b>
Maternity insurance	<b>48,984</b>	<b>206,983</b>	<b>202,823</b>	<b>53,144</b>
Housing funds	<b>684,423</b>	<b>3,161,120</b>	<b>3,171,056</b>	<b>674,487</b>
Union fund and employee education fund	<b>569,131</b>	<b>1,198,488</b>	<b>1,181,633</b>	<b>585,986</b>
Others	<b>374,607</b>	<b>4,590,734</b>	<b>4,458,600</b>	<b>506,741</b>
<b>Total</b>	<b>9,717,291</b>	<b>57,590,072</b>	<b>57,078,695</b>	<b>10,228,668</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

Short-term benefits: (Continued)

2018:

Item	<i>RMB'000</i>			
	1 January 2018	Accrued	Paid	31 December 2018
Salaries, bonuses, allowances and subsidies	6,171,699	38,783,781	37,977,080	6,978,400
Staff welfare	–	2,824,368	2,824,368	–
Social insurance	1,054,646	3,107,784	3,051,700	1,110,730
Including: Medical insurance	919,130	2,692,150	2,640,606	970,674
Work injury insurance	88,520	252,359	249,807	91,072
Maternity insurance	46,996	163,275	161,287	48,984
Housing funds	680,760	2,775,309	2,771,646	684,423
Union fund and employee education fund	523,855	1,067,032	1,021,756	569,131
Others	270,980	3,759,816	3,656,189	374,607
<b>Total</b>	<b>8,701,940</b>	<b>52,318,090</b>	<b>51,302,739</b>	<b>9,717,291</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

Defined contribution plan:

2019:

RMB'000

Item	1 January 2019	Accrued	Paid	31 December 2019
Basic pension insurance	1,146,935	5,074,155	5,038,292	1,182,798
Unemployment insurance	91,745	194,898	195,276	91,367
Supplementary pension insurance	324,600	1,404,466	1,351,532	377,534
<b>Total</b>	<b>1,563,280</b>	<b>6,673,519</b>	<b>6,585,100</b>	<b>1,651,699</b>

2018:

RMB'000

Item	1 January 2018	Accrued	Paid	31 December 2018
Basic pension insurance	1,103,707	4,757,840	4,714,612	1,146,935
Unemployment insurance	99,329	162,492	170,076	91,745
Supplementary pension insurance	254,530	990,965	920,895	324,600
<b>Total</b>	<b>1,457,566</b>	<b>5,911,297</b>	<b>5,805,583</b>	<b>1,563,280</b>

Defined contribution plan includes basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are capitalised or expensed in the period when incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 29. Taxes payable

RMB'000

Item	31 December 2019	31 December 2018
VAT	2,264,422	2,962,306
EIT	2,352,430	2,513,210
Others	2,353,152	1,472,598
Total	6,970,004	6,948,114

#### 30. Other payables

RMB'000

Item	31 December 2019	31 December 2018
Guarantees and deposits	18,653,879	14,810,200
Payables for advances	21,365,743	12,101,637
Amounts due from related parties	7,589,027	6,345,515
Dividends payable	977,453	447,024
Others	21,530,710	21,724,666
Total	70,116,812	55,429,042

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 30. Other payables (Continued)

As at 31 December 2019, significant other payables aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2019	Reasons
Company 1	Third party	187,166	Payables not settled
Company 2	Third party	157,108	Payables not settled
Company 3	Third party	141,500	Payables not settled
Company 4	Third party	136,358	Payables not settled
Company 5	Third party	135,926	Payables not settled
Total	—	758,058	—

#### 31. Current portion of non-current liabilities

RMB'000

Item	31 December 2019	31 December 2018
Current portion of long-term loans (Note V. 33)	16,914,489	17,833,584
Current portion of bonds payable (Note V. 34)	13,565,374	1,000,000
Current portion of lease liabilities (Note V. 35)	1,920,949	/
Current portion of long-term payables	2,140,031	4,221,089
Current portion of post-employment benefits payable (Note V. 37)	119,668	164,298
Current portion of provisions	11,565	—
Total	34,672,076	23,218,971

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 31. Current portion of non-current liabilities (Continued)

The current portion of long-term loans is presented as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2019</b>	31 December 2018
Pledged loans ( <i>Note V. 33 (Note 1, Note 2)</i> )	<b>947,593</b>	–
Mortgaged loans ( <i>Note V. 33 (Note 4, Note 5)</i> )	<b>2,569,180</b>	1,035,880
Guaranteed loans ( <i>Note V. 33 (Note 8)</i> )	<b>3,363,450</b>	2,331,640
Credit loans	<b>10,034,266</b>	14,466,064
<b>Total</b>	<b>16,914,489</b>	17,833,584

#### 32. Other current liabilities

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2019</b>	31 December 2018
Amounts to be transferred to output VAT	<b>14,449,127</b>	7,095,560
Short-term unsecured financing bonds ( <i>Note 1</i> )	–	4,998,272
Others	<b>298,409</b>	341,132
<b>Total</b>	<b>14,747,536</b>	12,434,964

*Note 1:* Short-term unsecured financing bonds bear a fixed interest rate. The principal and the interest will be repaid in a lump sum at the end of the term.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 32. Other current liabilities (Continued)

The movement of short-term unsecured financing bonds is listed as follows:

RMB'000

Bond name	Par value	Issuance date	Bond term	Opening balance	Issuance during the year	Interests accrued	Amortisation of discounts and premiums	Principle and interest paid	Closing balance
China Railway Construction Corporation Limited 2018 first issue ultra-short-term financing bond	3,000,000	13 September 2018	9 months	3,000,000	-	47,241	-	3,047,241	-
China Railway Construction Real Estate Group Co., Ltd. 2018 first issue ultra-short-term financing bond	2,000,000	28 November 2018	9 months	1,998,272	-	51,156	1,728	2,051,156	-
China Railway Construction Corporation Limited 2019 first issue ultra-short-term financing bond	3,000,000	23 May 2019	6 months	-	3,000,000	39,836	-	3,039,836	-
China Railway Construction Corporation Limited 2019 second issue ultra-short-term financing bond	4,000,000	13 June 2019	6 months	-	4,000,000	54,098	-	4,054,098	-
China Railway Construction Real Estate Group Co., Ltd. 2019 first issue ultra-short-term financing bond	1,500,000	16 January 2019	9 months	-	1,498,425	38,836	1,575	1,538,836	-
China Railway Construction Real Estate Group Co., Ltd. 2019 second issue ultra-short-term financing bond	1,500,000	24 January 2018	9 months	-	1,498,425	38,614	1,575	1,538,614	-
Total	15,000,000	—	—	4,998,272	9,996,850	269,781	4,878	15,269,781	-

#### 33. Long-term loans

RMB'000

Item	31 December 2019	31 December 2018
Pledged loans (Note 1, Note 2, Note 3)	35,091,405	26,840,000
Mortgaged loans (Note 4, Note 5, Note 6, Note 7)	6,639,979	4,725,841
Guaranteed loans (Note 8)	21,249,507	13,529,940
Credit loans	24,955,147	24,744,696
Total	87,936,038	69,840,477



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 33. Long-term loans (Continued)

*Note 1:* As at 31 December 2019, long-term loans with a carrying amount of RMB33,787,052,000, including current portion of long-term loans of RMB114,500,000 (31 December 2018: RMB25,970,000,000, including no current portion of long-term loans) were secured by pledges of the Group's concession rights with a carrying amount of RMB48,874,715,000 (31 December 2018: RMB41,455,348,000).

*Note 2:* As at 31 December 2019, long-term loans with a carrying amount of RMB2,110,946,000, including current portion of long-term loans of RMB833,093,000 (31 December 2018: RMB800,000,000, including no current portion of long-term loans) were secured by pledges of the Group's other non-current assets with a carrying amount of RMB4,779,563,000 (31 December 2018: RMB1,888,875,000).

*Note 3:* As at 31 December 2019, long-term loans with a carrying amount of RMB141,000,000, including no current portion of long-term loans (31 December 2018: RMB70,000,000, including no current portion of long-term loans) were secured by pledges of the Group's long-term receivables with a carrying amount of RMB133,142,000 (31 December 2018: RMB149,599,000).

*Note 4:* As at 31 December 2019, long-term loans with a carrying amount of RMB355,148,000, including long-term loans due within one year of RMB22,004,000 (31 December 2018: RMB21,539,000, including no long-term loans due within one year) were secured by mortgages of the Group's fixed assets with a carrying amount of RMB1,018,038,000 (31 December 2018: RMB60,969,000).

*Note 5:* As at 31 December 2019, short-term loans with a carrying amount of RMB112,873,000 (31 December 2018: RMB205,000,000) and long-term loans with a carrying amount of RMB8,554,011,000, including current portion of long-term loans of RMB2,547,176,000 (31 December 2018: RMB5,730,732,000 including current portion of long-term loans of RMB1,035,880,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB25,222,650,000 (31 December 2018: RMB14,401,283,000).

*Note 6:* As at 31 December 2019, long-term loans with a carrying amount of RMB300,000,000, including no current portion of long-term loans (31 December 2018: Nil) were secured by mortgages of the Group's long-term receivables with a carrying amount of RMB1,291,510,000 (31 December 2018: Nil).

*Note 7:* As at 31 December 2018, long-term loans with a carrying amount of RMB 9,450,000 were secured by pledges of the Group's construction in progress with a carrying amount of RMB 48,600,000.

*Note 8:* As at 31 December 2019, the guaranteed long-term loans, including long-term loans due within one year of RMB3,363,450,000, were all internally guaranteed by the entities comprising the Group (31 December 2018: the guaranteed long-term loans, including long-term loans due within one year of RMB2,331,640,000, were all internally guaranteed by the entities comprising the Group).

As at 31 December 2019, the Group had no overdue long-term loans (31 December 2018: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 33. Long-term loans (Continued)

The maturity profile of the long-term loans as at the end of the year is listed as follows:

Item	<i>RMB'000</i>	
	31 December 2019	31 December 2018
Within one year or paid on demand ( <i>Note V. 31</i> )	16,914,489	17,833,584
In the second year (inclusive)	16,265,195	20,591,310
In the third to fifth year (inclusive)	29,947,337	14,351,111
Over five years	41,723,506	34,898,056
Total	104,850,527	87,674,061

#### 34. Bonds payable

Bonds payable include: (1) unsecured medium-term notes, private placement notes, and bonds guaranteed by the Group with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid on schedule whereas the principal is paid at the maturity date; (2) the 5-year zero-interest US dollar and 5-year RMB Convertible Bond issued by the Company in the international market with a fixed interest rate with interest repayable semi-annually and the principal repayable upon maturity; and (3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is repayable semi-annually whereas the principal is repayable upon maturity.

Item	<i>RMB'000</i>	
	31 December 2019	31 December 2018
Bonds payable	39,709,268	38,458,422
Less: Current portion of bonds payable ( <i>Note V. 31</i> )	13,565,374	1,000,000
Non-current portion of bonds payable	26,143,894	37,458,422

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

As at 31 December 2019, balances of bonds payable are listed as follows:

RMB'000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2019	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2019
China Railway Construction Corporation Limited — First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,979,362	-	509,256	11,621	510,000	10,261,286
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD 800 million and interest rate of 3.5%	USD 800,000	16 May 2013	10 years	USD 800,000	3.50%	5,463,582	-	194,223	95,849	193,827	5,583,848
China Railway Construction Corporation Limited — USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD 500,000	29 January 2016	5 years	USD 500,000	0.00%	3,040,981	-	-	257,105	-	3,298,086
China Railway Construction Real Estate Co., Ltd. — 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.80%	2,971,853	-	144,000	17,084	144,000	3,024,938
China Railway Construction Real Estate Co., Ltd. — 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,789,332	-	103,600	5,103	103,600	2,889,402
China Railway Construction Real Estate Co., Ltd. — 2019 first issue of public placement Corporate bond (variety I)	2,700,000	15 March 2019	5 years	2,700,000	4.25%	-	2,688,840	86,063	1,533	-	2,776,436
China Railway Construction Real Estate Co., Ltd. — 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	2,192,819	-	130,680	1,601	130,680	2,314,209
China Railway Construction Real Estate Co., Ltd. — 2019 first issue of private placement Corporate bond (variety II)	1,500,000	10 January 2019	5 years	1,500,000	4.90%	-	1,494,028	67,375	963	-	1,562,366
China Railway Construction Real Estate Co., Ltd. — 2019 first issue of private placement Corporate bond (variety I)	1,500,000	10 January 2019	3 years	1,500,000	4.73%	-	1,496,009	65,038	1,073	-	1,562,120
China Railway Construction Real Estate Co., Ltd. — 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.75%	1,494,688	-	63,900	(2,533)	312,000	1,292,065
China Railway Construction Investment Group Co., Ltd. — 2019 first issue of public placement Corporate bond	1,200,000	9 April 2019	3 years	1,200,000	3.98%	-	1,198,642	35,157	70	-	1,233,869
China Railway 16th Bureau Group Co., Ltd. — 2019 private placement Corporate bond	1,000,000	30 October 2019	10 years	1,000,000	4.73%	-	1,000,000	8,015	-	-	1,008,015

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2019	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2019
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	4.70%	1,494,453	-	57,921	(1,158)	626,500	969,341
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	868,360	-	57,549	1,203	132,411	823,130
China Railway Construction Real Estate Co., Ltd. – 2019 first phase of debt financing plan	654,000	5 December 2019	3 years	654,000	6.10%	-	654,000	-	-	-	654,000
China Railway Construction Real Estate Co., Ltd. – 2019 second issue of private placement Corporate bond	300,000	18 March 2019	5 years	300,000	4.90%	-	298,758	11,025	169	-	309,952
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 7)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,172,629	-	50,332	268,511	3,346,750	146,205
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	3 years	3,000,000	4.58%	2,990,353	-	11,450	9,647	3,137,400	-
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	2,900	-	418,000	-
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	5,507	-	624,780	-
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	3 years	1,000,000	4.00%	1,000,000	-	30,000	-	1,040,000	-
<b>Total</b>	-	-	-	-	-	38,458,422	8,830,277	1,633,991	667,841	10,719,948	39,709,268
<b>Less: Current portion of bonds payable</b>	-	-	-	-	-	1,000,000	-	-	-	-	13,566,374
<b>Non-current portion of bonds payable</b>	-	-	-	-	-	37,458,422	-	-	-	-	26,143,894

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

As at 31 December 2018, balances of bonds payable are listed as follows:

*RMB'000*

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2018	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2018
China Railway Construction Corporation Limited — First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,969,024	-	510,000	10,338	510,000	9,979,362
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD 800 million and interest rate of 3.5%	USD 800,000	16 May 2013	10 years	USD 800,000	3.50%	5,196,349	-	185,750	267,233	185,846	5,463,582
China Railway Construction Corporation Limited — RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 1)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,093,529	-	51,750	79,100	51,750	3,172,629
China Railway Construction Corporation Limited — USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD 500,000	29 January 2016	5 years	USD 500,000	0.00%	2,722,717	-	-	318,264	-	3,040,981
China Railway Construction Real Estate Co., Ltd. — 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	2,986,206	-	137,400	4,147	137,400	2,990,353
China Railway Construction Real Estate Co., Ltd. — 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.80%	2,985,179	-	126,450	(13,326)	120,600	2,971,853
China Railway Construction Real Estate Co., Ltd. — 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,784,611	-	103,600	4,721	103,600	2,789,332
China Railway Construction Real Estate Co., Ltd. — 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	-	2,200,000	119,790	(7,181)	-	2,192,819
China Railway Construction Real Estate Co., Ltd. — 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,492,662	-	72,000	2,036	72,000	1,494,698
China Railway Construction Real Estate Co., Ltd. — 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,492,450	-	76,500	2,003	76,500	1,494,453
China Railway 16th Bureau Group Co., Ltd. — 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	-	40,000	-	40,000	1,000,000
CRCC (Beijing) Property Management Co., Ltd. — 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	955,196	-	65,897	664	124,968	868,360
China Railway 24th Bureau Group Co., Ltd. — 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	25,124	-	24,780	600,000
China Railway 15th Bureau Group Co., Ltd. — 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	18,355	-	18,000	400,000

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2018	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2018
China Railway Construction Corporation Limited — 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,487,134	-	375,510	12,866	7,971,000	-
China Railway 20th Bureau Group Co., Ltd. — 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	-	21,700	-	721,700	-
China Railway 23rd Bureau Group Co., Ltd. — 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,989	-	812	11	100,811	-
China Railway 23rd Bureau Group Co., Ltd. — 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,988	-	828	12	100,828	-
China Railway 25th Bureau Group Co., Ltd. — 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	-	2,084	-	402,084	-
China Railway Construction Investment Group Co., Ltd. — 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	-	31,027	-	1,048,500	-
Chongqing Tietfa Suiyu Highway Co., Ltd. — 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	-	-	-	200,000	-
<b>Total</b>	-	-	-	-	-	45,665,034	2,200,000	1,964,577	680,888	12,010,367	38,458,422
<b>Less: Current portion of bonds payable</b>	-	-	-	-	-	9,987,111	-	-	-	-	1,000,000
<b>Non-current portion of bonds payable</b>	-	-	-	-	-	35,677,923	-	-	-	-	37,458,422

*Note 1:* The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 (settled by US Dollar). The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, is set to be HKD 13.7750 per H share (calculated in a fixed exchange rate by HKD1 to RMB0.8898), and will be subject to adjustments under certain circumstances. The debt component of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the initially recognised liability is recognised as equity. On 23 December 2019, the Company redeemed and cancelled an aggregate principle amount of RMB3.295 billion and the remaining part has been fully redeemed on 23 January 2020.

*Note 2:* The Company issued a five-year Convertible Bond at zero interest rate with the principal of USD 500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HKD 10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the fair value of derivative financial liabilities is recognised as debt instruments.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 35. Lease liabilities

RMB'000

Item	31 December 2019	31 December 2018
Lease liabilities	5,081,929	/
Less: Current portion of lease liabilities (Note V. 31)	1,920,949	/
Non-current portion of lease liabilities	3,160,980	/

#### 36. Long-term payables

RMB'000

Item	31 December 2019	31 December 2018
Retention payables (Note 1)	7,515,958	5,635,733
Finance lease payables	/	563,764
Special payables (Note 2)	99,222	155,269
Others	948,017	842,815
Total	8,563,197	7,197,581

Note 1: In construction operations and real estate development operations, the Group is billed according to the terms of the contracts with the suppliers. The retention payables are usually due by the later of the completion of the construction operation and the end of the guarantee period. The non-current portion of the retention payables is included in long-term payables and the current portion of the retention payables is included in the current portion of non-current liabilities. The comparative financial information are presented with reclassification adjustments. Before the reclassification, the Group's trade payables included retention payables amounting to RMB9,316,030,000. The Group reclassified retention payables amounting to RMB5,635,733,000 to long-term payables and retention payables amounting to RMB3,680,297,000 to the current portion of non-current liabilities.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 36. Long-term payables (Continued)

Note 2: 2019:

RMB'000

Item	1 January 2019	Additions	Reductions	31 December 2019
Specific project funds	96,285	73,417	81,286	88,416
Research and development funds	58,984	7,271	55,449	10,806
<b>Total</b>	<b>155,269</b>	<b>80,688</b>	<b>136,735</b>	<b>99,222</b>

2018:

RMB'000

Item	1 January 2018	Additions	Reductions	31 December 2018
Specific project funds	547,372	29,958	481,045	96,285
Research and development funds	55,877	23,907	20,800	58,984
Others	351	–	351	–
<b>Total</b>	<b>603,600</b>	<b>53,865</b>	<b>502,196</b>	<b>155,269</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Long-term employee benefits payable

RMB'000

Item	31 December 2019	31 December 2018
Defined benefit plans — post-employment benefits	233,175	407,145

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

The plan has no defined benefit plan asset.

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

The principal actuarial assumptions used as at the balance sheet date are listed as follows:

Item	31 December 2019	31 December 2018
Discount rate (%)	2.75	2.75
Increase in the expected rate of cost of living adjustment for long-term post-leaving personnel (%)	2.50	2.50
Increase in the expected rate of medical reimbursement expenses (%)	8.00	8.00
Average lifetime for defined benefit plans (year)	2.3	2.4

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Long-term employee benefits payable (Continued)

The following table demonstrates the quantitative sensitivity analysis of significant assumption adopted as at 31 December 2019:

RMB'000

	Increase	Defined benefit plans (decrease)/ increase	Decrease	Defined benefit plans Increase/ (decrease)
Discount rate	0.25%	(1,920)	0.25%	1,950
Increase in medical expenses	1%	30	1%	(30)

The above sensitivity analysis evaluates the impact of a reasonably possible change in key assumptions on defined benefit plans at end of the Reporting Period. The sensitivity analysis is made based on changes in significant assumptions while all the other assumptions are held constant. The sensitivity analysis may not represent actual changes of defined benefit plans as changes of assumptions may not be isolated from each other.

Movements in the present value of defined benefit plan obligations are listed as follows:

RMB'000

Item	2019	2018
Opening balance of the year	571,443	925,357
Defined benefit cost recognised in profit or loss		
Past service cost	–	(360)
Net interest	12,800	28,490
Defined benefit cost recognised in other comprehensive income		
Actuarial losses/(gains)	(15,729)	(59,224)
Other changes		
Benefit payments	(215,671)	(322,820)
Closing balance of the year	352,843	571,443
Including: Current portion of post-employment benefits payable (Note V. 31)	(119,668)	(164,298)
Non-current portion of post-employment benefits payable	233,175	407,145

The actuarial evaluation on the present value of liabilities in defined benefit plans for the last tranche was conducted by the independent actuarial appraiser, Willis Towers Watson Consultancy Co., Ltd, which was based on the data as of 31 December 2019, using the projected unit credit method to determine the present value and relevant service fees in defined benefit plans.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 38. Deferred income

2019:

RMB'000

Item	1 January 2019	Additions	Reductions	31 December 2019
Government grants related to assets	1,070,289	1,249,714	469,410	1,850,593
Government grants related to income	46,471	791,295	399,709	438,057
Others	1,147,023	164,926	758,379	553,570
<b>Total</b>	<b>2,263,783</b>	<b>2,205,935</b>	<b>1,627,498</b>	<b>2,842,220</b>

2018:

RMB'000

Item	1 January 2018	Additions	Reductions	31 December 2018
Government grants related to assets	148,316	975,043	53,070	1,070,289
Government grants related to income	22,304	377,049	352,882	46,471
Others	660,862	523,918	37,757	1,147,023
<b>Total</b>	<b>831,482</b>	<b>1,876,010</b>	<b>443,709</b>	<b>2,263,783</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 38. Deferred income (Continued)

As at 31 December 2019, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2019	Additions	Included in non-operating income/ other income in the year	Other changes (Note)	31 December 2019	Related to assets/ income
Sichuan Dedu Highway Project	500,000	1,217,200	—	—	1,717,200	Related to assets
Enterprise Development and Support Fund	463	214,286	(137,570)	—	77,179	Related to assets/ income
Others	616,297	609,523	(276,623)	(454,926)	494,271	—
Total	1,116,760	2,041,009	(414,193)	(454,926)	2,288,650	—

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 38. Deferred income (Continued)

As at 31 December 2018, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2018	Additions	Included in non-operating income/ other income in the year	Other changes (Note)	31 December 2018	Related to assets/ income
Sichuan Dedu Highway Project	–	500,000	–	–	500,000	Related to assets
High-tech Underground Equipment Manufacturing Project	–	387,000	–	–	387,000	Related to income
Enterprise Development and Support Fund	166	142,272	(141,398)	(577)	463	Related to assets/ income
Others	170,454	322,820	(214,642)	(49,335)	229,297	—
<b>Total</b>	<b>170,620</b>	<b>1,352,092</b>	<b>(356,040)</b>	<b>(49,912)</b>	<b>1,116,760</b>	<b>—</b>

Note: Government grants related to assets are used to offset against the carrying amount of relevant assets when relevant assets become ready for their intended use.

#### 39. Other non-current liabilities

RMB'000

Item	31 December 2019	31 December 2018
Derivatives- convertible bonds (Note V. 34 (Note 2))	244,414	850,865
Others	189,620	231,600
<b>Total</b>	<b>434,034</b>	<b>1,082,465</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 40. Share capital

2019:

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Unrestricted shares				
— RMB ordinary shares	11,258,246	—	—	11,258,246
— Overseas listed foreign shares	2,076,296	—	—	2,076,296
— National Social Security Fund	245,000	—	—	245,000
<b>Total</b>	<b>13,579,542</b>	<b>—</b>	<b>—</b>	<b>13,579,542</b>

2018:

RMB'000

Item	1 January 2018	Increase	Decrease	31 December 2018
Unrestricted shares				
— RMB ordinary shares	11,258,246	—	—	11,258,246
— Overseas listed foreign shares	2,076,296	—	—	2,076,296
— National Social Security Fund	245,000	—	—	245,000
<b>Total</b>	<b>13,579,542</b>	<b>—</b>	<b>—</b>	<b>13,579,542</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other equity instruments

RMB'000

Item		31 December 2019	31 December 2018
2016 renewable corporate bonds (First tranche)	Note 1	–	7,992,104
Convertible bond for the year of 2016	Note 2	18,336	408,129
2017 renewable loans	Note 3	–	5,000,000
2018 renewable corporate bonds	Note 4	6,992,689	6,992,689
2019 renewable corporate bonds	Note 5	11,994,417	–
2019 renewable loans	Note 6	15,201,000	–
2019 CRCC medium-term notes	Note 7	5,982,651	–
<b>Total</b>		<b>40,189,093</b>	20,392,922

*Note 1:* On 29 June 2016, the Company issued 2016 renewable corporate bonds (First tranche). The basic term was 3 years. Upon the end of the basic term or every renewal term, the Company had the right to execute the renewal option. If the Company chose not to execute the renewal option, the bonds were due when the payments are made in full. The Company chose not to execute the renewal option by the end of the basic term, and paid the principles and interests in full to China Securities Depository and Clearing Co., Ltd, Shanghai Branch by 29 June 2019 according to the terms of issuance. The Company redeemed an aggregate principal amount of RMB8,000,000,000 and recognised the difference, amounting to RMB7,896,000, between the carrying amount and the price of redemption as capital reserve.

*Note 2:* The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 and the part which was recognised as equity amounted to RMB408,129,000. On 23 December 2019, the Company redeemed an aggregate principal amount of RMB3,295,000,000 (representing approximately 95.51% of the initial aggregate principal amount) and transferred the carrying amount of the corresponding equity component, amounting to RMB389,793,000, into capital reserve. The remaining part of the convertible bond has been fully redeemed on 23 January 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other equity instruments (Continued)

*Note 3:* On 22 December 2017, the Company issued RMB5,000,000,000 in an aggregate principal amount of renewable loans which was included in other equity instruments. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the loans did not satisfy the definition of financial liabilities and recognised the loans as other equity instruments. In 2019, the Company has fully redeemed the renewable loans.

*Note 4:* In 2018, the Company issued RMB7,000,000,000 in an aggregate principal amount of renewable corporate bonds. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the bonds did not satisfy the definition of financial liabilities and recognised the bonds as other equity instruments. The net proceeds from the issuance amounting to RMB6,992,689,000, net of the relevant expenses of issuance of RMB7,311,000 were included in other equity instruments.

*Note 5:* In 2019, the Company issued RMB12,000,000,000 in an aggregate principal amount of three tranches of renewable corporate bonds. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the bonds did not satisfy the definition of financial liabilities and recognised the bonds as other equity instruments. The net proceeds from the issuance amounting to RMB11,994,417,000, net of the relevant expenses of issuance of RMB5,583,000 were included in other equity instruments.

*Note 6:* In 2019, the Company issued RMB15,201,000,000 in an aggregate principal amount of renewable loans. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the loans did not satisfy the definition of financial liabilities and recognised the loans as other equity instruments and the loans were included in other equity instruments.

*Note 7:* In 2019, the Company issued RMB6,000,000,000 in an aggregate principal amount of two tranches of medium-term notes. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the notes did not satisfy the definition of financial liabilities and recognised the notes as other equity instruments. The net proceeds from the issuance amounting to RMB5,982,651,000, net of the relevant expenses of issuance of RMB17,349,000 were included in other equity instruments.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 42. Capital reserve

2019:

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Equity transactions with non-controlling shareholders (Note 1) (Note VII.1)	(461,878)	4,020,273	681,714	2,876,681
Others (Note 2)	(506,626)	389,793	7,896	(124,729)
<b>Total</b>	<b>40,434,270</b>	<b>4,410,066</b>	<b>689,610</b>	<b>44,154,726</b>

2018:

RMB'000

Item	1 January 2018	Increase	Decrease	31 December 2018
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non- controlling interests	(467,584)	5,706	–	(461,878)
Others	(506,626)	–	–	(506,626)
<b>Total</b>	<b>40,428,564</b>	<b>5,706</b>	<b>–</b>	<b>40,434,270</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 42. Capital reserve (Continued)

*Note 1:* On 18 December 2019, the Company and its subsidiaries including China Railway 11th Bureau Group Co., Ltd., China Railway Construction Group Co., Ltd., China Railway Construction Investment Group Co., Ltd. and CRCC Kunlun Investment Group Co., Ltd. (“the Target Companies”) entered into Capital Contribution Agreements and Investment Agreements with several third-party investors. Pursuant to the agreements, the third-party investors respectively made capital contributions to the Target Companies in cash. Upon completion of the capital contribution, the Company’s shareholding proportion of the Target Companies decreased from 100% to 81.62%, 85.64%, 87.34% and 70.77% respectively, but the Company will not lose actual control over the Target Companies. The capital contributions made by the third-party investors amounted to RMB11,000,000,000 in aggregate. These transactions resulted in an increase of capital reserve amounting to RMB2,996,354,000 and an increase of non-controlling interests amounting to RMB8,003,646,000 in the consolidated financial statements of the Group as at 31 December 2019.

In December 2019, the Company’s subsidiaries including China Railway 14th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 18th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 21th Bureau Group Co., Ltd. and CRCC Urban Construction Group Co., Ltd. and their subsidiaries entered into Capital Contribution Agreements and Equity Transferring Agreements with several third-party investors. Pursuant to the agreements, the third-party investors made capital contributions amounting to RMB5,950,000,000 in aggregate to the subsidiaries. These transactions resulted in an increase of capital reserve amounting to RMB1,022,523,000 and an increase of non-controlling interests amounting to RMB4,927,477,000 in the consolidated financial statements of the Group as at 31 December 2019.

*Note 2:* The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 and the part which was recognised as equity amounted to RMB408,129,000. On 23 December 2019, the Company redeemed an aggregate principal amount of RMB3,295,000,000 (representing approximately 95.51% of the initial aggregate principal amount) and transferred the difference, amounting to RMB389,793,000, between the carrying amount and the price of redemption into capital reserve. The remaining part of the convertible bond has been fully redeemed on 23 January 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company in the consolidated statement of financial position:

RMB'000

Item	1 January 2018	Increase/ (decrease)	Less: Other comprehensive income carried forward to retained earnings	1 January	Increase/ (decrease)	Less: Other comprehensive income carried forward to retained earnings	31 December
				2019			2019
Re-measurement of defined benefit	(51,167)	60,896	603	9,126	15,729	(2,021)	26,876
Effect of deferred tax from changes in re-measurement of defined benefit	(36,094)	(12,146)	-	(48,240)	(2,714)	-	(50,954)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of investee, under the equity method	(136,130)	13,550	-	(122,580)	251,093	-	128,513
Changes in fair value of other debt investments	-	513	-	513	(417)	-	96
Changes in fair value of other equity instrument investments	700,428	(480,632)	(100)	219,896	382,311	-	602,207
Effect of deferred tax from changes in fair value of other equity instrument investments	(145,901)	100,181	-	(45,720)	(80,750)	-	(126,470)
Other comprehensive income recognised due to reclassification of financial assets	-	-	-	-	(7,785)	-	(7,785)
Effect of deferred tax from other comprehensive income recognised due to reclassification of financial assets	-	-	-	-	2,703	-	2,703
Exchange differences on translation of foreign operation	(507,015)	(21,039)	-	(528,054)	(113,186)	104	(641,344)
<b>Total</b>	<b>(175,879)</b>	<b>(338,677)</b>	<b>503</b>	<b>(515,059)</b>	<b>446,984</b>	<b>(1,917)</b>	<b>(66,158)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Other comprehensive income (Continued)

Other comprehensive income in the statement of profit or loss and other comprehensive income:

2019:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit	15,729	2,714	13,015	–
Gains/(losses) from changes in fair value of other equity instrument investments	353,903	76,481	301,561	(24,139)
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	251,093	–	251,093	–
Losses from changes in fair value of other debt investments	(417)	–	(417)	–
Other comprehensive income recognised due to reclassification of financial assets	(10,327)	(2,703)	(5,082)	(2,542)
Exchange differences on translation of foreign operations	(111,992)	–	(113,186)	1,194
<b>Total</b>	<b>497,989</b>	<b>76,492</b>	<b>446,984</b>	<b>(25,487)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Other comprehensive income (Continued)

2018:

	<i>RMB'000</i>			
Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit	59,224	12,146	48,750	(1,672)
Losses from changes in fair value of other equity instrument investments	(492,114)	(101,679)	(380,451)	(9,984)
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	13,550	–	13,550	–
Gains from changes in fair value of other debt investments	513	–	513	–
Exchange differences on translation of foreign operations	(20,962)	–	(21,039)	77
<b>Total</b>	<b>(439,789)</b>	<b>(89,533)</b>	<b>(338,677)</b>	<b>(11,579)</b>

#### 44. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the *Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation* (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III. 29.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 45. Surplus reserve

2019:

RMB'000

Item	1 January 2019	Increase	31 December 2019
Statutory surplus reserve (Note)	3,229,881	1,383,625	4,613,506

2018:

RMB'000

Item	1 January 2018	Increase	31 December 2018
Statutory surplus reserve (Note)	2,890,437	339,444	3,229,881

*Note:* In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorized to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 46. Retained earnings

Item	RMB'000	
	2019	2018
Retained earnings at the beginning of year	92,768,356	78,483,316
Net profit attributable to the owners	20,197,378	17,935,281
Less: Appropriation to statutory surplus reserve	1,383,625	339,444
Cash dividend declared for ordinary Shares ( <i>Note 1</i> )	2,851,704	2,444,317
Interest distributed to other equity instrument holders ( <i>Note 2</i> )	1,239,523	866,983
Others	(1,917)	503
Retained earnings at the end of the year ( <i>Note 3</i> )	107,488,965	92,768,356

*Note 1:* In accordance with the resolution at the 2018 annual general meeting of shareholders on 20 June 2019, the Company declared a cash dividend for the year ended 31 December 2019 of RMB0.21 per share (2018: RMB0.18 per share), which amounted to RMB2,851,704,000 (2018: RMB2,444,317,000) based on 13,579,541,500 ordinary shares in issue. The dividend has been paid on 25 July 2019 and 9 August 2019.

*Note 2:* For the year ended 31 December 2019, due to the trigger of a mandatory interest payment event, the Group accrued interest of renewable corporate bonds and renewable loans amounting of RMB1,239,523,000 (2018: RMB866,983,000).

*Note 3:* As at 31 December 2019, the Group's retained earnings include no interest of renewable corporate bonds and renewable loans (31 December 2018: RMB148,950,000) which was not accrued as mandatory interest payment events have not been triggered.

#### 47. Revenue and cost of sales

Item	2019		2018	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	824,182,647	746,000,147	726,325,658	656,255,482
Other operating revenue	6,269,510	4,364,921	3,797,387	2,455,784
Total	830,452,157	750,365,068	730,123,045	658,711,266

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 47. Revenue and cost of sales (Continued)

(1) Revenue is listed as follows:

<b>Sector</b>	<b>2019</b>	2018
Construction operations	<b>713,557,663</b>	622,822,165
Real estate development operations	<b>41,297,403</b>	36,913,777
Manufacturing operations	<b>16,379,287</b>	14,596,953
Survey, design and consultancy operations	<b>17,946,952</b>	16,295,241
Other business operations	<b>41,270,852</b>	39,494,909
<b>Total</b>	<b>830,452,157</b>	730,123,045

*RMB'000*

(2) Disaggregation of revenue:

	<b>Construction operations</b>	<b>Real estate development operations</b>	<b>Manufacturing operations</b>	<b>Survey, design and consultancy operations</b>	<b>Other business operations</b>	<b>Total</b>
Timing of revenue recognition						
Over time	713,557,663	-	-	17,096,203	4,234,640	734,888,506
A point in time	-	41,297,403	16,379,287	850,749	37,036,212	95,563,651
<b>Total</b>	713,557,663	41,297,403	16,379,287	17,946,952	41,270,852	830,452,157

*RMB'000*



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 47. Revenue and cost of sales (Continued)

- (3) The construction services provided by the Group are mainly identified as single performance obligation and met the criteria of performance obligation performed over time. As at 31 December 2019, for the construction services in progress, the transaction prices allocated to their unsatisfied (including partially unsatisfied) performance obligations are based on their performance progress over the relevant construction contract periods and would be recognised as revenue based on their performance progress in future construction contract periods.

#### 48. Taxes and surcharges

	<i>RMB'000</i>	
Item	2019	2018
City maintenance and construction tax	768,925	790,454
Stamp duty	391,191	364,656
Property tax	224,007	222,972
Others	3,249,427	3,427,798
Total	4,633,550	4,805,880

#### 49. Selling and distribution expenses

	<i>RMB'000</i>	
Item	2019	2018
Employee compensation costs	2,713,083	2,334,989
Advertising and publicity expenses	1,469,782	1,137,664
Transportation expenses	329,224	269,505
Others	920,766	689,172
Total	5,432,855	4,431,330

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 50. General and administrative expenses

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Employee compensation costs	<b>13,019,187</b>	12,200,212
Depreciation expenses of fixed assets	<b>679,006</b>	727,386
Office, travelling and transportation expenses	<b>1,227,660</b>	1,172,341
Others	<b>3,225,407</b>	3,135,693
<b>Total</b>	<b>18,151,260</b>	17,235,632

The above general and administrative expenses include audit fees for the year 2019, amounting to RMB33,364,000 (2018: RMB33,364,000).

#### 51. Research and development expenses

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Employee compensation costs and material costs	<b>16,527,801</b>	11,571,783

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 52. Finance costs

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Interest expenses	<b>11,118,265</b>	8,703,043
Less: Interest income	<b>3,982,445</b>	3,077,852
Less: Interest capitalised	<b>4,424,989</b>	3,022,879
Exchange gains	<b>(473,879)</b>	(130,803)
Bank charges and others	<b>1,395,396</b>	1,438,804
<b>Total</b>	<b>3,632,348</b>	3,910,313

The amount of capitalised interest had been included in the balances of fixed assets (Note V. 16), construction in progress (Note V. 17), intangible assets (Note V. 19) and properties under development (Note V. 8 (1)).

#### 53. Impairment losses on assets

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Losses from impairment of intangible assets	<b>(1,060,130)</b>	–
Losses from decline in value of inventories	<b>(203,081)</b>	(56,217)
Others	<b>(230,588)</b>	(123,418)
<b>Total</b>	<b>(1,493,799)</b>	(179,635)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 54. Impairment of credit losses

	<i>RMB'000</i>	
Item	2019	2018
Losses from impairment of receivables and contract assets	<b>(3,502,359)</b>	(4,254,765)
Losses from impairment of loans to customers	<b>(15,000)</b>	(38,000)
Total	(3,517,359)	(4,292,765)

#### 55. Other income

	<i>RMB'000</i>	
Item	2019	2018
Government grants relating to daily operations	<b>322,530</b>	241,778
Others	<b>92,609</b>	18,362
Total	415,139	260,140

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 56. Investment income/(losses)

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Share of profits of long-term equity investments under the equity method	<b>2,396,480</b>	1,257,184
Investment income/(loss) from disposal of long-term equity investments under the equity method	<b>166,307</b>	24,373
Gains from the remeasurement at fair values of remaining equity investments when losing controls of subsidiaries	<b>2,964</b>	10,029
Gains from the remeasurement at fair values of original equity investments when achieving controls of subsidiaries	–	98,302
Losses from derecognition of financial assets measured at amortised cost	<b>(2,908,505)</b>	(1,627,411)
Losses from derecognition of financial assets measured at fair value	–	–
Investment income from holding other equity instrument	<b>187,668</b>	65,287
Investment income from holding of held-for-trading financial assets	<b>36,902</b>	5,278
Investment income from disposal of held-for-trading financial assets	–	20,168
Others	<b>(301,852)</b>	(79,461)
<b>Total</b>	<b>(420,036)</b>	(226,251)

#### 57. Gains (Losses) on fair value changes

	<i>RMB'000</i>	
<b>Item</b>	<b>2019</b>	2018
Financial assets and liabilities at fair value through profit or loss	<b>656,543</b>	(226,347)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 58. Non-operating income

*RMB'000*

Item	2019	2018	Non-recurring profit or loss of the year
Approved unpayable balances	357,294	287,740	357,294
Gains on compensation, penalties and fines	193,443	176,532	193,443
Government grants	96,503	165,614	96,503
Gains on debt restructuring	14,939	133,650	14,939
Others	312,534	333,462	312,534
<b>Total</b>	<b>974,713</b>	1,096,998	974,713

Government grants credited to profit or loss for the period are listed as follows:

*RMB'000*

Nature	2019	2018	Related to assets/income
Enterprise development funds	227,688	141,398	Related to income
Refund of taxes	119,616	108,485	Related to income
Relocation compensation	32,270	70,623	Related to income
Others	39,459	86,886	Related to income
<b>Total</b>	<b>419,033</b>	407,392	–
Including: Other income	322,530	241,778	–
Non-operating income	96,503	165,614	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 59. Non-operating expenses

RMB'000

Item	2019	2018	Non-recurring profit or loss of the year
Loss on compensation, penalties and fines	351,321	359,491	351,321
Donations	42,328	19,025	42,328
Losses on debt restructuring	3,041	675	3,041
Others (Note)	180,152	934,311	180,152
<b>Total</b>	<b>576,842</b>	1,313,502	576,842

Note: Others for 2018 is mainly comprised of expenses related to the Separation and Transfer of "Water/Electricity/Gas Supply and Property". According to the "Notice of the Office of the State Council on the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Regarding the Guidelines Related to the Separation and Transfer of "Water/Electricity/Gas Supply and Property" in the Employee Family Area of the State-owned Enterprises" (Guobanfa [2016] No. 45), the "Notice of Management Measures on Fiscal subsidies on Separation and Transfer of "Water/Electricity/Gas Supply and Property" in the Employee Family Area of the State-owned Enterprises" (Cai Zi [2016] No.38) and other related management documents, the transfer and renovation expenses involved in the Separation and Transfer will be borne collectively by the Ministry of Finance of the Central Government, the controlling shareholder of the Company and the Company. The expenses borne by the Company is RMB710,165,000.

#### 60. Costs and expenses classified by nature

Supplementary information of the Group's costs of sales, selling and distribution expenses, general and administrative expenses, research and development expenses categorized by nature are listed as follows:

RMB'000

Item	2019	2018
Cost of services rendered	661,211,928	579,575,461
Cost of goods sold	72,949,220	66,786,831
Employee benefits	18,391,333	16,676,790
Depreciation expenses on fixed assets (Note V. 16)	14,915,406	13,173,356
Amortisation expenses on intangible assets (Note V. 19)	607,706	439,337
Depreciation expenses on right-of-use assets (Note V. 18)	2,044,679	/

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 61. Income tax expenses

	<i>RMB'000</i>	
Item	2019	2018
Current tax expenses — Mainland China	5,807,731	6,532,972
Current tax expenses — Others	111,014	43,659
Deferred tax expenses	(515,786)	(1,309,777)
Total	5,402,959	5,266,854

A reconciliation of the income tax expense applicable to profit before tax is listed as follows:

	<i>RMB'000</i>	
Item	2019	2018
Profit before tax	28,026,650	25,105,262
Income tax at the statutory income tax rate of 25% (2018: 25%)	7,006,662	6,276,316
Tax effect of preferential tax rates for some subsidiaries	(922,320)	(829,445)
Tax effect of share of profits and losses of joint ventures and associates	(599,120)	(316,274)
Effect of non-taxable income	(354,350)	(349,111)
Effect of non-deductible expenses	336,766	314,312
Effect of utilisation of unrecognised deductible tax losses	(286,635)	(464,940)
Income tax benefits on research and development expenses ( <i>Note</i> )	(1,106,615)	(953,030)
Effect of unrecognised deductible tax losses	1,112,597	1,116,199
Deductible temporary differences not recognised as deferred tax assets	190,022	430,402
Adjustments in respect of current income tax of previous years	6,379	27,024
Others	19,573	15,401
Income tax expense at the Group's effective tax rate	5,402,959	5,266,854

*Note:* Pursuant to Cai Shui [2018] No. 99, for the period from 1 January 2018 to 31 December 2020, the weighted deduction proportion of research and development expenses increased to 75%.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 61. Income tax expenses (Continued)

The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the statutory tax rate according to existing laws, interpretations and practices of the country or jurisdiction in which the Group operates.

#### 62. Earnings per share

The basic earnings per share is calculated based on the net profit for the period/year attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the period/year.

Item	<i>RMB'000</i>	
	2019	2018
Earnings		
Net profit attributable to shareholders of the Company	<b>20,197,378</b>	17,935,281
Including: profit or loss from continuing operations	<b>20,197,378</b>	17,935,281
Less: attributable to holder of other equity instruments	<b>1,239,523</b>	866,983
Net profit attributable to ordinary shareholders	<b>18,957,855</b>	17,068,298
Shares		
Number of the outstanding ordinary shares of the Company	<b>13,579,541,500</b>	13,579,541,500
Basic earnings per share ( <i>RMB/share</i> )	<b>1.40</b>	1.26
Diluted earnings per share ( <i>RMB/share</i> ) ( <i>Note</i> )	<b>1.33</b>	1.23

*Note:* A Coupon Convertible Bond at USD 500 million with the issue date on 29 January 2016 and a Coupon Convertible Bond at RMB3.45 billion with the issue date on 21 December 2016 have been taken into consideration.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 63. Notes to items in the statement of cash flows

*RMB'000*

Item	2019	2018
(1) Cash received from other operating activities:		
Rental income of fixed assets	809,958	698,621
Sale of raw materials	684,650	741,354
Government grants	419,033	425,754
Others	14,598,844	11,414,345
Total	16,512,485	13,280,074

*RMB'000*

Item	2019	2018
(2) Cash paid for other operating activities:		
Office and travelling expenses	1,556,884	1,441,846
Repair and maintenance costs	451,788	418,039
Advertising and publicity expenses	1,469,782	1,137,664
Others	7,393,711	7,564,800
Total	10,872,165	10,562,349

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 63. Notes to items in the statement of cash flows (Continued)

<i>RMB'000</i>		
<b>Item</b>	<b>2019</b>	2018
(3) Cash received from other financing activities: Cash receipts from supply chain asset support special projects	<b>6,507,000</b>	4,700,000
<b>Total</b>	<b>6,507,000</b>	4,700,000

<i>RMB'000</i>		
<b>Item</b>	<b>2019</b>	2018
(4) Cash paid for other financing activities: Redemption of 2016 renewable corporate bonds (First tranche) ( <i>Note V. 41 (note 1)</i> )	<b>8,000,000</b>	–
Redemption of 2017 renewable loans ( <i>Note V. 41 (note 3)</i> )	<b>5,000,000</b>	–
Principles and interests of lease liabilities	<b>1,970,045</b>	–
Others	<b>10,000</b>	–
<b>Total</b>	<b>14,980,045</b>	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 64. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

Item	2019	2018
<i>RMB'000</i>		
Reconciliation of net profit to cash flows generated from operating activities:		
Net profit	22,623,691	19,838,408
Add: Impairment losses on assets	1,493,799	179,635
Impairment of credit losses	3,517,359	4,292,765
Depreciation of fixed assets	14,915,406	13,173,356
Depreciation of right-of-use assets	2,044,679	/
Amortisation of intangible assets	607,706	439,337
Amortisation of investment properties	201,900	207,411
Gains from disposal of fixed assets, intangible assets and other long-term assets	(211,564)	(444,013)
Losses/(Gains) on fair value changes	(656,543)	226,347
Finance costs	5,597,643	5,496,938
Investment income	(2,790,321)	(1,401,160)
Increase in deferred tax assets	(691,355)	(1,427,819)
Increase in deferred tax liabilities	180,975	118,042
Increase in inventories	(34,935,209)	(28,684,693)
(Increase)/Decrease in contract assets	(31,067,140)	3,091,041
Increase in operating receivables	(19,621,112)	(40,272,020)
Increase in operating payables	80,142,164	26,627,982
Increase in the deposits with the central bank	(1,346,240)	3,986,304
Net cash flows used in operating activities	40,005,838	5,447,861

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 64. Supplementary information to the consolidated statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

	<i>RMB'000</i>	
Item	2019	2018
Cash at the end of the year	<b>134,751,232</b>	128,786,704
Less: Opening balance of cash	<b>128,786,704</b>	109,326,251
Add: Closing balance of cash equivalents	<b>5,542,384</b>	1,301,013
Less: Opening balance of cash equivalents	<b>1,301,013</b>	20,066,469
Net increase in cash and cash equivalents	<b>10,205,899</b>	694,997

(2) Cash and cash equivalents

	<i>RMB'000</i>	
Item	31 December 2019	31 December 2018
Cash	<b>134,751,232</b>	128,786,704
Including: Cash on hand	<b>97,202</b>	88,145
Cash with banks/financial institutions without restriction	<b>134,654,030</b>	128,698,559
Cash equivalents	<b>5,542,384</b>	1,301,013
Closing balance of cash and cash equivalents	<b>140,293,616</b>	130,087,717

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 65. Assets with title restrictions

RMB'000

Item	31 December 2019	31 December 2018	Reason
Intangible assets	48,874,715	41,455,348	Pledged for loans
Inventories	25,222,650	14,401,283	Mortgaged for loans
Cash and bank balances	14,265,487	11,062,511	Note
Other non-current assets	4,779,563	1,888,875	Pledged for loans
Long-term receivables (mortgaged)	1,291,510	–	Mortgaged for loans
Trade receivables	1,245,243	389,222	Pledged for loans
Fixed assets	1,018,038	60,969	Mortgaged for loans
Bills receivable	562,481	–	Pledged for loans
Long-term receivables (pledged)	133,142	149,599	Pledged for loans
Construction in progress	–	48,600	Mortgaged for loans
Total	97,392,829	69,456,407	–

Note: As at 31 December 2019, the Group held frozen deposits of RMB284,785,000 (31 December 2018: RMB250,126,000), the residual amount of RMB7,423,707,000 (31 December 2018: RMB5,601,630,000) was a deposit. CRCC Finance Company Limited placed RMB6,556,995,000 (31 December 2018: RMB5,210,755,000) in the central bank as statutory reserves.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 66. Foreign currency monetary items

As at 31 December 2019:

Item	<i>RMB'000</i>		
	Closing balance of foreign currencies ( <i>'000</i> )	Exchange rate	Closing balance in RMB
Cash and bank balances			11,736,146
Including: U.S. Dollar	1,507,678	6.9762	10,517,860
Euro	65,339	7.8155	510,659
Others			707,627
Trade receivables			1,827,231
Including: U.S. Dollar	117,509	6.9762	819,765
Algeria Dinars	13,577,221	0.0584	792,706
Others			214,760
Other receivables			392,325
Including: U.S. Dollar	44,643	6.9762	311,436
Others			80,889
Trade payables			864,882
Including: U.S. Dollar	93,195	6.9762	650,144
Algeria Dinars	868,374	0.0584	50,700
Others			164,038
Other payables			216,532
Including: U.S. Dollar	16,260	6.9762	113,432
Others			103,100
Short-term loans			640,882
Including: U.S. Dollar	10,000	6.9762	69,762
Euro	31,015	7.8155	242,400
Saudi Riyal	67,280	1.8568	124,926
Qatari Riyal	78,193	1.9129	149,577
Others			54,217
Long-term loans			838,105
Including: U.S. Dollar	15,000	6.9762	104,643
Euro	93,124	7.8155	727,809
Others			5,653
Bonds payable			8,881,934
Including: U.S. Dollar	1,273,177	6.9762	8,881,934

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VI. CHANGES OF CONSOLIDATION SCOPE

In the current year, the Company invested to establish the wholly-owned subsidiaries CRCC Yellow River Investment & Construction Co., Ltd., CRCC East Investment & Construction Co., Ltd., CRCC North Investment & Construction Co., Ltd., CRCC International Investment Co., Ltd., CRCC Development Group Co., Ltd. Except the above, the consolidation scope of the Group's consolidated financial statements has no significant changes compared to last year.

### VII. EQUITY IN OTHER ENTITIES

#### 1. Subsidiaries

Particulars of the principal subsidiaries of the Company are listed as follows:

Subsidiaries acquired through establishment or investment

RMB'000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion %	
					Direct	Indirect
China Civil Engineering Construction Corporation	Beijing	Beijing	Construction	3,000,000	100.00	-
China Railway 11th Bureau Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Construction	6,162,382	81.62	-
China Railway 12th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100.00	-
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100.00	-
China Railway 14th Bureau Group Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Construction	3,110,000	100.00	-
China Railway 15th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	3,000,000	100.00	-
China Railway 16th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100.00	-
China Railway 17th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	3,021,226	100.00	-
China Railway 18th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100.00	-
China Railway 19th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100.00	-
China Railway 20th Bureau Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100.00	-
China Railway 21st Bureau Group Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Construction	2,038,000	100.00	-
China Railway 22nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	2,000,000	100.00	-
China Railway 23rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	2,000,000	100.00	-
China Railway 24th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	2,000,000	100.00	-



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion %	
					Direct	Indirect
China Railway 25th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	2,000,000	100.00	–
China Railway First Survey and Design Institute Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Survey and design	1,000,000	100.00	–
China Railway Siyuan Survey and Design Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Survey and design	1,000,000	100.00	–
China Railway Construction Group Co., Ltd.	Beijing	Beijing	Construction	3,502,971	85.64	–
China Railway Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,800,000	100.00	–
China Railway Material Group Co., Ltd.	Beijing	Beijing	Purchase and sales of goods and materials	3,000,000	100.00	–
CRCC High-tech Equipment Corporation Limited	Kunming, Yunnan	Kunming, Yunnan	Manufacturing operations	1,519,884	63.70	1.30
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development and operation	7,000,000	100.00	–
China Railway Construction Heavy Industry Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Manufacturing operations	3,855,540	99.50	0.50
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment, Construction	12,067,086	87.34	–
CRCC Finance Company Limited	Beijing	Beijing	Finance agency service	9,000,000	94.00	–
CRCC International Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100.00	–
CRCC Assets Management Co., Ltd.	Beijing	Beijing	Assets management	3,000,000	100.00	–
CRCC Urban Construction Group Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100.00	–
CRCC Kunlun Investment Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Project investment, Construction	5,087,166	70.77	–
CRCC Chongqing Investment Group Co., Ltd.	Chongqing	Chongqing	Project investment, Construction	3,000,000	100.00	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

The subsidiaries with significant non-controlling interests are listed as follows:

*RMB'000*

Subsidiary	Shareholding proportion (%)	Net profit or loss attributable to non-controlling interests	Dividends distribute to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
China Railway Construction Investment Group Co., Ltd.	12.66	288,200	291,901	9,218,849
China Railway 11th Bureau Group Co., Ltd.	18.38	370,949	739,693	4,152,259

*RMB'000*

Subsidiary	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China Railway Construction Investment Group Co., Ltd.	24,006,529	96,570,729	120,577,258	44,952,443	48,863,994	93,816,437
China Railway 11th Bureau Group Co., Ltd.	41,572,344	10,984,610	52,456,954	38,234,426	984,895	39,219,321

*RMB'000*

Subsidiary	31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China Railway Construction Investment Group Co., Ltd.	21,685,533	74,117,282	95,802,815	33,266,338	40,443,285	73,709,623
China Railway 11th Bureau Group Co., Ltd.	42,252,310	11,733,002	53,985,312	39,862,066	1,300,925	41,162,991

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

RMB'000

Subsidiary	For the year ended 31 December 2019			Net cash flows generated from operating activities
	Revenue	Net profit	Total comprehensive income	
China Railway Construction Investment Group Co., Ltd.	27,633,955	979,237	1,086,963	7,096,758
China Railway 11th Bureau Group Co., Ltd.	64,670,305	1,411,892	1,397,881	784,059

RMB'000

Subsidiary	For the year ended 31 December 2018			Net cash flows generated from operating activities
	Revenue	Net profit	Total comprehensive income	
China Railway Construction Investment Group Co., Ltd.	16,601,617	1,395,376	1,289,500	(2,966,405)
China Railway 11th Bureau Group Co., Ltd.	60,333,697	1,344,595	1,344,184	4,977,003

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

##### CRCC Yupeng Limited

The Company's subsidiary CRCC Yupeng Limited issued perpetual securities in 2014. According to the terms of the perpetual securities, the Group had no contractual obligation to deliver cash or other financial assets to the holders. The Group considered that the perpetual securities did not satisfy the definition of financial liabilities and recognised the perpetual securities as non-controlling interests in the consolidated financial statements. In August 2019, CRCC Yupeng Limited exercised the option of the redemption of the perpetual securities, and recognised the difference, amounting to RMB668,264,000, between the carrying amount and the price of redemption as capital reserve.

##### CRCC Chengan Limited

The Company's subsidiary CRCC Chengan Limited issued perpetual securities in 2019. According to the terms of the perpetual securities, the Group had no contractual obligation to deliver cash or other financial assets to the holders. The Group considered that the perpetual securities did not satisfy the definition of financial liabilities and recognised the perpetual securities as non-controlling interests amounting to RMB6,720,190,000 in the consolidated financial statements.

##### Introduction of investors for capital contributions to certain subsidiaries

In 2019, the Group introduced several third-party investors for capital contributions to the Group's certain subsidiaries. The capital contributions made by the third-party investors amounted to RMB16,950,000,000 in aggregate. The effect of the capital contributions on the non-controlling interests are stated in Note V. 42.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates

##### (1) Principle joint ventures and associates

RMB'000

Name of principle joint ventures and associates	Principal place of business	Place of registration	Principal activities	Shareholding proportion %		Measurement of joint ventures and associates
				Direct	Indirect	
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Hohhot, Inner Mongolia	Hohhot, Inner Mongolia	Rail Transit Project Investment & Development	51	-	Equity method
Sichuan Tianfu Airport Expressway Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Highway Project Investment & Management	50	-	Equity method
Hengda Real Estate (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Real estate development	49	-	Equity method
CRCC Financial Leasing Co., Ltd.	Tianjin	Tianjin	Finance lease	50	-	Equity method

##### (2) Major financial information of principle joint ventures

RMB'000

	31 December 2019/For the year ended 31 December 2019		31 December 2018/For the year ended 31 December 2018	
	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.
Current assets	2,118,045	957,208	1,079,320	1,080,189
Including: Cash and cash equivalents	738,451	885,882	14,108	1,078,891
Non-current assets	10,056,891	27,949,797	4,393,413	17,196,908
<b>Total assets</b>	<b>12,174,936</b>	<b>28,907,005</b>	5,472,733	18,277,097
Current liabilities	1,312,572	298,602	1,407,733	1,603,696
Non-current liabilities	4,560,350	22,408,403	1,000,000	12,873,401
<b>Total liabilities</b>	<b>5,872,922</b>	<b>22,707,005</b>	2,407,733	14,477,097
Non-controlling interests	-	-	-	-
Total equity attributable to owners of the company	6,302,014	6,200,000	3,065,000	3,800,000
The net assets multiplied by the shareholding proportion	3,214,027	3,100,000	1,563,150	1,900,000
Adjustment issue				
— Others	96,637	-	(323,150)	-
Carrying amount of investments in the joint ventures attributable to the Group	3,310,664	3,100,000	1,240,000	1,900,000
Dividends from joint ventures this year	-	-	-	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

(3) Major financial information of principle associates

RMB'000

	31 December 2019/For the year ended 31 December 2019		31 December 2018/For the year ended 31 December 2018	
	Hengda Real Estate (Shenzhen) Co., Ltd.	CRCC Financial Leasing Co., Ltd.	Hengda Real Estate (Shenzhen) Co., Ltd.	CRCC Financial Leasing Co., Ltd.
Total assets	10,912,457	48,565,281	-	45,305,843
Total liabilities	6,221,768	43,602,472	-	41,008,309
Non-controlling interests	-	-	-	-
Total equity attributable to owners of the company	4,690,689	4,962,809	-	4,297,534
The net assets multiplied by the shareholding proportion	2,298,438	2,481,405	-	2,148,767
Adjustment issue				
— Unrealised profits of intra-group transactions	-	(403,514)	-	(427,980)
— Others	15,068	(2,360)	-	(2,360)
Carrying amount of investments in the associates attributable to the Group	2,313,506	2,075,531	-	1,718,427
Revenue	982	4,843,951	-	3,742,798
Finance costs	420	-	-	-
Income tax expenses	-	231,932	-	152,714
Net profit	1,258	665,275	-	450,265
Other comprehensive income	-	-	-	-
Total comprehensive income	1,258	665,275	-	450,265
Dividends from associates this year	-	-	-	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

- (4) The aggregate financial information of the individually insignificant joint ventures and associates

*RMB'000*

	<b>31 December 2019</b>	31 December 2018
Joint ventures:		
Shares of net profit of the joint ventures attributable to the Group	<b>1,832,507</b>	921,082
Shares total comprehensive income of the joint ventures attributable to the Group	<b>1,832,507</b>	921,082
Carrying amount of investments in the joint ventures attributable to the Group	<b>18,073,923</b>	9,945,418
Associates:		
Shares of net profit of the associates attributable to the Group	<b>231,335</b>	110,603
Shares of other comprehensive income of the associates attributable to the Group	<b>251,093</b>	13,550
Shares of total comprehensive income of the associates attributable to the Group	<b>482,428</b>	124,153
Carrying amount of investments in the associates attributable to the Group	<b>20,771,010</b>	14,174,710

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

#### 1. Financial instruments by category

The carrying amount of each categories of financial instruments at the balance sheet date are as follows:

31 December 2019:

Financial assets

RMB'000

Item	Classified as financial assets at fair value through other comprehensive income	Designated as financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Bills receivable	–	–	–	10,305,274	10,305,274
Trade receivables	–	–	–	112,138,537	112,138,537
Receivables at FVTOCI	2,654,263	–	–	–	2,654,263
Loans and advances to customers	–	–	–	2,730,000	2,730,000
Other receivables (excluding petty cash)	–	–	–	59,544,500	59,544,500
Other current assets	–	–	–	225,545	225,545
Long-term receivables	–	–	–	60,804,614	60,804,614
Cash and bank balances	–	–	–	156,887,177	156,887,177
Held-for-trading financial assets	–	–	3,587,646	–	3,587,646
Debt investments	–	–	–	41	41
Other equity instrument investments	–	10,038,609	–	–	10,038,609
Other non-current financial assets	–	–	1,643,494	–	1,643,494
Current portion of non-current assets	101,930	–	–	10,155,380	10,257,310
<b>Total</b>	<b>2,756,193</b>	<b>10,038,609</b>	<b>5,231,140</b>	<b>412,791,068</b>	<b>430,817,010</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	42,749,266	42,749,266
Due to customers	–	3,820,235	3,820,235
Bills payable	–	69,601,977	69,601,977
Trade payables	–	325,785,304	325,785,304
Other payables	–	70,116,812	70,116,812
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable, provisions and lease liabilities)	–	32,619,894	32,619,894
Other current liabilities	–	218,000	218,000
Long-term loans	–	87,936,038	87,936,038
Bonds payable	–	26,143,894	26,143,894
Long-term payables (excluding special payables)	–	8,463,975	8,463,975
Other non-current liabilities	244,414	171,250	415,664
Total	244,414	667,626,645	667,871,059

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

31 December 2018:

Financial assets

RMB'000

Item	Classified as financial assets at fair value through other comprehensive income	Designated as financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Bills receivable	–	–	–	7,636,443	7,636,443
Trade receivables	–	–	–	99,382,305	99,382,305
Receivables at FVTOCI	2,143,802	–	–	–	2,143,802
Loans and advances to customers	–	–	–	2,145,000	2,145,000
Other receivables (excluding petty cash)	–	–	–	63,288,905	63,288,905
Other current assets	–	–	–	2,999,900	2,999,900
Long-term receivables	–	–	–	54,442,045	54,442,045
Cash and bank balances	–	–	–	143,801,598	143,801,598
Held-for-trading financial assets	–	–	3,344,458	–	3,344,458
Debt investments	–	–	–	41	41
Other debt investments	100,513	–	–	–	100,513
Other equity instrument investments	–	8,268,378	–	–	8,268,378
Other non-current financial assets	–	–	779,049	–	779,049
Current portion of non-current assets	–	–	–	5,891,453	5,891,453
<b>Total</b>	<b>2,244,315</b>	<b>8,268,378</b>	<b>4,123,507</b>	<b>379,587,690</b>	<b>394,223,890</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	61,781,084	61,781,084
Due to customers	–	5,881,497	5,881,497
Bills payable	–	51,036,428	51,036,428
Trade payables	–	274,354,876	274,354,876
Other payables	–	55,429,042	55,429,042
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	23,054,673	23,054,673
Other current liabilities	–	4,998,272	4,998,272
Long-term loans	–	69,840,477	69,840,477
Bonds payable	–	37,458,422	37,458,422
Long-term payables (excluding special payables)	–	7,042,312	7,042,312
Other non-current liabilities	850,865	231,600	1,082,465
Total	850,865	591,108,683	591,959,548

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 2. Transfer of financial assets

Transferred financial assets that are derecognised in their entirety but continuously involved

As at 31 December 2019, the Group had endorsed and discounted bank acceptance bills amounting to RMB1,098,468,000 (31 December 2018: RMB908,101,000). As at 31 December 2019, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills had been transferred. Therefore, the Group had derecognised the related bills receivable and trade payables that had been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equalled to the book value of the bills. The Group considered the fair value of continuing involvement to be not significant.

In 2019, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement and discount happens evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

In 2019, the trade receivables and long-term receivables that have been transferred but not derecognised in their entirety are stated in Note V. 5 and Note V. 12 respectively.

#### 3. Financial instrument risks

The Group's major financial instruments include loans, due to customers, bonds and convertible bonds. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities arising from operation, such as bills receivable, trade receivables, other receivables, receivables at FVTOCI, long-term receivables, bills payable, trade payables, other payables and long-term payables.

The major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. The management will hold meetings at least four times a year to analyse and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

##### Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bills receivable and trade receivables and contract assets are monitored on an ongoing basis to ensure that the Group's exposure to credit loss is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. Besides, the Group reviews collections of financial assets at each balance sheet date to ensure sufficient provisions for estimated credit loss have been made for relevant financial assets.

Other financial assets of the Group include cash and bank balances, bills receivable, receivables at FVTOCI, other receivables, debt investments, loans and advances to customers and long-term receivable. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. 3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

The Group adopts the provision matrix based on portfolio to assess the credit losses of trade receivables, except for trade receivables that are individually significant and credit-impaired. The Group's trade receivables involve a large number of customers. Aging information may reflect these customers' solvency in regard of such trade receivables. According to the credit risk characteristics of different types of customers, trade receivables are divided into several group. The Group calculates the historical actual loss rate of different aging periods based on historical data, taking into consideration of the forward-looking information like growth rate of GDP and CPI, and makes adjustments to estimate the provision rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period, the debtor's financial position and economic situation of the debtor's industry, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on ECL. For other financial assets, the Group calculates ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. This period, there is no significant change in the forward-looking information.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2019, the credit risk exposure and expected credit-impairment losses of trade receivables are disclosed as follows:

RMB'000

	Gross carrying amount		
	Not credit impaired	Credit impaired	Total
31 December 2019	113,414,382	5,337,174	118,751,556

	Impairment of credit losses		
	Not credit impaired	Credit impaired	Total
1 January 2019	1,783,842	2,922,003	4,705,845
Transferred to impairment of credit losses occurred	(41,620)	41,620	–
Provision for the year	2,151,483	788,028	2,939,511
Reversal for the year	(641,407)	(257,590)	(898,997)
Write-off for the year	–	(99,405)	(99,405)
Others	(33,935)	–	(33,935)
31 December 2019	3,218,363	3,394,656	6,613,019

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2019, there is no significant credit impaired contract asset in the Group. The Group measure the provision according to the lifetime amount of credit losses in the whole duration, based on the billing period, settlement overdue time, the financial status of the debtor and the economic situation of the industry which the debtor is located of different types of construction projects.

RMB'000

	1 January 2019	Provision for the year	Reversal for the year	Others	31 December 2019
Impairment of credit losses	5,268,738	699,399	(605,799)	8,610	5,370,948

As at 31 December 2019, the credit risk exposure and ECL of long-term receivables (including current portion of long-term receivables) generated from transactions scoped in ASBE No. 14 are disclosed as follows:

RMB'000

	Gross carrying amount		Total
	Not credit impaired	Credit impaired	
31 December 2019	39,321,461	747,596	40,069,057

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

	Impairment of credit losses		Total
	Not credit impaired	Credit impaired	
1 January 2019	80,951	351,743	432,694
Transferred to credit impaired	(544)	544	–
Provision for the year	146,718	32,723	179,441
Reversal for the year	(12,967)	(5,737)	(18,704)
Others	(21,842)	(2,445)	(24,287)
31 December 2019	192,316	376,828	569,144

As at 31 December 2019, the Group's contract assets in other non-current assets including retention receivables, A-land development receivables and other project receivables (includes retention receivables due within one year), are amounting to RMB70,199,164,000, with no credit impaired. The Group recognises loss provision amounting to RMB741,006,000 based on lifetime ECL.

As at 31 December 2019, external financial guarantees and mortgages for real estate development operations provided by the Group amounted to RMB2,589,931,000 and RMB17,712,148,000 respectively. Details of financial guarantee contracts are set out in Note XI. 3. As at 1 January 2019, management of the Group assessed overdue status of relevant borrowings, financial position of relevant debtor, and economic condition in the debtor's industry. Management is of the view that relevant credit risk of such part of financial guarantee contract had not increased significantly since initial recognition. Therefore, loss allowance for the Group's financial guarantee contracts were not determined based on the amount of lifetime ECL, but measured at the amount of the future 12-month ECL of the above financial guarantee contracts. In 2019, the Group's assessment method and significant assumptions did not change. The Group had not recognised significant expected loss allowance for guarantees and mortgages based on management's assessment.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

##### Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group already had banking facilities from several PRC banks.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2019, the Group has 39.1% of loans and bonds payable that would expire within one year (As at 31 December 2018: 44.4%).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities and lease liabilities at the balance sheet date, based on the undiscounted contractual cash flows:

RMB'000

Item	31 December 2019					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term loans	-	43,605,808	-	-	-	43,605,808
Due to customers	3,820,235	-	-	-	-	3,820,235
Bills payable	-	69,601,977	-	-	-	69,601,977
Trade payables	-	325,785,304	-	-	-	325,785,304
Other payables	-	70,116,812	-	-	-	70,116,812
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable and provisions)	-	35,565,075	-	-	-	35,565,075
Other current liabilities	-	218,000	-	-	-	218,000
Long-term loans	-	4,294,424	20,353,652	36,785,148	59,863,157	121,296,381
Bonds payable	-	1,567,074	9,492,280	17,197,757	1,229,011	29,486,122
Long-term payables (excluding special payables)	-	-	5,480,992	2,794,898	266,642	8,542,532
Lease liabilities	-	-	1,605,408	1,547,326	360,868	3,513,602
Other non-current liabilities	-	-	156,000	15,250	-	171,250
Financial guarantees (Note XI. 3) (excluding the real estate mortgage guarantee)	2,589,931	-	-	-	-	2,589,931
<b>Total</b>	<b>6,410,166</b>	<b>550,754,474</b>	<b>37,088,332</b>	<b>58,340,379</b>	<b>61,719,678</b>	<b>714,313,029</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Liquidity risk (Continued)

RMB'000

Item	31 December 2018					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term loans	-	63,157,274	-	-	-	63,157,274
Due to customers	5,881,497	-	-	-	-	5,881,497
Bills payable	-	51,036,428	-	-	-	51,036,428
Trade payables	-	274,354,876	-	-	-	274,354,876
Other payables	-	55,429,042	-	-	-	55,429,042
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	23,475,743	-	-	-	23,475,743
Other current liabilities	-	5,120,058	-	-	-	5,120,058
Long-term loans	-	3,374,077	23,466,448	16,827,343	62,731,433	106,399,301
Bonds payable	-	1,523,395	14,217,428	25,014,249	964,356	41,719,428
Long-term payables (excluding special payables)	-	38,451	4,537,798	2,375,196	256,577	7,208,022
Other non-current liabilities	-	-	231,600	-	-	231,600
Financial guarantees (Note XI. 3) (excluding the real estate mortgage guarantee)	1,649,070	-	-	-	-	1,649,070
<b>Total</b>	<b>7,530,567</b>	<b>477,509,344</b>	<b>42,453,274</b>	<b>44,216,788</b>	<b>63,952,366</b>	<b>635,662,339</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 31 December 2019, floating interest rate loans and fixed interest rate loans accounted for approximately 84.07% and 15.93% of the Group's borrowings respectively. Management would adjust the proportion of floating and fixed rate loans based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 0.25% (2018: 0.25%), with all other variables held constant, the consolidated operating results (the effect of capitalization of borrowing costs has been taken into account) would have decreased/increased by approximately RMB150,749,000 in 2019 (2018: RMB169,995,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2019 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated 0.25% (2018: 0.25%) of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year from now until the end of the next annual reporting period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk (Continued)

##### *Foreign currency risk*

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group had not entered into any hedging transactions as at 31 December 2019 in order to reduce the Group's exposure to foreign currency risk in this regard (31 December 2018: Nil).

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rates of the United States dollar, Euro and Algerian dinar, with all other variables held constant, of the Group's net profit and shareholder's equity net of tax.

2019:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	5%	29,535	29,535
Decrease in the United States dollar rate	(5%)	(29,535)	(29,535)
Increase in the Euro rate	3%	(11,027)	(11,027)
Decrease in the Euro rate	(3%)	11,027	11,027
Increase in the Algerian dinar rate	7%	63,799	63,799
Decrease in the Algerian dinar rate	(7%)	(63,799)	(63,799)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk (Continued)

*Foreign currency risk (Continued)*

2018:

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	<i>RMB'000</i>
			Total equity Increase/ (Decrease)
Increase in the United States dollar rate	4%	86,532	86,532
Decrease in the United States dollar rate	(4%)	(86,532)	(86,532)
Increase in the Euro rate	5%	(8,399)	(8,399)
Decrease in the Euro rate	(5%)	8,399	8,399
Increase in the Algerian dinar rate	6%	55,696	55,696
Decrease in the Algerian dinar rate	(6%)	(55,696)	(55,696)

The sensitivity analysis above has been determined assuming that the changes in foreign exchange rates had occurred as at 31 December 2019 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year from now until the end of the next annual reporting period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, due to customers, due to banks, other current liabilities, bills payable, trade payables, other payables, bonds payable, lease liabilities, long-term payables (excluding special payables), current portion of non-current liabilities (excluding the current portion of long-term employee benefits payable and provisions) and other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the balance sheet date are listed as follows:

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 4. Capital management (Continued)

RMB'000

Item	31 December 2019	31 December 2018
Short-term loans	<b>42,749,266</b>	61,781,084
Long-term loans	<b>87,936,038</b>	69,840,477
Due to customers	<b>3,820,235</b>	5,881,497
Bills payable	<b>69,601,977</b>	51,036,428
Trade payables	<b>325,785,304</b>	274,354,876
Other payables	<b>70,116,812</b>	55,429,042
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable and provisions)	<b>34,540,843</b>	23,054,673
Other current liabilities	<b>218,000</b>	4,998,272
Bonds payable	<b>26,143,894</b>	37,458,422
Long-term payables (excluding special payables)	<b>8,463,975</b>	7,042,312
Lease liabilities	<b>3,160,980</b>	/
Other non-current liabilities	<b>415,664</b>	1,082,465
Less: Cash and bank balances	<b>156,887,177</b>	143,801,598
Net debt	<b>516,065,811</b>	448,157,950
Attributable to shareholders' equity of the Company	<b>209,959,674</b>	169,889,912
Non-controlling interests	<b>52,061,900</b>	37,444,943
Total equity	<b>262,021,574</b>	207,334,855
Total equity and net debt	<b>778,087,385</b>	655,492,805
Gearing ratio	<b>66%</b>	68%



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IX. DISCLOSURE OF FAIR VALUE

#### 1. Assets and liabilities measured at fair value

RMB'000

31 December 2019	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables at FVTOCI	–	2,654,263	–	2,654,263
Held-for-trading financial assets	168,119	3,009,186	410,341	3,587,646
Current portion of other debt investments	–	101,930	–	101,930
Other equity instrument investments	1,969,717	160,916	7,907,976	10,038,609
Other non-current financial assets	59,733	–	1,583,761	1,643,494
Other non-current liabilities	–	–	244,414	244,414
<b>Total</b>	<b>2,197,569</b>	<b>5,926,295</b>	<b>10,146,492</b>	<b>18,270,356</b>

RMB'000

31 December 2018	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables at FVTOCI	–	2,143,802	–	2,143,802
Held-for-trading financial assets	235,657	2,964,966	143,835	3,344,458
Other debt investments	–	100,513	–	100,513
Other equity instrument investments	1,461,847	242,232	6,564,299	8,268,378
Other non-current financial assets	436	–	778,613	779,049
Other non-current liabilities	–	–	850,865	850,865
<b>Total</b>	<b>1,697,940</b>	<b>5,451,513</b>	<b>8,337,612</b>	<b>15,487,065</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 1. Assets and liabilities measured at fair value (Continued)

Quantitative information of fair value measurement at Level 2:

RMB'000

Item	Fair value as at 31 December 2019	Valuation technique(s)	Key input(s)
Receivables at FVTOCI	2,654,263	Discounted cash flows	Discount rates for bank acceptance bills in the same term
Held-for-trading financial assets	3,009,186	Discounted cash flows	Market average rate of return with the category in the same term
Current portion of other debt investments	101,930	Discounted cash flows	Market average rate of return with the category in the same term
Other equity instrument investments	160,916	Comparable listed companies	Discount rate for lack of market mobility
Total	5,926,295	—	—

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 1. Assets and liabilities measured at fair value (Continued)

Quantitative information of fair value measurement at Level 3:

RMB'000

Item	Fair value as at 31 December 2019	Valuation technique(s)	Significant unobservable input(s)
Held-for-trading financial assets	410,341	Discounted cash flows	Future cash flows discounted at rates that reflected the expected risk level
Other equity instrument investments	7,907,976	Market method	Discount rate for lack of market mobility
Other non-current financial assets — call options for unlisted entities	329,027	Binomial tree option pricing model for valuation	Unlisted entities' revenue volatility and unlisted equity investments' comparable entities' stock price volatility
Other non-current financial assets — others	1,254,734	Discounted cash flows	Future cash flows discounted at rates that reflected the expected risk level
Other non-current liabilities	244,414	Binomial tree option pricing model for valuation	Expected stock price volatility and risk-free interest rate
Total	10,146,492	—	—

Fair value of listed equity instruments is determined based on a quoted market price.

For the year of 2019, there was no transfer of fair value measurements between each level for both financial assets and financial liabilities.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB'000

Item	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Long-term loans	<b>87,936,038</b>	69,840,477	<b>88,315,870</b>	70,070,718
Bonds payable				
— Convertible bonds (Note)	<b>3,542,500</b>	7,472,604	<b>3,618,298</b>	7,478,185
— Others	<b>22,845,808</b>	31,244,812	<b>23,077,263</b>	31,261,788

Note: The carrying amounts of convertible bonds include the carrying amounts of corresponding embedded derivative instruments and equity components.

The fair value of the convertible bond is an unadjusted price quoted in an active market, which is determined by applying the first-level input value.

Fair value of long-term loans and bonds payable (excluding the convertible bonds) is determined by discounted future cash flow method, with market yield of other financial instruments with similar contractual terms, credit risk and remaining period, which used as the discount rate. As at 31 December 2019, its own default risk of long-term and short-term loans was evaluated as insignificant.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 1. Parent

RMB '000

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
CRCG	Beijing	Construction and management	9,000,000	51.13	51.13

#### 2. Subsidiaries

Please refer to Note XIV. 3(i) "Subsidiaries".

#### 3. Joint venture and associate

Company name	Related party relationship
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.	Joint venture
Jiashan Chengfa Construction & Development Co., Ltd.	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Ningbo Jingwan Investment Management Co., Ltd.	Joint venture
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Joint venture
Changzhou China Railway Blue Flame Component Co., Ltd.	Joint venture
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
Chengdu China Railway Huafu Real Estate Co., Ltd.	Joint venture
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Joint venture
Chongqing Pinjinyue Real Estate Co., Ltd.	Joint venture
Guangzhou Jingyue Bay Industry Development Co., Ltd.	Joint venture
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Joint venture
Nanjing Jingrui Real Estate Investment Co., Ltd.	Joint venture
Deqing Jingsheng Real Estate Development Co., Ltd.	Joint venture
Ningbo Jinghai Investment Management Co., Ltd.	Joint venture
Changzhou Jingrui Real Estate Development Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Tianjin Wanhe Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Beijing Ruida Real Estate Co., Ltd.	Joint venture
Beijing Xinda Real Estate Co., Ltd.	Joint venture
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Guangzhou Xintie Xinjian Investment Co., Ltd.	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Sichuan Tianfu Airport Expressway Co., Ltd.	Joint venture
Yunnan Yulin Expressway Construction Co., Ltd.	Joint venture
Yunnan Kunchu Highway Investment & Development Co., Ltd.	Joint venture
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	Joint venture
Chongqing Tiefa Jianxin Highway Co., Ltd.	Joint venture
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	Joint venture
Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.	Joint venture
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.	Joint venture
CRCC Shaanxi Highway Co., Ltd.	Joint venture
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	Joint venture
CRCC Shaanxi Meitai Expressway Co., Ltd.	Joint venture
Lin'an Changxi Investment and Construction Management Co., Ltd.	Joint venture
Wuhan Tongsui Construction & Investment Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	Joint venture
Chongqing Jianlian New Real Estate Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	Joint venture
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture
Xixian New Area Xingchengrenju Real Estate Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Dalian Jingcheng Real Estate Co., Ltd.	Joint venture
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Joint venture
Fuzhou Xincheng Real Estate Co., Ltd.	Joint venture
Guangzhou Suiyun Real Estate Co., Ltd.	Joint venture
Chongqing Yonglu Expressway Co., Ltd.	Joint venture
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	Joint venture
Changsha Yuchi River Area Development & Investment Co., Ltd.	Joint venture
Kunming Qiping Real Estate Co., Ltd.	Joint venture
Inner Mongolia Dongyun Sports Investment Co., Ltd.	Joint venture
Kunming Tiexin Construction Management Co., Ltd.	Joint venture
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	Joint venture
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate
Nanjing Daqiaobei Environmental Comprehensive Management Co., Ltd.	Associate
Jiangyang Railway Construction Hexing Highway Investment Co., Ltd.	Associate
Jiangxi Wanshui Ecology Resource Development Co., Ltd.	Associate
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	Associate
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	Associate

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Changde Yuanjiang Tunnel Co., Ltd.	Associate
Xingan Mengxingzhong Project Management Co., Ltd.	Associate
Ningxia Inter-City Railway Co., Ltd.	Associate
Yuxi China Railway Infrastructure Construction Co., Ltd.	Associate
Shaanxi Huangpu Highway Co., Ltd.	Associate
Guansu Gonghanglv Longzhang Expressway Management Co., Ltd.	Associate
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	Associate
Gansu Zhuzhong Railway Co., Ltd.	Associate
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.	Associate
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	Associate
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
Chengdu Urban Investment & Construction Technology Co., Ltd.	Associate
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	Associate
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	Associate
Guizhou China Railway Construction Engineering Investment Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	Associate
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate
Chongqing Yurong Highway Co., Ltd.	Associate
CRCC Gansu Zhangbian Highway Co., Ltd.	Associate
CRCC Xinjiang Jingxin Expressway Co., Ltd.	Associate
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
Kunming Metro Line 5 Construction & Operation Co., Ltd.	Associate
Jiaxing Jingkai Real Estate Development Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	Associate
Qingyuan Maglev Transportation Co., Ltd.	Associate
Xinjiang Taqia Highway Project Management Co., Ltd.	Associate
Hangzhou Xiashalu Tunnel Co., Ltd.	Associate
Gansu Dundang Highway Project Management Co., Ltd.	Associate
Guangxi Jingcheng Real Estate Development Co., Ltd.	Associate
Jining CRCC Sihe Road Management Co., Ltd.	Associate
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	Associate
CRCC (Shandong) Deshang Highway Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Gansu Jinhe Highway Project Management Co., Ltd.	Associate
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	Associate
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	Associate
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Associate
Hangzhou Beikong Jiandehang Investment Co., Ltd.	Associate
CRCC (Shandong) Gaodong Highway Co., Ltd.	Associate
Wuhan Lvyin Green Lawn Engineering Co., Ltd.	Associate
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
Chongqing Tiefsong Xiusong Highway Co., Ltd.	Associate
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.	Associate
Hengda Real Estate (Shenzhen) Co., Ltd.	Associate
Kunming Sanqing Highway Co., Ltd.	Associate
Kunming Fuyi Highway Co., Ltd.	Associate
Guangde CRCC Blue Ocean Longxin Investment Center (Limited Partnership)	Associate
Sichuan Jintou Project Investment Co., Ltd.	Associate
Hangzhou Jingjiang Real Estate Development Co., Ltd.	Associate
Wuhan Qingfeng Construction & Investment Co., Ltd.	Associate
Guangzhou City Zengcheng District Shunxuan Real Estate Co., Ltd.	Associate

#### 4. Other related parties

Company name	Related party relationship
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
Beijing Railway Construction Technology Magazine Co., Ltd.	Fellow subsidiary
China Railway Construction Jinli Assets Management Co., Ltd.	Fellow subsidiary



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions

		<i>RMB'000</i>	
Item		2019	2018
(1) Revenue from construction services	Note 1		
Yunnan Yulin Expressway Construction Co., Ltd.		5,844,740	3,016,082
Chongqing Tiefa Jianxin Highway Co., Ltd.		5,614,172	460,023
Hohhot Metro Line 2 Construction & Management Co., Ltd.		4,206,522	2,852,330
CRCC Shaanxi Highway Co., Ltd.		4,066,442	2,027,547
Sichuan Tianfu Airport Expressway Co., Ltd.		3,562,508	3,503,490
CRCC Xinjiang Jingxin Expressway Co., Ltd.		3,224,805	2,423,985
Chongqing Tiefa Shuanghe Expressway Co., Ltd.		2,712,472	–
Yunnan Kunchu Highway Investment & Development Co., Ltd.		2,530,372	187,552
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.		2,504,310	1,962,440
Shaanxi Huangpu Highway Co., Ltd.		2,449,455	1,823,757
CRCC (Shandong) Gaodong Highway Co., Ltd.		2,189,445	677,310
Kunming Metro Line 5 Construction & Operation Co., Ltd.		1,325,518	931,060
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		1,184,173	–
Jiayang Railway Construction Hexing Highway Investment Co., Ltd.		1,071,504	–
Guansu Gonghanglv Longzhang Expressway Management Co., Ltd.		1,035,364	–
CRCC Gansu Zhangbian Highway Co., Ltd.		1,008,206	1,513,262
Jining CRCC Sihe Road Management Co., Ltd.		941,184	–
Gansu Dundang Highway Project Management Co., Ltd.		940,828	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.		742,613	869,488
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.		731,531	178,509
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.		721,659	243,044
Jiangxi Wanshui Ecology Resource Development Co., Ltd.		586,357	–
Jiashan Chengfa Construction & Development Co., Ltd.		554,111	63,110
Ningxia Inter-City Railway Co., Ltd.		527,612	1,771
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		513,492	402,620
Changde Yuanjiang Tunnel Co., Ltd.		438,748	417,576
Changzhou Jingrui Real Estate Development Co., Ltd.		382,145	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		374,124	222,801
Tianjin China Railway Guancheng Real Estate Co., Ltd.		352,796	242,194

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions (Continued)

Item	2019	2018
(1) Revenue from construction services (Continued)		
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	325,546	332,130
Qingyuan Maglev Transportation Co., Ltd.	304,259	576,739
Xi'an China Railway Jingmao Real Estate Co., Ltd.	274,942	1,349
Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.	268,509	144,416
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	216,971	644,693
Xingan Mengxingzhong Project Management Co., Ltd.	193,984	194,703
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	156,210	125,137
Gansu Zhuzhong Railway Co., Ltd.	129,314	476,225
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	128,731	222,243
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	107,563	470,740
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	96,762	125,830
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	95,339	518,167
Chongqing Monorail Transit Engineering Co., Ltd.	48,294	98,570
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	43,168	212,914
Hunan Maglev Transportation Development Co., Ltd.	15,131	31,622
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	9,748	-
Chongqing Yurong Highway Co., Ltd.	4,592	14,475
CRCC-HC-CR15G Joint Venture	2,105	22,913
Guizhou China Railway Construction Engineering Investment Co., Ltd.	-	656,276
<b>Total</b>	<b>54,758,376</b>	<b>28,889,093</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions (Continued)

Item		2019	2018
(2) Revenue from sales of goods	Note 2		
CRCC Financial Leasing Co., Ltd.		2,018,353	2,109,300
Chongqing Tiefa Jianxin Highway Co., Ltd.		821,331	1,056,427
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		120,683	303,136
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.		8,812	3,014
<b>Total</b>		<b>2,969,179</b>	<b>3,471,877</b>
(3) Other income	Note 3		
Tianjin Wanhe Real Estate Co., Ltd.		153,969	207,667
Chengdu China Railway Huafu Real Estate Co., Ltd.		141,810	168,892
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		130,792	999
Nanjing Jingrui Real Estate Investment Co., Ltd.		118,604	117,507
Ningbo Jinghai Investment Management Co., Ltd. CRCG		94,672	142,892
Beijing Jiehai Real Estate Co., Ltd.	Note 4	91,540	77,410
Beijing Liuzhuang Real Estate Co., Ltd.		75,448	4,919
Guangzhou Baorui Real Estate Co., Ltd.		32,369	53,731
Guangzhou Baorui Real Estate Co., Ltd.		26,078	40,262
Beijing Xinda Real Estate Co., Ltd.		20,579	194,994
Guangzhou Jingyue Bay Industry Development Co., Ltd.		10,460	13,762
Chengdu Tiecheng Real Estate Co., Ltd.		1,449	15,305
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		642	6,621
Shanghai Hongjun Real Estate Co., Ltd.		–	19,725
Dalian Wancheng Zhiguang Real Estate Co., Ltd.		–	8,573
Guangzhou Hongjia Real Estate Co., Ltd.		–	7,323
Guangzhou Hongxuan Real Estate Co., Ltd.		–	1,056
Guangzhou Jingye Real Estate Co., Ltd.		–	428
Tianjin China Railway Yuhua Real Estate Co., Ltd.		–	217
<b>Total</b>		<b>898,412</b>	<b>1,082,283</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions (Continued)

Item	2019	2018
(4) Purchase of goods and receipt of services		
Changzhou China Railway Blue Flame Component Co., Ltd.	142,314	59,581
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.	61,233	41,830
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	26,892	24,840
China Railway Construction Jinli Assets Management Co., Ltd.	20,618	–
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	16,459	–
PetroChina & CRCC Petroleum Marketing Co., Ltd.	218	34,230
Total	267,734	160,481
(5) Other expenses		
CRCG	49,776	44,453
China Railway Construction Jinli Assets Management Co., Ltd.	13,792	4,518
Beijing Tongda Jingcheng Highway Co., Ltd.	3,881	3,189
Guangzhou Xintie Xinjian Investment Co., Ltd.	1,561	386
CRCC Real Estate Co., Ltd.	578	402
Beijing Xinda Real Estate Co., Ltd.	558	4
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	117	158
PetroChina & CRCC Petroleum Marketing Co., Ltd.	24	8
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	–	72,981
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	–	62
Beijing Railway Construction Technology Magazine Co., Ltd.	–	16
Total	70,287	126,177

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions (Continued)

##### (6) Related party leasing

As the lessee:

RMB'000

Lessor	Leasing asset types	Amount recognised in the current year	Amount recognised in the prior year
CRCC Financial Leasing Co., Ltd.	Machinery	1,305,238	966,147
CRCG	Buildings	80,394	74,141
China Railway Construction Jinli Assets Management Co., Ltd.	Buildings	28,500	27,051
Total	–	1,414,132	1,067,339

##### (7) Guarantees granted to a related party

31 December 2019:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,702,960	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	387,179	13 June 2019	13 June 2024	No
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2025	No
CRCC-Tongguan Investment Co., Ltd.	172,192	20 May 2015	20 November 2023	No
Chengdu Urban Investment & Construction Technology Co., Ltd.	15,000	28 April 2018	26 February 2023	No
Total	2,472,331	–	–	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Related party transactions (Continued)

##### (7) Guarantees granted to a related party (Continued)

31 December 2018:

<i>RMB'000</i>				
Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,029,480	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	296,490	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2025	No
<b>Total</b>	<b>1,520,970</b>	–	–	–

##### (8) Key management's remuneration

<i>RMB'000</i>		
<b>Item</b>	<b>2019</b>	2018
Key management's remuneration	<b>18,704</b>	10,313

*Note 1:* The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

*Note 2:* The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

*Note 3:* The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The other income from related parties was mainly interest income from loans receivable.

*Note 4:* The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

*Note 5:* The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties

RMB'000

		31 December 2019		31 December 2018	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Bills receivable</b>	Note 1				
CRCC Shaanxi Highway Co., Ltd.		220,000	220	–	–
Shaanxi Huangpu Highway Co., Ltd.		200,529	–	–	–
CRCC Financial Leasing Co., Ltd.		138,000	276	1,165,117	–
<b>Total</b>		<b>558,529</b>	<b>496</b>	1,165,117	–
<b>Trade receivables</b>	Note 1				
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.		1,536,437	8,536	188,825	378
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		936,166	1,905	–	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.		808,062	4,040	404,631	405
Qingyuan Maglev Transportation Co., Ltd.		502,141	502	390,551	391
Hohhot Metro Line 2 Construction & Management Co., Ltd.		460,839	2,304	928,501	1,857
Jianyang Railway Construction Hexing Highway Investment Co., Ltd.		320,001	320	–	–
Tianjin China Railway Guancheng Real Estate Co., Ltd.		246,821	311	9	9
CRCC Shaanxi Highway Co., Ltd.		228,597	229	952,416	952
CRCC Financial Leasing Co., Ltd.		223,799	3,228	70,486	146
Changzhou Jingrui Real Estate Development Co., Ltd.		195,394	1	–	–
CRCC Gansu Zhangbian Highway Co., Ltd.		182,495	182	904,848	905
Xingan Mengxingzhong Project Management Co., Ltd.		163,415	817	65,308	113
Shaanxi Huangpu Highway Co., Ltd.		132,683	133	539,229	539
Yuxi China Railway Infrastructure Construction Co., Ltd.		121,187	7,241	108,138	654
Chongqing Tiefa Jianxin Highway Co., Ltd.		114,481	558	950,090	1,030
Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.		105,944	208	103,968	208
Changde Yuanjiang Tunnel Co., Ltd.		83,519	84	–	–
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		81,935	410	33,874	67
Guansu Gonghanglv Longzhang Expressway Management Co., Ltd.		71,890	72	–	–
CRCC Xinjiang Jingxin Expressway Co., Ltd.		69,561	70	844,572	–
Chongqing Monorail Transit Engineering Co., Ltd.		69,037	110	73,049	73

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

		31 December 2019		31 December 2018	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Trade receivables (Continued)</b>	Note 1				
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.		61,400	61	8,932	–
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.		61,179	61	653	1
Tianjin China Railway Yuhua Real Estate Co., Ltd.		57,288	57	81,594	99
CRCC (Shandong) Gaodong Highway Co., Ltd.		53,547	54	673,255	673
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		48,498	842	165,852	706
Hunan Maglev Transportation Development Co., Ltd.		44,402	289	144,402	289
CRCC (Shandong) Deshang Highway Co., Ltd.		36,408	39	99,584	94
Lin'an Changxi Investment and Construction Management Co., Ltd.		25,145	25	26,029	–
Jiangxi Wanshui Ecology Resource Development Co., Ltd.		17,846	18	–	–
Gansu Zhuzhong Railway Co., Ltd.		6,679	3,606	556,995	–
Chengdu China Railway Huafu Real Estate Co., Ltd.		5,654	7	10,850	11
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.		4,114	15	2,469	5
Xi'an China Railway Jingmao Real Estate Co., Ltd.		3,461	3	2,779	3
Chongqing Yurong Highway Co., Ltd.		2,243	2	7,409	5
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.		2,087	160	49,462	99
Yunnan Yulin Expressway Construction Co., Ltd.		–	–	33,348	33
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.		–	–	109,941	–
Kunming Metro Line 5 Construction & Operation Co., Ltd.		–	–	4,600	5
<b>Total</b>		<b>7,084,355</b>	<b>36,500</b>	8,536,649	9,750
<b>Loans and advances to related parties</b>	Note 3				
CRCG		2,800,000	70,000	2,200,000	55,000
<b>Total</b>		<b>2,800,000</b>	<b>70,000</b>	2,200,000	55,000



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

		31 December 2019		31 December 2018	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Other receivables</b>					
Tianjin Wanhe Real Estate Co., Ltd.	Note 2	3,009,661	3,007	2,865,484	2,865
Chengdu China Railway Huafu Real Estate Co., Ltd.	Note 2	2,528,986	2,529	2,804,381	2,804
Guangzhou Xintie Xinjian Investment Co., Ltd.		1,962,977	1,963	2,749,694	863
Beijing Xinda Real Estate Co., Ltd.	Note 2	1,540,329	1,540	3,697,681	3,698
CRCC Real Estate Co., Ltd.		1,359,149	1,359	425,374	425
Ningbo Jinghai Investment Management Co., Ltd.	Note 2	1,250,378	1,250	1,906,619	1,907
Beijing Ruida Real Estate Co., Ltd.	Note 2	1,176,251	1,176	872,676	873
Guangzhou Suiyun Real Estate Co., Ltd.	Note 2	1,081,433	1,081	–	–
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.		1,048,535	1,048	75	–
Nanjing Jingrui Real Estate Investment Co., Ltd.	Note 2	982,724	983	1,024,314	1,024
Guangzhou City Zengcheng District Shunxuan Real Estate Co., Ltd.	Note 2	881,787	882	–	–
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Note 2	871,498	871	1,393,008	1,393
Ningbo Jingwan Investment Management Co., Ltd.	Note 2	769,033	769	1,370,231	1,370
Hangzhou Jingjiang Real Estate Development Co., Ltd.	Note 2	756,140	756	–	–
CRCC-Shandong Jinghu Highway Jile Co., Ltd.		740,253	740	474,382	474
CRCC Xinjiang Jingxin Expressway Co., Ltd.		736,749	737	1,720,716	1,721
CRCC (Shandong) Gaodong Highway Co., Ltd.		733,628	734	1,194,944	1,195
Kunming Qiping Real Estate Co., Ltd.	Note 2	686,471	686	301,801	302
Xixian New Area Xingchengrenju Real Estate Co., Ltd.	Note 2	661,084	661	–	–
CRCC-Tongguan Investment Co., Ltd.		565,680	566	510,902	511
Changzhou Jingrui Real Estate Development Co., Ltd.	Note 2	537,366	537	1,369,470	1,369
Nanjing Daqiaobei Environmental Comprehensive Management Co., Ltd.		450,000	19,892	–	–
Deqing Jingsheng Real Estate Development Co., Ltd.	Note 2	394,115	394	637,224	637
CRCC Gansu Zhangbian Highway Co., Ltd.		381,000	381	–	–
Beijing Jiehai Real Estate Co., Ltd.	Note 2	361,155	361	1,069,068	1,069
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.		315,000	315	–	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

	31 December 2019		31 December 2018	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Other receivables (Continued)</b>				
Qingyuan Maglev Transportation Co., Ltd.	240,329	240	-	-
Fuzhou Xincheng Real Estate Co., Ltd. Note 2	240,194	250	279,054	279
Chongqing Jianlian New Real Estate Co., Ltd. Note 2	220,161	220	238,933	239
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	197,361	6,634	176,361	-
Beijing Liuzhuang Real Estate Co., Ltd. Note 2	194,290	194	1,554,083	1,554
Chongqing Pinjinyue Real Estate Co., Ltd. Note 2	123,305	123	353,764	354
Guangzhou Baorui Real Estate Co., Ltd. Note 2	58,732	59	570,298	570
Xinjiang Taqia Highway Project Management Co., Ltd.	56,000	280	56,000	-
CRCC Shaanxi Highway Co., Ltd.	44,825	45	979,441	979
Kunming Tiexin Construction Management Co., Ltd.	20,000	20	-	-
CRCC Financial Leasing Co., Ltd.	17,192	1,051	12,623	6
Chongqing Tiefs Jianxin Highway Co., Ltd.	14,448	57	23,595	1
Chongqing Monorail Transit Engineering Co., Ltd.	6,469	6	9,526	10
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	4,083	4	200,000	200
Tianjin China Railway Yuhua Real Estate Co., Ltd.	1,500	2	5,160	5
Chengdu Tiecheng Real Estate Co., Ltd. Note 2	391	-	86,371	86
Yunnan Yulin Expressway Construction Co., Ltd.	263	-	761	1
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	233	-	24,136	48
Jiaxing Jingkai Real Estate Development Co., Ltd. Note 2	28	-	535,378	535
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	15	1	34,060	-
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd. Note 2	-	-	1,345,664	1,346
Guangzhou Jingyue Bay Industry Development Co., Ltd. Note 2	-	-	247,473	247
Tianjin China Railway Guancheng Real Estate Co., Ltd. Note 2	-	-	68,352	-
Guangxi Jingcheng Real Estate Development Co., Ltd. Note 2	-	-	45,638	-
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	-	-	30,000	30
Guangzhou Hongxuan Real Estate Co., Ltd. Note 2	-	-	7,354	7
Chongqing Tiefs Shuanghe Expressway Co., Ltd.	-	-	1,961	2
<b>Total</b>	<b>27,221,201</b>	<b>54,404</b>	33,274,030	30,999

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

		31 December 2019		31 December 2018	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Long-term receivables</b>					
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Note 2	2,783,665	5,171	5,344,453	6,242
Hengda Real Estate (Shenzhen) Co., Ltd.	Note 2	2,545,528	2,546	–	–
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.		480,000	–	150,000	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		337,959	1,690	332,925	562
Inner Mongolia Dongyun Sports Investment Co., Ltd.		305,607	306	165,690	331
Changsha Yuchi River Area Development & Investment Co., Ltd.		235,124	235	194,240	326
Changzhou Jingrui Real Estate Development Co., Ltd.	Note 2	134,417	–	–	–
CRCC Real Estate Co., Ltd.		61,130	61	–	–
Wuhan Qingfeng Construction & Investment Co., Ltd.		14,000	70	–	–
<b>Total</b>		<b>6,897,430</b>	<b>10,079</b>	<b>6,187,308</b>	<b>7,461</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

*RMB'000*

	31 December 2019	31 December 2018
<b>Bills payable</b>	Note 1	
PetroChina & CRCC Petroleum Marketing Co., Ltd.	21,038	–
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	14,658	–
<b>Total</b>	<b>35,696</b>	–
<b>Trade payables</b>	Note 1	
Changzhou China Railway Blue Flame Component Co., Ltd.	47,499	21,138
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	19,271	22,697
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	2,990	–
PetroChina & CRCC Petroleum Marketing Co., Ltd.	2,559	47,006
CRCC Financial Leasing Co., Ltd.	1,448	–
Wuhan Lvyin Green Lawn Engineering Co., Ltd.	1,390	1,868
<b>Total</b>	<b>75,157</b>	92,709
<b>Contract liabilities</b>	Note 4	
Kunming Metro Line 5 Construction & Operation Co., Ltd.	712,107	6,721
Sichuan Jintou Project Investment Co., Ltd.	400,232	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	243,065	67,872
Hangzhou Xiashalu Tunnel Co., Ltd.	164,821	–
Wuhan Tongtui Construction & Investment Co., Ltd.	140,209	–
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	139,381	–
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	120,959	337,930
Chongqing Tiefa Jianxin Highway Co., Ltd.	112,988	172,354
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	9,531	9,158
CRCC Shaanxi Highway Co., Ltd.	3,680	15,307
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	430	152,932
Gansu Jinhe Highway Project Management Co., Ltd.	–	180,314
Changde Yuanjiang Tunnel Co., Ltd.	–	64,281
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	–	33,160
<b>Total</b>	<b>2,047,403</b>	1,040,029

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

		<i>RMB'000</i>	
		31 December 2019	31 December 2018
<b>Other payables</b>	Note 1		
Hangzhou Jingbin Real Estate Co., Ltd.		984,275	1,130,475
Guangzhou Xintie Xinjian Investment Co., Ltd.		770,555	–
Hangzhou Jingke Real Estate Co., Ltd.		687,990	861,900
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.		570,811	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		451,051	525,566
Shanghai Hongjun Real Estate Co., Ltd.		380,350	426,524
CRCC Shaanxi Highway Co., Ltd.		285,680	52,101
Hangzhou Jianshen Real Estate Co., Ltd.		240,000	300,000
Xi'an China Railway Jingmao Real Estate Co., Ltd.		204,532	14,942
Guangzhou Hongjia Real Estate Co., Ltd.		186,852	87,041
Dalian Wancheng Zhiguang Real Estate Co., Ltd.		169,905	344,685
Chongqing Tiefsong Highway Co., Ltd.		137,880	228,646
Nanjing Xincheng Guanghong Real Estate Co., Ltd.		136,800	–
CRCC Financial Leasing Co., Ltd.		102,018	45,185
CRCC (Shandong) Deshang Highway Co., Ltd.		96,398	191,739
Hangzhou Jingping Real Estate Co., Ltd.		93,451	357,000
CRCC Gansu Zhangbian Highway Co., Ltd.		66,606	10,425
Guangzhou Jingye Real Estate Co., Ltd.		59,589	70,253
Chongqing Tiefsong Shuanghe Expressway Co., Ltd.		25,400	100,501
Chongqing Yonglu Expressway Co., Ltd.		17,035	4,662
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.		13,452	27,833
Dalian Jingcheng Real Estate Co., Ltd.		13,365	13,365
CRCC-HC-CR15G Joint Venture		11,211	57,179
China Railway Construction Jinli Assets Management Co., Ltd.		10,706	2,046
Hangzhou Beikong Jiandejiang Investment Co., Ltd.		9,703	122,353
Chongqing Tiefsong Jianxin Highway Co., Ltd.		7,673	414,548
Kunming Fuyi Highway Co., Ltd.		2,330	517
Kunming Sanqing Highway Co., Ltd.		858	584
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.		600	382,288

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

	<b>31 December 2019</b>	31 December 2018
<b>Other payables (Continued)</b>		
	Note 1	
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	–	119,796
CRCC	–	24,176
Changzhou China Railway Blue Flame Component Co., Ltd.	–	14,243
PetroChina & CRCC Petroleum Marketing Co., Ltd.	–	1,969
Sichuan Tianfu Airport Expressway Co., Ltd.	–	1,126
Beijing Jiehai Real Estate Co., Ltd.	–	100
<b>Total</b>	<b>5,737,076</b>	5,933,768
<b>Advances to suppliers</b>		
CRCC Financial Leasing Co., Ltd.	<b>37,766</b>	33,261
<b>Total</b>	<b>37,766</b>	33,261

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

		<i>RMB'000</i>	
		31 December 2019	31 December 2018
<b>Due to customers</b>	Note 5		
Guangzhou Xintie Xinjian Investment Co., Ltd.		1,726,348	340,381
China Railway Construction Jinli Assets Management Co., Ltd.		780,654	613,288
Jiayang Railway Construction Hexing Highway Investment Co., Ltd.		643,811	–
Beijing Tongda Jingcheng Highway Co., Ltd.		264,055	270,673
CRCC Shaanxi Meitai Expressway Co., Ltd.		214,350	–
CRCG		180,001	580,401
Ningbo Jingwan Investment Management Co., Ltd.		4,318	–
Beijing Railway Construction Technology Magazine Co., Ltd.		3,511	3,517
Qingyuan Maglev Transportation Co., Ltd.		2,274	–
Beijing Xinda Real Estate Co., Ltd.		656	1,888,105
Foshan City Shunde District Shunhao Real Estate Co., Ltd.		92	–
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		86	1,284,780
PetroChina & CRCC Petroleum Marketing Co., Ltd.		63	–
Deqing Jingsheng Real Estate Development Co., Ltd.		11	–
Hangzhou Jingping Real Estate Co., Ltd.		5	–
Chongqing Tiefsa Jianxin Highway Co., Ltd.		–	400,000
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		–	356,343
CRCC Real Estate Co., Ltd.		–	63,233
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		–	42,994
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.		–	37,782
<b>Total</b>		<b>3,820,235</b>	<b>5,881,497</b>
<b>Long-term loans (including current portion)</b>	Note 6		
CRCG		818,066	780,564
<b>Total</b>		<b>818,066</b>	<b>780,564</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Amounts due from/to related parties (Continued)

	31 December 2019	31 December 2018
<b>Lease liabilities</b>		
CRCC Financial Leasing Co., Ltd.	3,177,632	/
CRCG	62,144	/
<b>Total</b>	<b>3,239,776</b>	/
<b>Long-term payables (including current portion)</b>		
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	415,353	785,330
Guangde CRCC Blue Ocean Longxin Investment Center (Limited Partnership)	168,935	-
CRCC Financial Leasing Co., Ltd.	55,371	749,725
<b>Total</b>	<b>639,659</b>	1,535,055

*Note 1:* The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

*Note 2:* The amounts due from related parties were loans for cooperative development project from the Group's real estate development operation segments, with the interest rate agreed in the contracts.

*Note 3:* The amounts due from CRCG were borrowings from CRCC Finance Company Limited.

*Note 4:* The amounts were mainly advances from related parties and were interest-free.

*Note 5:* The amounts due to the Group's related parties were deposits in CRCC Finance Company Limited.

*Note 6:* The amounts were appropriations from the Ministry of Finance to CRCG and considered as the entrusted loans granted to the Group by CRCG. The interest rate of such entrusted loans was determined by the Loan Prime Rate published by National Interbank Funding Center.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XI. COMMITMENTS AND CONTINGENCIES

#### 1. Commitments

*RMB'000*

	<b>31 December 2019</b>	31 December 2018
<b>Contracted, but not provided for:</b>		
Capital commitments	<b>248,917</b>	290,993
Investment commitments	<b>12,921,702</b>	8,974,629
Other commitments	<b>8,061,829</b>	5,581,502
<b>Total</b>	<b>21,232,448</b>	14,847,124

#### 2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advices. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XI. COMMITMENTS AND CONTINGENCIES (Continued)

#### 3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<b>31 December 2019</b>	31 December 2018
<b>The Group</b>		
Associates	<b>2,472,331</b>	1,520,970
Other entities	<b>117,600</b>	128,100
Total	<b>2,589,931</b>	1,649,070

*RMB'000*

The above guarantees exclude guarantees in respect of the banking facilities other than mortgages. As at 31 December 2019, the Group's guarantees (excluding guarantees in respect of the banking facilities other than mortgages) amounted to RMB2,589,931,000 (31 December 2018: RMB1,649,070,000), the guarantees in respect of mortgages amounted to RMB17,712,148,000 (31 December 2018: RMB19,643,712,000). Until 31 December 2019, the guarantees rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages were granted to the purchasers of the Group's properties and secured by the mortgages.

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<b>31 December 2019</b>	31 December 2018
<b>The Company</b>		
Subsidiaries	<b>19,294,048</b>	18,009,998
Associates	<b>2,472,331</b>	1,520,970
Other entities	<b>117,600</b>	128,100
Total	<b>21,883,979</b>	19,659,068

*RMB'000*

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 31 December 2019 (31 December 2018: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

#### 1. Profit distribution

Pursuant to the resolution approved in the 36th session of the 4th board of directors meeting held on 30 March 2020, the Board of Directors proposed that cash dividends may be distributed to all shareholders by the Company at RMB2.10 per 10 shares (i.e. cash dividend of RMB0.21 per share). The cash dividend of RMB2,851,704,000 is proposed to be distributed based on the issued shares of 13,579,541,500, and the above proposal is yet to be approved by the shareholders' general meeting.

#### 2. Effect of the Epidemic of Novel Coronavirus Pneumonia

The prevention and control of the novel coronavirus pneumonia ("novel coronavirus pneumonia") has been carrying out in an orderly manner throughout the country under the joint prevention and control mechanism, and the situation of prevention and control has been preliminarily showing a trend of continuous improvement and accelerated recovery of production and living order. The Company is earnestly and substantially implementing the directive spirit of the Notice on Strengthening Scientific Prevention and Control of Novel Coronavirus Pneumonia and Doing Well in Enterprise Resumption of Operations and Production in an Orderly Manner issued by the joint prevention and control mechanism of the State Council, and promoting resumption of operations and production by area and level.

The novel coronavirus pneumonia outbreak affects the economic and social operation order of some provinces and cities, including Hubei and Wuhan, and to a certain extent, affects the construction progress of the Company's construction projects. The degree of the effect will depend on the situations of prevention and control of novel coronavirus pneumonia, promotion of work and production resumption, and implementation of various regulatory policies.

The Company will continue to pay close attention to the situation of the novel coronavirus pneumonia, evaluate and actively respond to its effect on the Company's financial status, operating results and other aspects.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS

#### 1. Segment reporting

Operating segments

For management purposes, the Group is organized into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- (3) The manufacturing operations segment engages in the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- (4) The real estate development operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises trade and logistics, finance and insurance and highway operation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Operating segments (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2019:							
Revenue from external customers	713,557,663	17,946,952	16,379,287	41,297,403	41,270,852	-	830,452,157
Inter-segment sales	10,987,438	137,934	1,725,346	-	30,586,497	(43,437,215)	-
<b>Total</b>	<b>724,545,101</b>	<b>18,084,886</b>	<b>18,104,633</b>	<b>41,297,403</b>	<b>71,857,349</b>	<b>(43,437,215)</b>	<b>830,452,157</b>
Share of profits/(losses) of joint ventures and associates	283,551	3,990	234,559	1,842,471	31,909	-	2,396,480
Impairment losses on assets and impairment of credit losses	(3,318,489)	(70,113)	(211,595)	(304,371)	(1,106,590)	-	(5,011,158)
Depreciation and amortisation	16,280,562	272,645	686,238	47,570	482,676	-	17,769,691
Profit before tax	13,468,988	3,092,885	2,093,205	6,116,617	3,525,479	(270,524)	28,026,650
Other disclosures:							
Increase in non-current assets other than long-term equity investments	18,560,632	314,095	2,248,324	695,208	13,512,346	-	35,330,605
31 December 2019 Segment assets (Note 1)	736,429,418	21,561,806	35,075,481	196,510,375	323,441,841	(231,779,708)	1,081,239,213
Segment liabilities (Note 2)	578,313,453	9,005,074	19,512,820	161,843,928	276,682,581	(226,140,217)	819,217,639
Other disclosures:							
Long-term equity investments in joint ventures and associates	40,565,019	1,436,692	1,353,113	5,062,294	1,227,516	-	49,644,634

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Operating segments (Continued)

*RMB'000*

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2018:							
Revenue from external customers	622,822,165	16,295,241	14,596,953	36,913,777	39,494,909	-	730,123,045
Inter-segment sales	11,925,876	410,657	1,885,374	-	25,112,211	(39,334,118)	-
<b>Total</b>	<b>634,748,041</b>	<b>16,705,898</b>	<b>16,482,327</b>	<b>36,913,777</b>	<b>64,607,120</b>	<b>(39,334,118)</b>	<b>730,123,045</b>
Share of profits/(losses) of joint ventures and associates	143,971	30,338	194,522	882,553	5,800	-	1,257,184
Impairment losses on assets and impairment of credit losses	(4,138,410)	(102,834)	(85,352)	(76,792)	(69,012)	-	(4,472,400)
Depreciation and amortisation	12,709,004	226,306	323,084	58,541	503,169	-	13,820,104
Profit before tax	10,943,270	2,922,143	1,997,980	5,880,947	3,443,582	(82,660)	25,105,262
Other disclosures:							
Increase in non-current assets other than long-term equity investments	18,740,377	520,119	1,416,219	197,970	12,696,956	-	33,571,641
31 December 2018 Segment assets ( <i>Note 1</i> )	599,072,020	27,761,778	34,121,477	193,315,413	247,817,568	(184,417,674)	917,670,582
Segment liabilities ( <i>Note 2</i> )	493,737,351	17,431,926	17,761,230	161,878,875	201,124,437	(181,598,092)	710,335,727
Other disclosures:							
Long-term equity investments in joint ventures and associates	23,432,055	820,481	1,094,262	3,446,206	185,551	-	28,978,555

*Note 1:* Segment assets do not include deferred tax assets of RMB5,624,947,000 (31 December 2018: RMB4,916,848,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB237,404,655,000 (31 December 2018: RMB189,334,522,000) are eliminated on consolidation.

*Note 2:* Segment liabilities do not include deferred tax liabilities of RMB507,813,000 (31 December 2018: RMB233,522,000) and corporate income tax payable of RMB2,352,430,000 (31 December 2018: RMB2,513,210,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB229,000,460,000 (31 December 2018: RMB184,344,824,000) are eliminated on consolidation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Group information

*Geographical information*

Revenue from external customers

RMB'000

	2019	2018
Mainland China	794,857,463	694,568,568
Outside Mainland China	35,594,694	35,554,477
<b>Total</b>	<b>830,452,157</b>	730,123,045

Total non-current assets (*Note*)

RMB'000

	31 December 2019	31 December 2018
Mainland China	172,548,202	137,417,430
Outside Mainland China	4,941,327	2,985,937
<b>Total</b>	<b>177,489,529</b>	140,403,367

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

*Note:* Non-current assets consisted of investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, long-term prepaid expenses and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer in 2019 (2018: nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information

##### (i) Pension scheme contributions

	<i>RMB'000</i>	
Item	2019	2018
Pension scheme contributions (defined contribution plans)	6,478,621	5,748,805
Pension scheme costs (defined benefit plans)	12,800	28,130

As at 31 December 2019, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2018: Nil).

##### (ii) Directors' and supervisors' remuneration

	<i>RMB'000</i>	
Item	2019	2018
Salaries, housing welfare and other allowances and physical benefits	2,341	1,911
Performance bonus	4,583	4,117
Defined benefit plan	755	410
Total	7,679	6,438

Name and remuneration of independent non-executive directors for the current year are as follows:

	<i>RMB'000</i>	
	2019	2018
Independent Non-executive Directors		
Mr. WANG Huacheng	204	171
Mr. Patrick SUN	177	128
Mr. CHENG Wen	60	60
Ms. Amanda Xiao Qiang LU	142	141
Total	583	500

Remuneration of independent non-executive directors for the current year is paid for their services as directors of the Company. In 2019, no other remuneration is payable to independent non-executive directors.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

##### (ii) Directors' and supervisors' remuneration (Continued)

Name and remuneration of directors and supervisors for the current year are as follows:

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
<b>2019</b>				
Executive director				
Mr. CHEN Fenjian (board chairman)	260	580	119	959
Mr. ZHUANG Shangbiao (president)	260	1,257	119	1,636
Mr. CHEN Dayang (Note 1)	226	322	113	661
Mr. LIU Ruchen	226	1,105	113	1,444
Sub-total	972	3,264	464	4,700
Non-executive director				
Mr. GE Fuxing (Note 2)	10	–	–	10
Subtotal	10	–	–	10
Independent non-executive director				
Mr. WANG Huacheng	204	–	–	204
Mr. Patrick SUN	177	–	–	177
Mr. CHENG Wen	60	–	–	60
Ms. Amanda Xiao Qiang LU	142	–	–	142
Sub-total	583	–	–	583
Supervisor				
Mr. CAO Xirui	197	677	98	972
Mr. LIU Zhengchang	289	319	98	706
Mr. KANG Fuxiang	290	323	95	708
Sub-total	776	1,319	291	2,386
Total	2,341	4,583	755	7,679

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

##### (ii) Directors' and supervisors' remuneration (Continued)

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2018				
Executive director				
Mr. MENG Fengchao (Note 3)	138	688	64	890
Mr. CHEN Fenjian (board chairman Note 4)	103	155	34	292
Mr. ZHUANG Shangbiao (president)	207	773	62	1,042
Mr. XIA Guobin (Note 5)	176	702	61	939
Mr. LIU Ruchen	176	696	60	932
Sub-total	800	3,014	281	4,095
Non-executive director				
Mr. GE Fuxing	-	-	-	-
Subtotal	-	-	-	-
Independent non-executive director				
Mr. WANG Huacheng	171	-	-	171
Mr. Patrick SUN	128	-	-	128
Mr. CHENG Wen	60	-	-	60
Ms. Amanda Xiao Qiang LU	141	-	-	141
Sub-total	500	-	-	500

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

##### (ii) Directors' and supervisors' remuneration (Continued)

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
Supervisor				
Mr. CAO Xirui	165	448	56	669
Mr. LIU Zhengchang	251	320	53	624
Mr. ZHANG Liangcai ( <i>Note 6</i> )	116	306	5	427
Mr. KANG Fuxiang ( <i>Note 7</i> )	79	29	15	123
Sub-total	611	1,103	129	1,843
Total	1,911	4,117	410	6,438

*Note 1:* On 18 June 2019, Mr. CHEN Dayang was elected as an executive director and a member of the Nomination Committee the Company at the 2018 annual general meeting of shareholders.

*Note 2:* On 17 February 2020, Mr. GE Fuxing has ceased to hold his positions as a non-executive director, a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Strategy and Investment Committee of the Company in light of his age.

*Note 3:* On 21 July 2018, Mr. MENG Fengchao has ceased to hold his positions as the chairman and an executive director of the Company in light of his age.

*Note 4:* On 17 September 2018, Mr. CHEN Fenjian was elected as an executive director of the Company at the first extraordinary general meeting of shareholders. On the same day, the eleventh meeting of the fourth session of the board of directors was held for the election of Mr. CHEN Fenjian as the Chairman of the Company.

*Note 5:* On 7 December 2018, Mr. XIA Guobin has ceased to hold his position as the executive director and a member of the Nomination Committee of the Company in light of his age.

*Note 6:* On 6 September 2018, Mr. ZHANG Liangcai has ceased to hold his position as the supervisor of the Company in light of his age.

*Note 7:* On 6 September 2018, Mr. KANG Fuxiang was elected as a supervisor at the employee representative general meeting of the fourth session of the supervisory committee of the Company.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

Top 5 paid employees

The analysis of top 5 paid employees of the Group is as follows:

	2019	2018
Employee that is neither a director nor a supervisor	5	5

Details of remuneration of the above employee that is neither a director nor a supervisor:

	2019	2018
Salaries, housing welfare and other allowances and physical benefits	1,207	1,282
Performance bonus	21,973	18,672
Defined benefit plan	1,015	316
<b>Total</b>	<b>24,195</b>	20,270

RMB'000

Number of employee that is neither a director nor a supervisor of the following remuneration ranges is as follows:

Item	2019	2018
HKD 2,500,000 to 3,000,000 (including 3,000,000)	–	–
HKD 3,000,000 to 3,500,000 (including 3,500,000)	–	3
HKD 3,500,000 to 4,000,000 (including 4,000,000)	–	1
HKD 4,500,000 to 5,000,000 (including 5,000,000)	2	–
Over HKD 5,000,000	3	1
<b>Total</b>	<b>5</b>	5

#### 3. Comparative figures

The presentation of several items have been modified to meet relevant requirements in Note III. 33. Accordingly, several comparative figures have been reclassified and restated to meet the presentation and accounting treatment requirements for this year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Trade receivables

An aging analysis of trade receivables is listed as follows:

*RMB'000*

Aging	31 December 2019	31 December 2018
Within 1 year	4,222,844	2,319,959
1 to 2 years	744,711	774,107
2 to 3 years	282,233	90,247
Over 3 years	71,878	–
<b>Subtotal</b>	<b>5,321,666</b>	<b>3,184,313</b>
Less: Impairment of credit losses	133,775	32,377
<b>Total</b>	<b>5,187,891</b>	<b>3,151,936</b>

Trade receivables and impairment of credit losses by category are listed as follows:

*RMB'000*

Category	31 December 2019				Carrying amount
	Gross carrying amount Amount	Percentage %	Impairment of credit losses Amount	Percentage %	
Impairment of credit losses assessed by credit risk portfolio	5,321,666	100.00	133,775	2.51	5,187,891
<b>Total</b>	<b>5,321,666</b>	<b>100.00</b>	<b>133,775</b>	<b>2.51</b>	<b>5,187,891</b>

*RMB'000*

Category	31 December 2018				Carrying amount
	Gross carrying amount Amount	Percentage %	Impairment of credit losses Amount	Percentage %	
Impairment of credit losses assessed by credit risk portfolio	3,184,313	100.00	32,377	1.02	3,151,936
<b>Total</b>	<b>3,184,313</b>	<b>100.00</b>	<b>32,377</b>	<b>1.02</b>	<b>3,151,936</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 1. Trade receivables (Continued)

As at 31 December 2019, trade receivables whose impairment of credit losses were assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2019			
	Gross carrying amount		Impairment of credit losses	
	Amount	Percentage	Amount	Percentage
		%		%
Within 1 year	4,222,844	79.36	22,529	0.53
1 to 2 years	744,711	13.99	36,497	4.90
2 to 3 years	282,233	5.30	56,779	20.12
Over 3 years	71,878	1.35	17,970	25.00
<b>Total</b>	<b>5,321,666</b>	<b>100.00</b>	<b>133,775</b>	<b>2.51</b>

RMB'000

Aging	31 December 2018			
	Gross carrying amount		Impairment of credit losses	
	Amount	Percentage	Amount	Percentage
		%		%
Within 1 year	2,319,959	72.86	4,641	0.20
1 to 2 years	774,107	24.31	23,223	3.00
2 to 3 years	90,247	2.83	4,513	5.00
<b>Total</b>	<b>3,184,313</b>	<b>100.00</b>	<b>32,377</b>	<b>1.02</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 1. Trade receivables (Continued)

As at 31 December 2019, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,349,962	Within 1 year	38.41
Company 2	Third party	802,093	Within 2 years	15.07
Company 3	Third party	439,923	Within 1 year	11.41
Company 4	Third party	412,723	Within 1 year	7.19
Company 5	Third party	374,618	Within 1 year	7.04
Total	—	3,379,319	—	81.38

As at 31 December 2018, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,147,228	Within 1 year	36.03
Company 2	Third party	449,877	Within 2 years	14.13
Company 3	Third party	308,243	Within 2 years	9.68
Company 4	Third party	304,670	Within 2 years	9.57
Company 5	Third party	258,427	Within 1 year	8.12
Total	—	2,468,445	—	77.53

As at 31 December 2019 and 31 December 2018, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of trade receivables.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 2. Other receivables

An aging analysis of other receivables is listed as follows:

	<b>31 December 2019</b>	<i>RMB'000</i> 31 December 2018
Aging		
Within 1 year	<b>23,522,815</b>	22,826,391
1 to 2 years	<b>1,001,822</b>	3,225,268
2 to 3 years	<b>1,013,222</b>	69,508
Over 3 years	<b>235,095</b>	165,591
Subtotal	<b>25,772,954</b>	26,286,758
Less: Impairment of credit losses	<b>5,809</b>	842
Total	<b>25,767,145</b>	26,285,916

(1) As at 31 December 2019, the Company did not have other receivables at phase II.

(2) As at 31 December 2019, the Company did not have other receivables at phase III.

In 2019, no impairment of credit losses of other receivables has been written off. (2018: Nil)



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 2. Other receivables (Continued)

As at 31 December 2019, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	9,900,000	Within 1 year	38.41
Company 2	Subsidiary	4,547,771	Within 3 years	17.65
Company 3	Subsidiary	2,941,427	Within 2 years	11.41
Company 4	Subsidiary	1,854,109	Within 1 year	7.19
Company 5	Subsidiary	1,731,001	Within 1 year	6.72
Total	–	20,974,308	–	81.38

As at 31 December 2018, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	9,901,087	Within 2 years	37.67
Company 2	Subsidiary	5,646,597	Within 1 year	21.48
Company 3	Subsidiary	3,399,829	Within 2 years	12.93
Company 4	Subsidiary	2,070,542	Within 2 years	7.88
Company 5	Subsidiary	1,772,905	Within 1 year	6.74
Total	–	22,790,960	–	86.70

As at 31 December 2019, amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of other receivables is RMB267,710,000 (2018:Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments

*RMB'000*

Item	31 December 2019	31 December 2018
Equity investment accounting for cost method		
– Subsidiaries (i)	<b>96,644,338</b>	93,806,835
Equity investment accounting for equity method		
– Interests in joint ventures (ii)	–	680,455
<b>Total</b>	<b>96,644,338</b>	94,487,290

*Note:* All the long-term equity investments are investments in unlisted companies, except for CRCC High-tech Equipment Corporation Limited.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries

RMB'000

Investee	31 December 2018 Carrying amount	Changes for the year		31 December 2019 Carrying amount	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2019 (%)	Category
		Transfer to/ Increase in investment	Decrease in investment			
China Civil Engineering Construction Corporation	2,946,507	-	-	2,946,507	100.00	Co., Ltd.
China Railway 11th Bureau Group Co., Ltd.	1,893,912	-	-	1,893,912	81.62	Co., Ltd.
China Railway 12th Bureau Group Co., Ltd.	1,957,277	-	-	1,957,277	100.00	Co., Ltd.
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	2,460,480	200,000	-	2,660,480	100.00	Co., Ltd.
China Railway 14th Bureau Group Co., Ltd.	2,130,105	-	-	2,130,105	100.00	Co., Ltd.
China Railway 15th Bureau Group Co., Ltd.	1,585,152	-	-	1,585,152	100.00	Co., Ltd.
China Railway 16th Bureau Group Co., Ltd.	1,482,412	-	-	1,482,412	100.00	Co., Ltd.
China Railway 17th Bureau Group Co., Ltd.	1,717,837	17,503	-	1,735,340	100.00	Co., Ltd.
China Railway 18th Bureau Group Co., Ltd.	1,103,234	-	-	1,103,234	100.00	Co., Ltd.
China Railway 19th Bureau Group Co., Ltd.	3,954,638	-	-	3,954,638	100.00	Co., Ltd.
China Railway 20th Bureau Group Co., Ltd.	1,615,144	-	-	1,615,144	100.00	Co., Ltd.
China Railway 21st Bureau Group Co., Ltd.	1,557,251	-	-	1,557,251	100.00	Co., Ltd.
China Railway 22nd Bureau Group Co., Ltd.	1,295,286	-	-	1,295,286	100.00	Co., Ltd.
China Railway 23rd Bureau Group Co., Ltd.	1,545,004	-	-	1,545,004	100.00	Co., Ltd.
China Railway 24th Bureau Group Co., Ltd.	1,346,917	-	-	1,346,917	100.00	Co., Ltd.
China Railway 25th Bureau Group Co., Ltd.	1,078,597	270,000	-	1,348,597	100.00	Co., Ltd.
China Railway Construction Group Co., Ltd.	2,868,346	-	-	2,868,346	85.64	Co., Ltd.
China Railway Construction Electrification Bureau Group Co., Ltd.	1,105,530	-	-	1,105,530	100.00	Co., Ltd.
China Railway Construction Real Estate Group Co., Ltd.	7,233,191	-	-	7,233,191	100.00	Co., Ltd.
China Railway First Survey and Design Institute Group Co., Ltd.	623,730	-	-	623,730	100.00	Co., Ltd.
China Railway Siyuan Survey and Design Group Co., Ltd.	1,015,309	20,000	-	1,035,309	100.00	Co., Ltd.
China Railway Fifth Survey and Design Institute Group Co., Ltd.	318,196	-	-	318,196	100.00	Co., Ltd.
China Railway Shanghai Design Institute Group Co., Ltd.	267,624	-	-	267,624	100.00	Co., Ltd.
China Railway Material Group Co., Ltd.	3,314,805	-	-	3,314,805	100.00	Co., Ltd.
CRCC High-tech Equipment Corporation Limited	1,714,797	-	-	1,714,797	63.70	Co., Ltd.
China Railway Construction Heavy Industry Co., Ltd.	4,028,004	-	-	4,028,004	99.50	Co., Ltd.
Chenghe Insurance Broker Co., Ltd.	113,290	-	-	113,290	100.00	Co., Ltd.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries (Continued)

RMB'000

Investee	31 December 2018 Carrying amount	Changes for the year		31 December 2019 Carrying amount	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2019 (%)	Category
		Transfer to/ Increase in investment	Decrease in investment			
China Railway Construction (Beijing) Business Management Co., Ltd.	28,313	-	-	28,313	100.00	Co., Ltd.
China Railway Construction Investment Group Co., Ltd.	10,538,793	-	-	10,538,793	87.34	Co., Ltd.
CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	1,385,891	-	-	1,385,891	100.00	Co., Ltd.
CRCC Finance Company Limited	8,460,000	-	-	8,460,000	94.00	Co., Ltd.
CRCC International Group Co., Ltd.	3,000,102	-	-	3,000,102	100.00	Co., Ltd.
CRCC Assets Management Co., Ltd. (Note 3)	1,520,000	-	234,314	1,285,686	100.00	Co., Ltd.
CRCC Urban Construction Group Co., Ltd.	2,000,000	-	-	2,000,000	100.00	Co., Ltd.
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	2,000,000	-	-	2,000,000	98.04	Co., Ltd.
China Railway Strait Construction Group Co., Ltd. (Note 1)	500,000	-	500,000	-	-	Co., Ltd.
CRCC Kunlun Investment Group Co., Ltd.	3,000,000	600,000	-	3,600,000	70.77	Co., Ltd.
CRCC Huabei Investment & Development Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
CRCC Southern Construction and Investment Co., Ltd. (Note 2)	1,000,000	300,000	-	1,300,000	100.00	Co., Ltd.
CRCC Chongqing Investment Group Co., Ltd.	3,000,000	-	-	3,000,000	100.00	Co., Ltd.
China Railway Maglev Transportation Investment Construction Co., Ltd. (Note 4)	700,000	-	200,000	500,000	50.00	Co., Ltd.
China Railway Construction South China Construction Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
China Railway Construction Northwest Investment & Construction Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
CRCC Beibuwan Construction and Investment Co., Ltd. (Note 2)	300,000	-	300,000	-	-	Co., Ltd.
CRCC Urban Investment & Construction Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
CRCC Cyber Informational Technology Co., Ltd.	101,161	-	-	101,161	100.00	Co., Ltd.
CRCC East Investment & Construction Co., Ltd. (Note VI)(Note 1)	-	1,000,000	-	1,000,000	100.00	Co., Ltd.
CRCC International Investment Co., Ltd. (Note VI)	-	500,000	-	500,000	50.00	Co., Ltd.
CRCC Development Group Co., Ltd. (Note VI)(Note 4)	-	600,000	-	600,000	100.00	Co., Ltd.
CRCC North Investment & Construction Co., Ltd. (Note VI)	-	20,000	-	20,000	100.00	Co., Ltd.
CRCC Yellow River Investment & Construction Co., Ltd. (Note VI)	-	310,000	-	310,000	100.00	Co., Ltd.
CRCC Investment Funds Management Co., Ltd. (Note 3)	-	234,314	-	234,314	100.00	Co., Ltd.
<b>Total</b>	<b>93,806,835</b>	<b>4,071,817</b>	<b>1,234,314</b>	<b>96,644,338</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries (Continued)

*Note 1:* The Company has transferred its shares in China Railway Strait Construction Group Co., Ltd. to the Company's subsidiary CRCC East Investment & Construction Co., Ltd. in 2019.

*Note 2:* The Company has transferred its shares in CRCC Beibuwan Construction and Investment Co., Ltd. to the Company's subsidiary CRCC Southern Construction and Investment Co., Ltd. in 2019.

*Note 3:* The Company has transferred its shares in CRCC Assets Management Co., Ltd. into direct investment in CRCC Investment Funds Management Co., Ltd. and CRCC Investment Funds Management Co., Ltd. has become the Company's subsidiary of 100% direct shareholding proportion in 2019.

*Note 4:* The Company has transferred its 20% shares in China Railway Maglev Transportation Investment Construction Co., Ltd. to the Company's subsidiary CRCC Development Group Co., Ltd. in 2019.

##### (ii) Interests in joint ventures

2019:

RMB'000

Investee	Investment cost	1 January 2019	Increase in Investment	Share of profits under equity method	Distribution of dividends	31 December 2019	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	680,455	(676,819)	(136)	(3,500)	-	-	-
Total	654,930	680,455	(676,819)	(136)	(3,500)	-	-	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (ii) Interests in joint ventures (Continued)

2018:

RMB'000

Investee	Investment cost	1 January 2018	Increase in Investment	Share of profits under equity method	Distribution of dividends	31 December 2018	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	678,396	-	2,059	-	680,455	57.29	57.29
<b>Total</b>	<b>654,930</b>	<b>678,396</b>	<b>-</b>	<b>2,059</b>	<b>-</b>	<b>680,455</b>	<b>-</b>	<b>-</b>

Note: The Company has transferred its shares in China-Africa Lekkil to the Company's subsidiary CRCC International Investment Co., Ltd. in 2019. China-Africa Lekkil is still accounted for as joint ventures by the Group and further details are stated in Note V. 13.

#### 4. Other payables

Other payables are disclosed by category:

RMB'000

Item	31 December 2019	31 December 2018
Payables for advances	21,978,284	23,832,765
Dividends payable	414,915	271,999
Guarantees and deposits	85,846	79,993
Others	881,493	1,149,176
<b>Total</b>	<b>23,360,538</b>	<b>25,333,933</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 5. Long-term loans

RMB'000

Item	31 December 2019	31 December 2018
Credit loans	3,415,448	5,750,439
Total	3,415,448	5,750,439

The maturity profile of the long-term loans as at the balance sheet date is listed as follows:

RMB'000

Item	31 December 2019	31 December 2018
Within one year or paid on demand	3,872,457	2,630,917
In the second year (inclusive)	1,088,946	3,871,002
In the third year (inclusive)	623,502	90,437
Over three years	1,703,000	1,789,000
Total	7,287,905	8,381,356

#### 6. Revenue and cost of sales

Revenue is presented as follows:

RMB'000

Item	2019	2018
Revenue from principal operations	16,468,822	16,612,311
Other operating revenue	896,785	366,527
Total	17,365,607	16,978,838

Operating cost is presented as follows:

Item	2019	2018
Operating cost	16,248,993	16,438,087
Total	16,248,993	16,438,087

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 7. Finance costs

RMB'000

Item	2019	2018
Interest expenses	2,543,016	2,410,878
Less: Interest income	2,662,929	2,332,272
Exchange (gains)/losses	89,774	309,912
Bank charges and others	16,173	58,431
Total	(13,966)	446,949

The Company's interest expenses are as follows:

RMB'000

Item	2019	2018
Interest on bank loans and other loans	1,349,879	1,163,318
Interest on corporate bonds	1,193,137	1,247,560
Total	2,543,016	2,410,878

#### 8. Investment income/(loss)

RMB'000

Item	2019	2018
Share of net profits of the joint ventures	(136)	2,059
Investment income received from long-term equity investments under cost method	12,896,826	3,907,102
Investment income received from disposal of long-term equity investments	–	17,758
Others	16,819	2,970
Total	12,913,509	3,929,889

For the year ended 31 December 2019, the investment income mentioned above was composed of investment income of RMB65,230,000 (2018: RMB12,653,000) from listed companies and RMB12,848,279,000 from unlisted companies (2018: RMB3,917,236,000).

As at 31 December 2019, the remittance of the Company's investment income was not subject to significant restriction.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 9. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB'000

Item	2019	2018
Reconciliation of net profit to cash flows from operating activities:		
Net profit	13,836,254	3,394,438
Plus: Impairment of credit losses	116,286	32,748
Depreciation of fixed assets	11,636	10,964
Amortisation of intangible assets	4,578	3,319
Amortisation of long-term prepayments	760	1,253
Depreciation of right-of-use assets	30,985	–
Profit or loss from disposal of assets	–	146
Losses on retirement of fixes assets	724	–
(Gains)/losses from changes in fair value	(624,828)	144,672
Finance costs	2,633,356	2,227,249
Investment income	(12,913,509)	(3,929,889)
Decrease in deferred tax assets	5,685	3
Increase/(decrease) in deferred tax liabilities	151,239	(44,986)
Decrease in contract assets	367,118	1,369,535
Increase in operating receivables	(8,111,206)	(8,557,159)
Increase in operating payables	1,961,273	1,353,105
Net cash flows generated from/(used in) operating activities	(2,529,649)	(3,994,602)

(2) Cash and cash equivalents

RMB'000

Item	31 December 2019	31 December 2018
Cash	15,221,695	13,393,575
Including: Cash on hand	11	36
Cash with banks/financial institutions without restrictions	15,221,684	13,393,539
Closing balance of cash and cash equivalents	15,221,695	13,393,575

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transaction

(1) Significant transactions between the Company and its related parties

<b>Item</b>	<b>2019</b>	2018
		<i>RMB'000</i>
(1) Revenue from other related party transactions Subsidiaries	<b>3,467,854</b>	2,606,002
<b>Total</b>	<b>3,467,854</b>	2,606,002
(2) Purchase of goods and receipt of services Subsidiaries	<b>16,086,661</b>	16,149,246
<b>Total</b>	<b>16,086,661</b>	16,149,246
(3) Other expenses Subsidiaries	<b>907,637</b>	810,017
Other related parties	<b>37,715</b>	37,592
<b>Total</b>	<b>945,352</b>	847,609

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transaction (Continued)

(2) Balance due to/from related parties

RMB'000

Item	31 December 2019		31 December 2018	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
Other receivables				
Subsidiaries	25,448,504	–	26,234,844	–
Other related parties	267,710	–	–	–
<b>Total</b>	<b>25,716,214</b>	<b>–</b>	<b>26,234,844</b>	<b>–</b>
Advances to suppliers				
Subsidiaries	92,657	–	372,920	–
<b>Total</b>	<b>92,657</b>	<b>–</b>	<b>372,920</b>	<b>–</b>
Cash and bank balances				
Subsidiaries	13,224,008	–	10,644,772	–
<b>Total</b>	<b>13,224,008</b>	<b>–</b>	<b>10,644,772</b>	<b>–</b>
Long-term receivables				
Subsidiaries	23,776,000	–	17,776,000	–
<b>Total</b>	<b>23,776,000</b>	<b>–</b>	<b>17,776,000</b>	<b>–</b>
Current portion of non-current assets				
Subsidiaries	8,401,000	–	8,165,000	–
<b>Total</b>	<b>8,401,000</b>	<b>–</b>	<b>8,165,000</b>	<b>–</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transaction (Continued)

(2) Balance due to/from related parties (Continued)

RMB'000

Item	31 December 2019	31 December 2018
Trade payables		
Subsidiaries	6,425,418	5,939,785
Total	6,425,418	5,939,785
Other payables		
Subsidiaries	22,036,346	23,796,132
Other related parties	–	5,180
Total	22,036,346	23,801,312
Long-term loans		
Subsidiaries	–	3,500,000
Other related parties	537,502	280,564
Total	537,502	3,780,564
Non-current liabilities due within one year		
Subsidiaries	3,581,065	–
Other related parties	280,564	500,000
Total	3,861,629	500,000
Long-term payables		
Subsidiaries	2,391,892	1,232,374
Total	2,391,892	1,232,374

# Independent Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01385

**To the shareholders of China Railway Construction Corporation Limited:**

## **I. OPINION**

We have audited the accompanying financial statements of China Railway Construction Corporation Limited ("the Company", the Company and its subsidiaries collectively referred to as "the Group"), which comprise the consolidated and the Company's statements of financial position as at 31 December 2020, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of China Railway Construction Corporation Limited give a true and fair view, in all material respects, of the consolidated and the Company's financial position as of 31 December 2020, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## **II. BASIS FOR OPINION**

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **III. KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The followings are key audit matters that we have determined to communicate in the independent auditor's report.

## Independent Auditor's Report (continued)

### III. KEY AUDIT MATTERS (Continued)

#### 1. Revenue from construction operations

##### 1.1 Description

As disclosed in Note V. 45 to the consolidated financial statements, the revenue of the Group is mainly derived from construction operations, which has significance to the consolidated financial statements. As stated in Note III.19 to the consolidated financial statements, for most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time. The revenue is recognised during the contract period according to the expected total contract revenue and total contract costs based on the performance progress, which is determined by input method. The expected total contract revenue and total contract costs shall be determined according to the contract budget of the contracted project, which shall be continuously evaluated and revised during the execution of the contract. The relevant contract budget involves the management's use of significant accounting estimations and judgements. We identified the revenue from construction operations as a key audit matter due to the fact that the accounting treatments of which require significant estimations and judgments.

##### 1.2 Audit Response

Our procedures in relation to recognition of revenue from construction operations mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls in place on budget preparation and revenue recognition of the construction operations;
- (2) Checking on a sample basis, whether the expected total contract revenue and total contract costs are consistent with the project contract and cost budget that they base on;
- (3) Checking construction costs incurred during the year by tracing to support documentation on a sample basis;
- (4) Recalculating the calculation accuracy on performance progress of construction operations by reference to construction contract ledger on a sample basis; and
- (5) Visiting the selected samples of sites of construction projects to observe the progress of the construction work, discussing with the site project managers the extent to which the construction work was completed and evaluating the reasonableness of the performance progress in record.

## Independent Auditor's Report (continued)

### III. KEY AUDIT MATTERS (Continued)

#### 2. Impairment of trade receivables and contract assets

##### 2.1 Description

As stated in Note III. 32 "Impairment of trade receivables and contract assets" to the consolidated financial statements, the Group measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually based on the evidence of credit-impairment and forward-looking information. Except for the trade receivables and contract assets whose impairment of credit losses are assessed individually, the Group's management uses provision matrix to assess expected credit losses, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical actual loss rates, taking into consideration forward-looking information. We identified the impairment of trade receivables and contract assets as a key audit matter due to its significance to the consolidated financial statements and its involvement of management's significant accounting estimations and judgements.

##### 2.2 Audit response

Our procedures in relation to the impairment of trade receivables and contract assets mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls relating to the management and impairment test of trade receivables and contract assets;
- (2) Corroborating the relevant consideration and objective evidences used by the management in assessing the expected credit losses of trade receivables and contract assets;
- (3) For trade receivables and contract assets individually assessed for expected credit losses, reviewing the supporting documentation and assessing the reasonableness of the provision determined by the management based on the customer's financial and credit status, historical payment rate and the forecast of the future financial status on a sample basis; and
- (4) For trade receivables and contract assets assessed by provision matrix based on collective credit risk characteristics for expected credit losses, assessing the reasonableness of the provision rate determined by the management, including recalculation of historical actual loss rates determined by the management, and involving our internal valuation specialists to evaluate the appropriateness of management's assessment of forward-looking information; Meanwhile, checking the appropriateness of classification of trade receivables and contract assets in the provision matrix based on collective credit risk characteristics for expected credit losses on a sample basis.

## Independent Auditor's Report (continued)

### IV. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the 2020 Annual Report, but does not include the financial statements and our independent auditor's report thereon.

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

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

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

### V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditor's Report (continued)

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Independent Auditor's Report (continued)

### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

**Deloitte Touche Tohmatsu CPA LLP**  
Shanghai China

Chinese Certified Public Accountant: **Ma Yanmei**  
(Engagement Partner)

Chinese Certified Public Accountant: **Yin Lili**  
(Engagement Partner)

30 March 2021

*This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

# Consolidated Statement of Financial Position

As at 31 December 2020

RMB'000

ASSETS	Note V	31 December 2020	31 December 2019
<b>Current assets</b>			
Cash and bank balances	1	187,997,046	156,887,177
Held-for-trading financial assets	2	587,022	3,587,646
Bills receivable	3	18,242,816	10,305,274
Receivables at FVTOCI	4	3,683,653	2,654,263
Trade receivables	5	125,696,204	112,138,537
Advances to suppliers	6	24,316,491	24,335,981
Other receivables	7	66,383,081	60,100,338
Inventories	8	232,358,730	194,891,575
Contract assets	9	165,030,475	154,903,081
Current portion of non-current assets	12, 22	16,311,081	18,109,883
Other current assets	10	20,161,207	17,900,227
<b>Total current assets</b>		<b>860,767,806</b>	755,813,982
<b>Non-current assets</b>			
Loans and advances to customers	11	2,772,645	2,730,000
Long-term receivables	12	74,472,408	60,804,614
Long-term equity investments	13	70,621,039	49,644,634
Debt investments		41	41
Other debt investments		1,003,745	–
Other non-current financial assets		2,839,530	1,643,494
Other equity instrument investments	14	10,510,397	10,038,609
Investment properties	15	7,254,240	5,357,757
Fixed assets	16	56,111,920	50,891,768
Construction in progress	17	7,552,112	5,614,803
Right-of-use assets	18	5,292,332	5,678,711
Intangible assets	19	70,372,417	59,871,943
Development expenditure		28,612	9,436
Goodwill	20	541,705	118,841
Long-term prepayments		499,927	420,477
Deferred tax assets	21	6,423,173	5,624,947
Other non-current assets	22	65,728,750	66,975,156
<b>Total non-current assets</b>		<b>382,024,993</b>	325,425,231
<b>TOTAL ASSETS</b>		<b>1,242,792,799</b>	1,081,239,213

## Consolidated Statement of Financial Position (continued)

As at 31 December 2020

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2020	31 December 2019
<b>Current liabilities</b>			
Short-term loans	23	49,879,073	42,749,266
Due to customers	24	4,815,608	3,820,235
Bills payable	25	84,290,956	69,601,977
Trade payables	26	349,327,324	325,785,304
Advances from customers		126,257	128,914
Contract liabilities	27	131,058,617	108,506,589
Employee benefits payable	28	11,973,312	11,880,367
Taxes payable	29	8,392,379	6,970,004
Other payables	30	79,595,459	70,116,812
Current portion of non-current liabilities	31	28,573,343	34,672,076
Other current liabilities	32	21,592,243	14,747,536
<b>Total current liabilities</b>		<b>769,624,571</b>	688,979,080
<b>Non-current liabilities</b>			
Long-term loans	33	111,018,145	87,936,038
Bonds payable	34	26,111,854	26,143,894
Lease liabilities	35	2,677,405	3,160,980
Long-term payables	36	13,689,068	8,563,197
Long-term employee benefits payable		151,359	233,175
Provisions		590,932	417,208
Deferred income	37	3,786,970	2,842,220
Deferred tax liabilities	21	1,378,201	507,813
Other non-current liabilities		125,204	434,034
<b>Total non-current liabilities</b>		<b>159,529,138</b>	130,238,559
<b>Total liabilities</b>		<b>929,153,709</b>	819,217,639

## Consolidated Statement of Financial Position (continued)

As at 31 December 2020

*RMB'000*

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Note V</i>	<b>31 December 2020</b>	31 December 2019
<b>Shareholders' equity</b>			
Share capital	38	<b>13,579,542</b>	13,579,542
Other equity instruments	39	<b>68,258,403</b>	40,189,093
Capital reserve	40	<b>44,158,849</b>	44,154,726
Other comprehensive income	41	<b>(1,292,262)</b>	(66,158)
Special reserve	42	<b>–</b>	–
Surplus reserve	43	<b>6,139,569</b>	4,613,506
Retained earnings	44	<b>123,453,661</b>	107,488,965
<b>Total equity attributable to owners of the Company</b>		<b>254,297,762</b>	209,959,674
<b>Non-controlling interests</b>		<b>59,341,328</b>	52,061,900
<b>Total shareholders' equity</b>		<b>313,639,090</b>	262,021,574
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,242,792,799</b>	1,081,239,213

The accompanying notes form part of the financial statements.

The financial statements have been signed by:

*Chairman of the Company:*  
**WANG Jianping**

*CFO:*  
**WANG Xiuming**

*Head of the Finance Department:*  
**GUO Shuanglai**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

RMB'000

ITEM	Note V	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Revenue</b>	45	<b>910,324,763</b>	830,452,157
Less: Cost of sales	45	<b>825,987,266</b>	750,365,068
Taxes and surcharges	46	<b>3,733,320</b>	4,633,550
Selling and distribution expenses	47	<b>5,667,867</b>	5,432,855
General and administrative expenses	48	<b>19,038,444</b>	18,151,260
Research and development expenses	49	<b>18,605,952</b>	16,527,801
Finance costs	50	<b>3,252,809</b>	3,632,348
Including: Interest expenses		<b>5,621,495</b>	6,693,276
Interest income		<b>3,684,788</b>	3,982,445
Add: Other income	53	<b>941,516</b>	415,139
Investment income/(losses)	54	<b>(929,925)</b>	(420,036)
Including: Share of profits of associates and joint ventures		<b>1,637,477</b>	2,396,480
Losses from derecognition of financial assets measured at amortised cost		<b>(2,639,464)</b>	(2,908,505)
Gains on fair value changes	55	<b>105,833</b>	656,543
Impairment losses on assets	51	<b>(1,023,339)</b>	(1,893,643)
Impairment of credit losses	52	<b>(2,701,879)</b>	(3,117,515)
Gains on disposal of assets		<b>589,278</b>	279,016
<b>Operating profit</b>		<b>31,020,589</b>	27,628,779
Add: Non-operating income	56	<b>1,068,358</b>	974,713
Less: Non-operating expenses	57	<b>598,395</b>	576,842
<b>Profit before tax</b>		<b>31,490,552</b>	28,026,650
Less: Income tax expenses	59	<b>5,781,878</b>	5,402,959
<b>Net profit</b>		<b>25,708,674</b>	22,623,691
<b>Classified by the continuity of operation</b>			
Net profit from continuing operations		<b>25,708,674</b>	22,623,691
Net profit from discontinued operations		<b>–</b>	–
<b>Classified by the ownership</b>			
Net profit attributable to owners of the Company		<b>22,392,983</b>	20,197,378
Net profit attributable to non-controlling interests		<b>3,315,691</b>	2,426,313

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2020

RMB'000

ITEM	Note V	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Other comprehensive income/(expense), net of tax</b>	41		
Other comprehensive income/(expense) attributable to owners of the Company, net of tax		<b>(1,228,318)</b>	446,984
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit, net of tax		<b>7,966</b>	13,015
Changes in fair value of other equity instrument investments		<b>15,905</b>	301,561
Other comprehensive income/(expense) to be reclassified to profit or loss			
Shares of other comprehensive income/(expense) that will be reclassified subsequently into profit or loss by the investee under equity method		<b>(197,315)</b>	251,093
Changes in fair value of other debt investments		<b>(1,164)</b>	(417)
Exchange differences on translation of foreign operations		<b>(1,054,850)</b>	(113,186)
Others		<b>1,140</b>	(5,082)
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax		<b>(15,902)</b>	(25,487)
<b>Total comprehensive income</b>		<b>24,464,454</b>	23,045,188
Including:			
Total comprehensive income attributable to owners of the Company		<b>21,164,665</b>	20,644,362
Total comprehensive income attributable to non-controlling interests		<b>3,299,789</b>	2,400,826
<b>Earnings per share:</b>			
Basic earnings per share (RMB/share)	60	<b>1.50</b>	1.40
Diluted earnings per share (RMB/share)	60	<b>1.44</b>	1.33

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

RMB'000

ITEM	Note V	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from the sale of goods or rendering of services		<b>986,032,268</b>	830,912,219
Refunds of tax		<b>106,094</b>	119,616
Net increase in due to customers and due to banks		<b>995,373</b>	–
Cash received from other operating activities	61(1)	<b>22,830,631</b>	16,512,485
Subtotal of cash inflows from operating activities		<b>1,009,964,366</b>	847,544,320
Cash paid for goods and services		<b>861,968,997</b>	702,630,596
Net increase in loans and advances to customers		<b>30,000</b>	600,000
Net decrease in due to customers and due to banks		–	2,061,262
Net increase in balances with the central bank		<b>141,291</b>	1,346,240
Cash paid to and on behalf of employees		<b>67,478,870</b>	63,879,466
Cash paid for all taxes		<b>26,214,812</b>	26,148,753
Cash paid for other operating activities	61(2)	<b>14,021,148</b>	10,872,165
Subtotal of cash outflows from operating activities		<b>969,855,118</b>	807,538,482
Net cash flows generated from operating activities	62(1)	<b>40,109,248</b>	40,005,838



## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

RMB'000

ITEM	Note V	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from disposal of investments		5,325,793	6,309,580
Cash received from investment income		1,553,930	1,023,430
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,893,816	1,258,099
Net cash received from disposal of subsidiaries		129,966	–
Cash received from other investing activities	61(3)	1,138,677	95,795
Subtotal of cash inflows from investing activities		10,042,182	8,686,904
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		31,388,189	32,264,997
Cash paid for acquisition of investments		24,205,455	23,958,633
Net increase in cash and bank balances with title restrictions		3,592,698	1,533,440
Net cash paid for acquisition of subsidiaries		–	212,883
Cash paid for other investing activities		1,153,511	885,809
Subtotal of cash outflows from investing activities		60,339,853	58,855,762
Net cash flows used in investing activities		(50,297,671)	(50,168,858)

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

RMB'000

ITEM	Note V	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received as capital contributions		35,852,026	51,276,449
Including: Cash received from non-controlling shareholders of subsidiaries		5,779,641	18,766,645
Cash received from issuing bonds		13,434,057	18,827,127
Cash received from borrowings		157,726,106	137,963,607
Cash received from other financing activities	61(4)	3,438,307	6,507,000
Subtotal of cash inflows from financing activities		210,450,496	214,574,183
Cash repayments for borrowings		148,331,534	163,071,203
Cash paid for distribution of dividends or profits and for interest expenses		19,417,459	16,324,940
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		3,068,919	1,819,328
Cash paid for other financing activities	61(5)	4,462,474	14,980,045
Subtotal of cash outflows from financing activities		172,211,467	194,376,188
Net cash flows generated from financing activities		38,239,029	20,197,995
<b>4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		(674,726)	170,924
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		27,375,880	10,205,899
Add: Cash and cash equivalents at beginning of the year	62(2)	140,293,616	130,087,717
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	62(2)	167,669,496	140,293,616

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

RMB'000

ITEM	For the year ended 31 December 2020										
	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal			
<b>I. As at 1 January 2020</b>	13,579,542	40,189,093	44,154,726	(66,158)	-	4,613,506	107,488,965	209,959,674	52,061,900	262,021,574	
<b>II. Increase/(decrease) during the year</b>	-	28,069,310	4,123	(1,226,104)	-	1,526,063	15,964,696	44,338,088	7,279,428	51,617,516	
(I) Total comprehensive income	-	-	-	(1,228,318)	-	-	22,392,983	21,164,665	3,299,789	24,464,454	
(II) Capital contributions and withdrawals by shareholders	-	28,069,310	4,123	-	-	-	(23,968)	28,049,465	6,707,790	34,757,255	
1. Capital contributions and withdrawals by shareholders	-	-	-	-	-	-	-	-	5,779,641	5,779,641	
2. Capital contributions and withdrawals by other equity instruments holders (Note V. 39)	-	28,069,310	4,123	-	-	-	-	28,087,646	-	28,087,646	
3. Acquisition of subsidiaries	-	-	-	-	-	-	-	-	976,077	976,077	
4. Others	-	-	(14,213)	-	-	-	(23,968)	(38,181)	(47,928)	(86,109)	
(III) Profit distribution	-	-	-	-	-	1,526,063	(6,402,105)	(4,876,042)	(2,728,151)	(7,604,193)	
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,526,063	(1,526,063)	-	-	-	
2. Distribution to shareholders (Note V. 44)	-	-	-	-	-	-	(4,876,042)	(4,876,042)	(2,728,151)	(7,604,193)	
(IV) Special reserve (Note V. 42)	-	-	-	-	-	-	-	-	-	-	
1. Appropriated in current year	-	-	-	-	14,356,664	-	-	14,356,664	-	14,356,664	
2. Used in current year	-	-	-	-	(14,356,664)	-	-	(14,356,664)	-	(14,356,664)	
(V) Others	-	-	-	2,214	-	-	(2,214)	-	-	-	
<b>III. As at 31 December 2020</b>	13,579,542	68,258,403	44,158,849	(1,292,262)	-	6,139,569	123,453,661	254,297,762	59,341,328	313,639,090	

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

RMB'000

ITEM	For the year ended 31 December 2019									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
<b>I. As at 1 January 2019</b>	13,579,542	20,392,922	40,434,270	(515,059)	-	3,229,881	92,768,356	169,889,912	37,444,943	207,334,855
<b>II. Increase/(decrease) during the year</b>	-	19,796,171	3,720,456	448,901	-	1,383,625	14,720,609	40,069,762	14,616,957	54,686,719
(I) Total comprehensive income	-	-	-	446,984	-	-	20,197,378	20,644,362	2,400,826	23,045,188
(II) Capital contributions and withdrawals by shareholders	-	19,796,171	3,720,456	-	-	-	-	23,516,627	14,708,804	38,225,431
1. Capital contributions and withdrawals by shareholders	-	-	-	-	-	-	-	-	11,974,506	11,974,506
2. Capital contributions and withdrawals by other equity instruments holders (Note V. 39)	-	20,185,964	(7,896)	-	-	-	-	20,178,068	-	20,178,068
3. Equity transactions with non-controlling shareholders (Note V. 40)	-	-	3,338,559	-	-	-	-	3,338,559	2,734,298	6,072,857
4. Others (Note V. 39)	-	(389,793)	389,793	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	1,383,625	(5,474,852)	(4,091,227)	(2,492,673)	(6,583,900)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,383,625	(1,383,625)	-	-	-
2. Distribution to shareholders (Note V. 44)	-	-	-	-	-	-	(4,091,227)	(4,091,227)	(2,492,673)	(6,583,900)
(IV) Special reserve (Note V. 42)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	12,436,845	-	-	12,436,845	-	12,436,845
2. Used in current year	-	-	-	-	(12,436,845)	-	-	(12,436,845)	-	(12,436,845)
(V) Others	-	-	-	1,917	-	-	(1,917)	-	-	-
<b>III. As at 31 December 2019</b>	13,579,542	40,189,093	44,154,726	(66,158)	-	4,613,506	107,488,965	209,959,674	52,061,900	262,021,574

# The Company's Statement of Financial Position

As at 31 December 2020

		<i>RMB'000</i>	
<b>ASSETS</b>	<i>Note XIV</i>	<b>31 December 2020</b>	31 December 2019
<b>Current assets</b>			
Cash and bank balances		<b>30,836,880</b>	15,303,074
Held-for-trading financial assets		<b>83,507</b>	54,086
Trade receivables	1	<b>4,612,950</b>	5,187,891
Advances to suppliers		<b>168,857</b>	93,263
Other receivables	2	<b>18,417,241</b>	25,767,145
Inventories		<b>1,293</b>	–
Contract assets		<b>1,592,534</b>	309,861
Current portion of non-current assets		<b>7,171,490</b>	8,501,726
Other current assets		<b>173,663</b>	155,106
<b>Total current assets</b>		<b>63,058,415</b>	55,372,152
<b>Non-current assets</b>			
Long-term receivables		<b>36,883,640</b>	23,776,000
Long-term equity investments	3	<b>102,169,338</b>	96,644,338
Other equity instrument investments		<b>312,650</b>	364,646
Fixed assets		<b>39,531</b>	32,278
Construction in progress		<b>48,427</b>	29,691
Right-of-use assets		<b>34,292</b>	63,547
Intangible assets		<b>71,440</b>	49,036
Long-term prepayments		<b>1,028</b>	–
Deferred tax assets		<b>345</b>	348
Other non-current assets		<b>2,759,277</b>	2,640,297
<b>Total non-current assets</b>		<b>142,319,968</b>	123,600,181
<b>TOTAL ASSETS</b>		<b>205,378,383</b>	178,972,333

## The Company's Statement of Financial Position (continued)

As at 31 December 2020

RMB'000

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Note XIV</i>	<b>31 December 2020</b>	31 December 2019
<b>Current liabilities</b>			
Trade payables		<b>8,346,413</b>	6,498,216
Contract liabilities		<b>581,359</b>	168,538
Employee benefits payable		<b>90,818</b>	75,578
Taxes payable		<b>113,785</b>	71,000
Other payables	4	<b>22,109,546</b>	23,360,538
Current portion of non-current liabilities		<b>6,023,106</b>	14,396,304
Other current liabilities		<b>454,682</b>	414,417
<b>Total current liabilities</b>		<b>37,719,709</b>	44,984,591
<b>Non-current liabilities</b>			
Long-term loans	5	<b>2,632,066</b>	3,415,448
Bonds payable	Note V. 34	–	3,298,086
Lease liabilities		<b>1,816</b>	33,295
Long-term payables		<b>2,020,885</b>	2,417,169
Long-term employee benefits payable		<b>11,380</b>	12,440
Deferred tax liabilities		<b>187,805</b>	193,204
Deferred income		<b>141</b>	970
Other non-current liabilities		–	244,414
<b>Total non-current liabilities</b>		<b>4,854,093</b>	9,615,026
<b>Total liabilities</b>		<b>42,573,802</b>	54,599,617
<b>Shareholders' equity</b>			
Share capital	Note V. 38	<b>13,579,542</b>	13,579,542
Capital reserve		<b>46,893,785</b>	46,875,449
Other comprehensive income		<b>68,794</b>	109,164
Other equity instruments	Note V. 39	<b>68,258,403</b>	40,189,093
Special reserve		–	–
Surplus reserve	Note V. 43	<b>6,139,569</b>	4,613,506
Retained earnings		<b>27,864,488</b>	19,005,962
<b>Total shareholders' equity</b>		<b>162,804,581</b>	124,372,716
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>205,378,383</b>	178,972,333

# The Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

RMB'000

ITEM	Note XIV	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Revenue</b>	6	<b>16,481,078</b>	17,365,607
Less: Cost of sales	6	<b>16,158,319</b>	16,248,993
Taxes and surcharges		<b>8,386</b>	6,494
Selling and distribution expenses		<b>24,931</b>	26,846
General and administrative expenses		<b>457,553</b>	483,619
Research and development expenses		<b>60,165</b>	55,790
Finance costs	7	<b>(2,722,862)</b>	(13,966)
Including: Interest expenses		<b>1,292,984</b>	2,543,016
Interest income		<b>3,254,489</b>	2,662,929
Add: Other income		<b>6,116</b>	654
Investment income	8	<b>12,486,411</b>	12,913,509
Including: Share of losses of joint ventures		–	(136)
Gains on fair value changes		<b>273,835</b>	624,828
Impairment losses on assets		<b>(6,141)</b>	–
Impairment of credit losses		<b>(39,210)</b>	(116,286)
Gains on disposal of assets		<b>8</b>	–
<b>Operating profit</b>		<b>15,215,605</b>	13,980,536
Add: Non-operating income		<b>56,651</b>	15,151
Less: Non-operating expenses		<b>3,210</b>	1,839
<b>Profit before tax</b>		<b>15,269,046</b>	13,993,848
Less: Income tax expenses		<b>8,415</b>	157,594
<b>Net profit</b>		<b>15,260,631</b>	13,836,254
<b>Classified by the continuity of operation</b>			
Net profit from continuing operations		<b>15,260,631</b>	13,836,254
Net profit from discontinued operations		–	–
<b>Other comprehensive income/(expense), net of tax</b>		<b>(40,370)</b>	23,872
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit plan, net of tax		<b>(1,373)</b>	(525)
Changes in fair value of other equity instrument investments		<b>(38,997)</b>	24,397
<b>Total comprehensive income</b>		<b>15,220,261</b>	13,860,126

# The Company's Statement of Cash Flows

For the year ended 31 December 2020

RMB'000

ITEM	Note XIV	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from the sale of goods or rendering of services		17,238,350	16,406,737
Cash received from other operating activities		14,854,902	35,203,341
Subtotal of cash inflows from operating activities		32,093,252	51,610,078
Cash paid for goods and services		15,335,489	15,470,066
Cash paid to and on behalf of employees		307,029	288,618
Cash paid for all taxes		157,237	125,348
Cash paid for other operating activities		13,484,911	38,255,695
Subtotal of cash outflows from operating activities		29,284,666	54,139,727
Net cash flows generated from/(used in) operating activities	9(1)	2,808,586	(2,529,649)
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from investment income		8,774,706	10,438,829
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		21	-
Subtotal of cash inflows from investing activities		8,774,727	10,438,829
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		70,344	43,446
Cash paid for acquisition of investments		5,525,000	2,328,128
Net increase in cash and bank balances with title restrictions		947,110	67,179
Subtotal of cash outflows from investing activities		6,542,454	2,438,753
Net cash flows generated from investing activities		2,232,273	8,000,076



## The Company's Statement of Cash Flows (continued)

For the year ended 31 December 2020

RMB'000

ITEM	Note XIV	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received as capital contributions		30,088,646	33,178,069
Cash received from borrowings		1,405,564	7,537,502
Cash received from issuing bonds		–	7,000,000
Subtotal of cash inflows from financing activities		31,494,210	47,715,571
Cash repayments for borrowings		14,027,610	32,925,904
Cash paid for distribution of dividends or profits and for interest expenses		5,725,393	5,496,166
Cash paid for other financing activities		2,034,211	13,043,538
Subtotal of cash outflows from financing activities		21,787,214	51,465,608
Net cash flows generated from/(used in) financing activities		9,706,996	(3,750,037)
<b>4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		(161,159)	107,730
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		14,586,696	1,828,120
Add: Opening Balance of Cash and Cash Equivalents	9(2)	15,221,695	13,393,575
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	9(2)	29,808,391	15,221,695

# The Company's Statement of Changes in Equity

For the year ended 31 December 2020

RMB'000

ITEM	For the year ended 31 December 2020							Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
<b>I. As at 1 January 2020</b>	13,579,542	40,189,093	46,875,449	109,164	-	4,613,506	19,005,962	124,372,716
<b>II. Increase/(decrease) during the year</b>	-	28,069,310	18,336	(40,370)	-	1,526,063	8,858,526	38,431,865
(I) Total comprehensive income	-	-	-	(40,370)	-	-	15,260,631	15,220,261
(II) Capital contributions and withdrawals by shareholders	-	28,069,310	18,336	-	-	-	-	28,087,646
1. Capital contributions and withdrawals by other equity instruments holders (Note V. 39)	-	28,069,310	18,336	-	-	-	-	28,087,646
(III) Profit distribution	-	-	-	-	-	1,526,063	(6,402,105)	(4,876,042)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,526,063	(1,526,063)	-
2. Distribution to shareholders (Note V. 44)	-	-	-	-	-	-	(4,876,042)	(4,876,042)
(IV) Special reserve (Note V. 42)	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	320,182	-	-	320,182
2. Used in current year	-	-	-	-	(320,182)	-	-	(320,182)
<b>III. As at 31 December 2020</b>	13,579,542	68,258,403	46,893,785	68,794	-	6,139,569	27,864,488	162,804,581

# The Company's Statement of Changes in Equity (continued)

For the year ended 31 December 2020

RMB'000

ITEM	For the year ended 31 December 2019							Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
<b>I. As at 1 January 2019</b>	13,579,542	20,392,922	46,493,552	85,292	-	3,229,881	10,644,560	94,425,749
<b>II. Increase/(decrease) during the year</b>	-	19,796,171	381,897	23,872	-	1,383,625	8,361,402	29,946,967
(I) Total comprehensive income	-	-	-	23,872	-	-	13,836,254	13,860,126
(II) Capital contributions and withdrawals by shareholders	-	19,796,171	381,897	-	-	-	-	20,178,068
1. Capital contributions and withdrawals by other equity instruments holders (Note V. 39)	-	20,185,964	(7,896)	-	-	-	-	20,178,068
2. Others (Note V. 39)	-	(389,793)	389,793	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	1,383,625	(5,474,852)	(4,091,227)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	1,383,625	(1,383,625)	-
2. Distribution to shareholders (Note V. 44)	-	-	-	-	-	-	(4,091,227)	(4,091,227)
(IV) Special reserve (Note V. 42)	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	317,516	-	-	317,516
2. Used in current year	-	-	-	-	(317,516)	-	-	(317,516)
<b>III. As at 31 December 2019</b>	13,579,542	40,189,093	46,875,449	109,164	-	4,613,506	19,005,962	124,372,716

# Notes to the Financial Statements

For the year ended 31 December 2020

## I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”) on 5 November 2007. The Company’s shares, have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of the Company’s head office is located at East No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of construction operations, survey, design and consultancy operations, trade and logistics, manufacturing operations and real estate development operations.

The Company’s parent and ultimate holding company is China Railway Construction Corporation (referred to as the “Controlling Shareholder”), a company registered in PRC.

These financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2021.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by the Group on a going-concern basis in accordance with *Accounting Standards for Business Enterprises* and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”). In addition, the financial statements are also disclosed in accordance with *Information Disclosure and Presentation Rules for Companies Public offering Securities No. 15 – General Provisions on Financial Reporting* (revised by China Securities Regulatory Commission in 2014).

In accordance with the *Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong* issued by the Hong Kong Stock Exchange in December 2010, the corresponding amendments to the Hong Kong Listing Rules, as well as the relevant documents issued by the Ministry of Finance and China Securities Regulatory Commission, the Company ceased to provide financial reports prepared in accordance with *Accounting Standards for Business Enterprises and International Financial Reporting Standards* separately to A-share shareholders and H-share shareholders from the year of 2011 with the approval of the Company’s general meeting of shareholders. Instead, the Company provides all shareholders with financial reports solely prepared in accordance with *Accounting Standards for Business Enterprises*, taking into account the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules in preparing such financial reports.

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the impairment of receivables and contract assets, the measurement of inventories, the provisions for decline in value of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the method of long-term assets impairment testing, and the policy for revenue recognition, etc.

#### 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Group and the Company as at 31 December 2020 and the consolidated and the Company's financial performance, changes in equity and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### 2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

#### 3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

#### 4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

##### 4.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the year in which they are incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 4. Business combinations (Continued)

##### 4.2 Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. Goodwill is subsequently measured at cost deducted by accumulated provision. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognises and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognised and measured on the acquisition date.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "net profit attributable to non-controlling interests" in the consolidated statement of profit or loss and other comprehensive income below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 5. Consolidated financial statements (Continued)

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (1) the aggregate of the consideration received on disposal and the fair value of any retained interest and (2) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

#### 6. Joint arrangement and joint operations

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In respect of joint operations, the Group as a party of joint operation recognises its interest in a joint operation: (1) its assets held individually and its share of assets held jointly; (2) its liabilities assumed individually and its share of liabilities assumed jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its expenses incurred individually and its share of expenses incurred jointly.

The Group measures its joint ventures under equity method, please refer to Note III. 11.3.2.

#### 7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 8. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. All differences are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year; the undistributed profit at the end of the year is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. For the financial assets that are purchased and sold under regular ways, the assets to be acquired and the liabilities to be assumed are recognised on the trade days, and the assets sold are derecognised on the trade days.

On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For trade receivables initially recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of *Accounting Standard for Business Enterprises No. 14 – Revenue* (ASBE No. 14), transaction prices shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

##### 9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

##### 9.1.1 *Financial assets measured as at amortised cost*

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable, trade receivables, other receivables, loans and advances to customers, long-term receivables (including current portion of long-term receivables) and debt investments.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial asset, except:

- (1) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- (2) For the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment no longer exists due to an improvement in credit risk of the financial instruments subsequently and such improvement is relevant to some events occurred after applying the policies mentioned above, the Group recognises interest income based on applying effective interest rate to gross carrying amount of the financial assets.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

##### 9.1.2 *Financial assets classified as at fair value through other comprehensive income (FVTOCI)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets classified as at FVTOCI are presented by the Group as other debt investments (non-current assets due within one year and are present as Current portion of non-current assets) and receivables at FVTOCI in financial statements.

Financial assets classified as at FVTOCI's relevant loss/gain on impairment and interest income based on effective interest rate are recognised in profit or loss. Except for the above circumstances, changes in fair value of such financial assets are all recognised in other comprehensive income. Such financial assets' changes that are recognised in profit or loss in each period equal to their changes that are recognised in profit or loss in each period as they are measured at amortised cost from acquisition date. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in profit or loss.

##### 9.1.3 *Financial assets designated as at fair value through other comprehensive income*

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. Financial assets designated as at fair value through other comprehensive income are presented by the Group as other equity instrument investments in financial statements.

The fair value changes of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.1 Classification and measurement of financial assets (Continued)

##### 9.1.4 Financial assets measured at fair value through profit or loss (FVTPL)

Any financial assets that does not qualify for amortised cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL. FVTPL are presented by the Group as held-for-trading financial assets and other non-current financial assets items in the statement of financial position, based on its liquidity.

The above financial assets are subsequently measured at fair value. Gains or losses arising from fair value changes and dividends and interest income in relation to such financial assets are recognised in profit or loss for the period.

##### 9.2 Impairment of financial assets

The Group recognises loss allowance for financial assets measured as at amortised cost, financial assets classified as at FVTOCI, lease receivables, contract assets and financial guarantee contracts based on expected credit losses ("ECL").

The Group measures loss allowance for contract assets, trade receivables and lease receivables based on the amount of full lifetime ECL.

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. If the credit risk of the above financial instruments has increased significantly, the Group measures loss based on the amount of ECL for their full lifetime. The increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for financial assets classified as at FVTOCI, impairment of credit losses decreases the gross carrying amount of financial assets. For financial assets classified as at FVTOCI, the Group recognises credit loss allowance in other comprehensive income and does not decrease the carrying amount of such financial assets in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, at each balance sheet date, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at each balance sheet date. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

###### 9.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group uses available, reasonable and supportable forward-looking information, to compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: Whether the actual or expected operating results of the debtor have changed significantly; Whether supervisory, economic or technical environment for the debtor has significant detrimental changes; Whether value of collateral against debt mortgage or guarantee/ credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default; Whether the debtor's expected performance and repayment activities have changed significantly; Whether the Group's financial instrument management measures have changed, etc.

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to low credit risk. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

##### 9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or overdue in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) Other objective evidences indicating the impairment of financial assets.

##### 9.2.3 Measurement and recognition of ECL

The Group recognises credit losses for lease receivables and financial guarantee contracts on an individual basis. For trade receivables and contract assets, the Group individually assesses credit losses for those individually significant and credit-impaired and uses provision matrix to assess credit losses for the remaining. For other financial assets measured as at amortised cost and financial assets measured at fair value through other comprehensive income, the Group individually assesses credit losses for those individually significant and uses provision matrix to assess credit losses for the remaining. The Group classifies financial instruments into different groups based on similar credit risk characteristics. Similar credit risk characteristics include: type of financial instruments, credit risk rating, contractual billing period and industry of debtor etc.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.2 Impairment of financial assets (Continued)

##### 9.2.3 Measurement and recognition of ECL (Continued)

ECL of relevant financial instruments is recognised based on the following methods:

- (1) For a financial asset, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (2) For a lease receivable, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (3) For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- (4) For credit-impaired financial assets other than the purchased or internally generated of credit-impaired financial assets at the balance sheet date, credit loss is the difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

##### 9.2.4 Reduction in financial assets

The Group directly reduces the gross carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

##### 9.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee; or (3) although the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group has not retained control of the financial asset.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.3 Transfer of financial assets (Continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- (1) For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- (2) For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred and the consideration received from the transfer; and (2) the accumulated changes in fair value initially recorded in other comprehensive income is recognised in profit or loss. While regarding non-trading equity instruments designated as at fair value through other comprehensive income, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts at the date of transfer. The difference between (1) the consideration received from the transfer; and (2) the cumulative changes in fair value previously recognised in other comprehensive income allocated to the part derecognised plus the carrying amount allocated to the part derecognised is recognised in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument investments designated as at FVTOCI, the cumulative gains or losses previously recognised in other comprehensive income allocated to the part derecognised are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety and recognises the consideration received as a liability.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.4 Classification and measurement of financial liabilities

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### 9.4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss.

Held-for-trading financial liabilities are subsequently measured at fair value, any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss.

##### 9.4.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period.

##### 9.4.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognised less cumulative amortisation amount during the guarantee period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.5 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

##### 9.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Changes of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

##### 9.7 Derivatives and embedded derivatives

Derivative financial instruments related to the Group include option contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The changes in fair value is recognised in profit or loss.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and meets all of the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a standalone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not highly related to the economic characteristics and risks of the host contract;
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.7 Derivatives and embedded derivatives (Continued)

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent reporting dates after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

##### 9.8 Convertible bonds

Convertible bonds issued by the Group that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is accounted for as equity rather than conversion option derivatives.

Convertible bonds are initially recognised at fair value at the issue date. If the convertible bonds include equity instruments, the fair value of liability component of the convertible bonds is determined based on the market value of similar bonds which have no conversion option. The balance of issue price and the fair value of liability is the value of conversion option and is recognised in shareholders' equity. The liability and conversion-embedded derivatives of the convertible bonds which include conversion-embedded derivatives are initially recognised at fair value at the issue date.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of the convertible bonds are allocated to the liability, equity and derivative financial instruments components in proportion to their respective fair values. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the derivative financial instruments are charged to profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 9. Financial instruments (Continued)

##### 9.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

#### 10. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially measured at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the first-in first-out method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised using immediate write-off, and other turnover materials are amortised based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realizable value. If the cost is in excess of net realizable value, provision for inventories is recognised in the statement of profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realizable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments

##### 11.1 Basis for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

##### 11.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the date of combination. For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as one transaction to acquire control. If it does not belong to 'package deal', the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for other investments in equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognised in other comprehensive income are included in retained earnings for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.2 Determination of initial investment cost (Continued)

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standard for Business Enterprises No. 22-Financial Instruments; Recognition and Measurement* (ASBE No. 22) and the additional investment cost.

##### 11.3 Subsequent measurement and recognition of profit or loss

###### *11.3.1 Long-term equity investment accounted for using the cost method*

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

###### *11.3.2 Long-term equity investment accounted for using the equity method*

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.3 Subsequent measurement and recognition of profit or loss (Continued)

##### *11.3.2 Long-term equity investment accounted for using the equity method (Continued)*

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; for the share of the investee's profit or cash dividends declared by the investee, the carrying amount of long-term equity should be decreased accordingly; for changes in owner's equity rather than the investee's net profit or loss, other comprehensive income and profit distribution, carrying amount of long-term equity investments should be adjusted and included in capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investee adopts different accounting policies and accounting period with the Company's, the financial statements are adjusted in accordance with the Company's accounting policies and accounting period, and then investment income and other comprehensive income are recognised. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures and contributions or sales of assets that do not constitute business are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 11. Long-term equity investments (Continued)

##### 11.4 Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the carrying amount and the consideration shall be recorded through profit or loss in the current period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, recognised in profit or loss of current period and carried forward proportionately; other shareholders' equity recognised from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, is accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are recognised in profit or loss for the current period and carried forward proportionately.

The Group loses control on investee due to disposal of part of shares, when preparing separate financial statement, remaining shares after disposal which can make joint control or significant influence on investee, are accounted under equity method, and are adjusted as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and carrying amount is recognised in profit or loss for the current period.

#### 12. Investment properties

Investment property is property held to earn rentals or for capital appreciation or for both purposes. It includes land use rights that are leased out; land use rights held for transfer upon capital appreciation; and buildings that are leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment properties, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 12. Investment properties (Continued)

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed assets, intangible assets or inventories before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

#### 13. Fixed assets

A fixed asset is a tangible asset whose useful life exceeds one accounting year and which is held for production of goods, rendering services, offering leases or operation and management. A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to *Accounting Standard for Business Enterprises No. 17 – Borrowing Costs* (ASBE No. 17).

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted.

For fixed assets depreciated with the straight-line method, the estimated useful lives, estimated residual values rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rates	Useful lives	Annual depreciation rates
Buildings	5%	20-35 years	2.71%-4.75%
Machinery	5%	10-25 years	3.80%-9.50%
Vehicles	5%	5-10 years	9.50%-19.00%
Production equipment	5%	5-10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3-5 years	19.00%-31.67%

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 13. Fixed assets (Continued)

Where the individual component parts of a fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year, makes adjustments and accounts for any change as a change in an accounting estimate when necessary.

#### 14. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowings before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

#### 15. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised and other borrowing costs are recognised as expenses. A qualifying asset is defined as a fixed asset or inventory that necessarily takes a substantially long period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have incurred;
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 15. Borrowing costs (Continued)

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

#### 16. Intangible assets

The Group's intangible assets include land use rights, concession rights, software licenses, mining rights and others.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured initially at fair value at the date of acquisition.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

##### 16.1 Land use rights

Land use rights represent costs incurred for a certain lease period of land.

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 16. Intangible assets (Continued)

##### 16.2 Concession rights

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be calculated according to their arrangement nature.

The Group recognises revenue and a contract asset or a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the “concession rights” under intangible assets included in the statement of financial position. The amortisation approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset’s future economic benefits are expected to be realized at the commencement of operations.

##### 16.3 Software licenses

The software licenses are recorded at the price actually paid upon acquisition and are amortised equally over the estimated useful life of one to ten years.

##### 16.4 Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortisation is calculated in adoption of the unit of production method based on proved mining reserves.

##### 16.5 Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 17. Long-term prepayments

Long-term prepayments represent expenditures incurred which should be recognised as expenses over one year and should be allocated in current and subsequent periods, including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

#### 18. Provisions

Except for contingent liabilities assumed in business combinations involving entities not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue

The revenue of the Group is mainly generated from business types as follows:

- The construction operations, which mainly comprises the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- The survey, design and consultancy operations, which mainly comprises the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- The manufacturing operations, which mainly comprises the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- The real estate development operations, which mainly comprises the development, construction and sale of residential properties and commercial properties;
- The other business operations, which mainly comprises trade and logistics, finance and insurance brokerage and highway operation.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation.

A performance obligation is the Group's promise to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or the Group satisfies the performance obligation at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services. When the Group is not able to reasonably measure its performance progress, the Group recognises revenue only to the extent of the recoverable amount of costs incurred until such time that it can reasonably measure the performance progress.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

For survey, design and consultancy operations, manufacturing operations, real estate development operations and other business operations, revenue is recognised over the contract period based on the performance progress, or recognised at a point in time when the customer obtains control of relevant goods or services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

##### Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates the estimated transaction price.

##### Significant financing component

For contracts that contain significant financing components, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when the control of goods or services is transferred to the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

##### Consideration payable to a customer

If the contract includes consideration payable to a customer, the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and shall recognise the reduction of revenue when (or as) the later of either of the following events occurs: (1) the Group recognises revenue for the transfer of the related goods or services to the customer; and (2) the Group pays or promises to pay the consideration.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to each performance obligation on a basis of relative stand-alone selling price, at which an entity would sell a promised good or service separately to a customer. When an entity has observable evidence that the contract discount or the variable consideration relates to only one or more, but not all, performance obligations in a contract, the entity shall allocate the contract discount or the variable consideration to one or more, but not all, performance obligations in the contract.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

Consideration payable to a customer (Continued)

The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Sales with warranties

For sales with warranties, if the warranties are separate services to the customer other than serving as an assurance that the products sold comply with agreed-upon specifications, the warranties constitute single performance obligations. Otherwise, the Group accounts for warranties in accordance with the *Accounting Standards for Business Enterprises No. 13 – Contingencies* (ASBE No. 13).

Principal versus agent

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognises revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by some established amounts or proportions.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs as an asset if it expects to recover these costs. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year. Other costs of obtaining a contract are recognised in profit or loss when they occur, unless they are going to be reimbursed by customers. The asset is presented as other current assets or other non-current assets according to whether the amortisation period exceeds one normal operating period.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of any standards other than ASBE No. 14, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset is presented as inventories or other non-current assets according to whether the amortisation period exceeds one normal operating period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 19. Revenue (Continued)

Costs to fulfill a contract (Continued)

The asset mentioned above shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised as expenses in relevant periods.

The Group shall recognise an impairment loss to the extent that the carrying amount of the asset mentioned above exceeds:

- (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (2) the estimated costs that relate to providing those goods or services and that have not been recognised as expenses.

The Group shall, after the impairment has been provided, recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

Contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract assets are specified in Note III. 9.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due from the customer.

#### 20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attached and the Group would receive the grant.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 20. Government grants (Continued)

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

##### 20.1 Judgment basis and accounting treatments for government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets.

Government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use.

##### 20.2 Judgment basis and accounting treatments for government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

For repayment of a government grant already recognised, if government grants were charged against carrying amount of the related assets at initial recognition, the repayment adjusts the carrying amount of assets. If there is related deferred income, the repayment is offset against the gross carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

##### 20.3 Relocation compensation received due to public interests

The Group receives relocation compensation directly from the government for the benefit of public interests such as urban overall planning, reservoir construction, and renovation of shanty towns and subsidence area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received. Therein compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income and recognised as government grants relating to assets and government grants related to income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 21. Income tax

Income tax expenses comprise current and deferred tax. Current tax expenses and deferred tax expenses are recognised as income or expenses in profit or loss for the current period, except for the deferred tax as an adjustment of goodwill arising from a business combination, or the current tax expenses and the deferred tax expenses to be recognised directly in other comprehensive income or shareholders' equity, which arise from transactions or events that should be recognised directly in other comprehensive income or shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 21. Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### 22. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

For contracts entered into, the Group assesses whether the contract is, or contains, a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### 22.1 As a lessee

###### *Separating components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

###### *Right-of-use assets*

Except for short-term leases and leases of low-value assets, the Group recognises a right-of-use asset at the commencement date of the lease. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use. The right-of-use asset is measured at cost. The cost of the right-of-use asset shall include:

- (1) the amount of the initial measurement of the lease liability;
- (2) any lease payments made at or before the commencement date, less any lease incentives received;
- (3) any initial direct costs incurred by the Group; and
- (4) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.1 As a lessee (Continued)

###### *Right-of-use assets (Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease terms are depreciated from commencement date to the end of their useful lives.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group assesses and determines whether the right-of-use asset is impaired and accounts for any impairment loss identified in accordance with *Accounting Standards for Business Enterprises No. 8 – Impairment of Assets* (ASBE No.8).

###### *Lease liabilities*

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognises the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determined.

The lease payments are payments to the lessor for the right to use the underlying asset during the lease term made by the Group:

- (1) fixed payments, including in-substance fixed payments, less any lease incentives receivable, if applicable;
- (2) the exercise price of a purchase option reasonably certain to be exercised by the Group;
- (3) payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, the Group recognises interest expenses in each accounting periods during the lease, based on a constant periodic rate of interest on the remaining balance of the lease liabilities. The interest expenses are recognised into profit or loss for the current period or the cost of the related assets.

After the commencement date, if the lease term or the assessment of purchase option changes, the Group shall remeasure the lease liability, according to modified lease payments and present value with modified discount rates, and make corresponding adjustments to the related right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognise any remaining amount of the remeasurement in profit or loss.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.1 As a lessee (Continued)

###### *Short-term leases and leases of low-value assets*

The Group elects not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and vehicles and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain any purchase options. A lease of a low-value asset, is a lease that the single underlying asset, when is new, is of low value. The Group shall recognise the lease payments associated with short-term leases and leases of low-value assets as the cost of the related assets or profit or loss on a straight-line basis over the lease term.

###### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group reallocates the consideration in the contract, and re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### 22.2 As a lessor

###### *Separating components of a contract*

For a contract that contains lease components and non-lease components, the Group applies ABSE No.14 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### *Classification of leases*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 22. Leases (Continued)

##### 22.2 As a lessor (Continued)

###### *Recognition and measurement as a lessor of an operating lease*

The Group recognises lease receivables from operating leases as income on a straight-line basis over the lease term. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the lease income.

For the contingent receivables not included in the operating lease receivables, the Group recognises into profit or loss when received.

##### 22.3 Sale and leaseback transactions

###### *As a seller-lessee*

The Group applies the requirements of ASBE No.14 to assess whether the sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For the sales and leaseback transaction that does not constitute a sale, the Group continues to recognise the transferred asset, and recognises a financial liability which equals to the transfer proceeds and accounts for the financial liability applying ASBE No. 22. If the sales and leaseback transaction constitutes a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained, and recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

#### 23. Impairment of long-term assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets, financial assets, contract assets and assets related to the costs incurred in fulfilling a contract, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset or an asset group is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset or the asset group.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 23. Impairment of long-term assets (Continued)

When the recoverable amount of an asset or an asset group is less than its carrying amount, the difference is recognised as a provision for impairment loss and profit or loss for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In impairment testing for goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognised any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent periods.

#### 24. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

##### 24.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

##### 24.2 Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 24. Employee benefits (Continued)

##### 24.3 Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any re-measurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the statement of financial position immediately and recorded in equity as other comprehensive income in the accounting period the re-measurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: (1) when the Group modifies the defined benefit plans; and (2) when the Group recognises relevant restructuring costs or termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as general and administrative expenses in the statement of profit or loss and other comprehensive income. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

##### 24.4 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: (1) when the Group can no longer unilaterally withdraw the offer of those benefits for proposals or suggestions for termination of employment; and (2) when the Group recognises costs or expenses for restructuring and involves the payment of termination costs or expenses.

##### 24.5 Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees.

##### 24.6 Bonus entitlements

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within 12 months and are measured at the amounts estimated to be paid when they are settled.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 25. Debt restructuring

##### 25.1 Recording of debt restructuring obligation as the debtor

When a debt is settled by an asset in a debt restructuring, the Group derecognises the relevant asset and the debt settled when the derecognition criteria for the asset and the debt are satisfied. The difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is recognised in profit or loss for the current period.

When a debt is converted into an equity instrument in a debt restructuring, the Group derecognises the debt settled when the derecognition criteria for the debt are satisfied. On initial recognition, the equity instrument are recognised at fair value. When the fair value of the equity instrument cannot be measured reliably, the equity instruments are recognised at the fair value of the debt. The difference between the carrying amount of the debt and the carrying amount of the equity instrument is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the Group recognises and measures the debt restructured in accordance with ASBE No. 22 and *Accounting Standard for Business Enterprises No.37- Presentation of Financial Instruments* (ASBE No. 37).

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Group recognises and measures the equity instrument and the debt restructured in accordance with the policies regarding debts settled by assets and debts converted into equity instruments, as mentioned above. The difference between the carrying amount of the debt and the sum of the carrying amount of the assets transferred, the carrying amount of the equity instrument recognised and the carrying amount of the debt restructured, is recognised in profit or loss for the current period.

##### 25.2 Recording of debt restructuring obligation as the creditor

When a debt is settled by assets in a debt restructuring, on initial recognition of the assets other than financial assets, the assets are recognised at cost.

- (1) The cost of inventories includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, insurance and other costs, for bringing the assets to the current position and condition;
- (2) The cost of fixed assets includes the fair value of the debt receivable and any directly attributable expenditure, including taxes, transportation costs, handling costs, installation costs, professional service costs and other costs, for bringing the assets to working condition for intended use.

The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 25. Debt restructuring (Continued)

##### 25.2 Recording of debt restructuring obligation as the creditor (Continued)

When the debt restructuring causes the Group to convert the debt receivable to an equity investment of joint ventures or associates, the creditor shall measure the equity investment based on the sum of the fair value of debt receivable, and any directly attributable taxes and other costs of the investment. The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the Group recognises and measures the restructured debt receivable in accordance with ASBE No. 22.

When a debt is settled by multiple assets or combination of various methods in a debt restructuring, the Group first recognises and measures the financial assets received and restructured debt receivable in accordance with ASBE No. 22, and then allocates the net value, which is the fair value of the debt receivable deducted by the recognised total carrying amount of financial assets received and restructured debt receivable, to the costs of non-financial assets received based on their relative fair value. The difference between the fair value and the carrying amount of the debt receivable is recognised in profit or loss for the current period.

#### 26. Nonmonetary Transactions

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the nonmonetary transactions are measured at fair value. For the asset received, the fair value of the asset given up and related taxes payable are recognised as the cost at initial recognition; For the asset given up, at derecognition, the difference between the fair value and the carrying amount is recognised in profit or loss for the current period. When there is clear evidence indicating that the fair value of the received asset is more reliable, for the asset received, the fair value of the asset received and related taxes payable are recognised as the cost at initial recognition; For the asset given up, at derecognition, the difference between the fair value of the asset received and the carrying amount of the asset given up is recognised in profit or loss for the current period.

When the nonmonetary transactions fail to meet criteria to be measured at fair value, the transactions are measured at carrying amounts. For the asset received, the carrying amount of the asset given up and relevant taxes payable are recognised as the cost of at initial recognition. For the asset given up, at derecognition, no profit or loss is recognised.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 26. Nonmonetary Transactions (Continued)

When several assets are received at the same time in a nonmonetary transaction, if the transaction is measured at fair value, the cost of each asset other than financial assets received is determined by apportioning the net amount, which is the total fair value of all assets given up deducted by the fair value of the financial assets received, based on the proportion of the fair value of each asset received, and plus related taxes payable, at initial recognition; When there is clear evidence indicating that the fair value of the received assets is more reliable, the fair value of each asset received and related taxes payable are recognised as cost of each asset received at initial recognition; If the transaction is measured at carrying amounts, the cost of each asset received is determined by apportioning the total carrying amounts of all assets given up based on the proportion of the fair value of each asset received to the total fair value of all assets received.

When several assets are given up at the same time in a nonmonetary transaction, if the transaction is measured at fair value, at each asset's derecognition, the difference between each asset's fair value and carrying amount is recognised in profit or loss for the current period; When there is clear evidence indicating that the fair value of the received assets is more reliable, the profit or loss, recognised for the current period, of derecognition of each asset given up is the net amount, which is the apportioning of the total fair value of the assets received, based on the proportion of the fair value of each asset given up to the total fair value of all assets given up, deducted by the carry amount of each asset given up; if the transaction is measured by carrying amounts, no profit or loss of derecognition of assets given up, is recognised.

#### 27. Profit distribution

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

#### 28. Renewable corporate bonds and other financial instruments

The renewable corporate bonds and other financial instruments issued by the Group shall be classified as equity instruments if no contractual obligations of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable.

For renewable corporate bonds and other financial instruments classified as equity instruments, distribution of interests and dividends are recognised into distribution of equity. Its repurchase and cancellation are recognised as changes of equity and transaction costs related to equity transactions are deducted from equity.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 29. Production safety expenses

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation* (Cai Qi [2012] No.16) and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation*, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

#### 30. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date;

Level 2: Inputs are inputs, other than quoted process included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 31. Asset securitization

The Group has securitized a portion of receivables (“underlying assets”) where underlying assets are sold and transferred to a special purpose entity (“SPE”). The SPE issues senior and subordinate assets-backed securities to investors, while the Group holds some portion of subordinate assets-backed securities which are not transferrable until the principal and interests of the senior assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as asset management and collection, contract revision and other services. The cash received from the underlying assets during the periods of collection, after paying SPE taxation and relevant fees, will be firstly used to repay the principal and interests of the senior assets-backed securities; the remaining cash after paying the principal and interests in full is treated as income from subordinate assets-backed securities. The Group shares relevant income based on its proportion of subordinate assets-backed securities.

When applying the accounting policy of securitization of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- (1) When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the relevant financial asset;
- (2) When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the relevant financial asset;
- (3) When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the transferred financial asset.

The Group securitized a portion of the retention receivables by selling and transferring the retention receivables to a special-purpose entity. The above accounting policy for securitized financial assets is applied by reference to the condition that the performance obligations relating to the construction of the project have been completed and the contractor has undertaken to complete the performance obligations relating to the liability for defects.

#### 32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at each balance sheet date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

At the balance sheet date, key assumptions and uncertainties that probably lead to significant future adjustments on the carrying amount of assets and liabilities are as follows:

##### Revenue from construction operations

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations to determine the performance progress and identify onerous contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Due to the nature of activities associated with construction, the Group has to continuously review and revise budget prepared for each construction operation throughout the contract period. Revision may have effect on revenue, profit and other items related to construction operations during the period when the revision incurred.

##### Impairment of trade receivables and contract assets

For trade receivables and contract assets scoped in ASBE No. 14, the Group measures loss allowances for trade receivables and contract assets based on lifetime ECL. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually, based on the evidence of credit-impairment and forward-looking information. Except for trade receivables and contract assets which are individually significant and credit-impaired, the Group's management uses provision matrix to assess ECL, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical actual loss rates, taking into consideration forward-looking information. The impairment of trade receivables and contract assets involves management's accounting estimations and judgements. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of trade receivables and contract assets during the period when the reassessment incurred.

##### Impairment of other financial assets

For financial assets which are not scoped in ASBE No. 14, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date and calculates the ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. The calculation of ECL involves management's judgment on whether significant increase in credit risk and management's estimation on future contractual cash flows. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of financial assets during the period which the reassessment incurred.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

Impairment of properties under development and completed properties held for sale

The Group has to evaluate the net realizable values for properties under development and completed properties held for sale at each balance sheet date. When the net realizable values are lower than the carrying amounts, a provision is made by the Group.

The principal assumptions for the Group's estimation of the net realizable values of the properties under development include those related to prevailing market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

The Group estimates the net realizable value for completed properties held for sale based on the selling price, sales projections, sales expenses to be incurred and relevant tax expenses, with reference to the current market prices and actual sale progress.

Impairment of concession rights

The Group assesses at the balance sheet date whether there is any indication that the concession rights may be impaired. If there is any indication of impairment, the Group will estimate the recoverable amount and perform the impairment test. The provision for impairment loss is recognised according to the difference where the recoverable amount of an asset is less than its carrying amount and charged to the impairment loss.

The recoverable amount of the franchise rights is the higher of its fair value less costs of disposal and the present value of the estimated future cash flows. The present value of estimated future cash flows is determined based on the present value of estimated future cash flows during the period of the concession rights, i.e. based on the estimated future cash flows generated by the concession rights in the continuous use and discounted to the present value by selecting the appropriate discount rates. The estimated future cash flows are estimated based on the expected revenue of services rendered under concession arrangements and other income from the concession rights, net of necessary maintenance expenses and operating costs.

Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgments.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

##### Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are less than previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

##### Amortisation of concession rights of highways

If the assets under the concession arrangement acquired by the Group's participating in the construction of the expressway is applicable to intangible asset model, the concession rights is amortised at the early stage of operation period based on expected realization approach of associated economic benefits using traffic volume method or straight-line method. In the case of traffic volume method amortisation (namely, calculating the total annual amortisation amount based on the percentage of actual traffic volume in certain years in the estimated total traffic volumes), amortisation calculation is initiated since the operation of the relevant turnpike highways.

The Group's management made judgments on the proportion of actual traffic volume in the total estimated traffic volume. Where the difference between the actual amount and the estimation is substantial, the management will re-estimate the total estimated traffic volume based on the actual traffic volume and adjust the amortisation of annual provisions for standard traffic volumes in subsequent years.

##### Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. In cases where the actual future profits generated are different from the estimation, such difference will influence on or change the deferred tax assets and income tax recognised in the relevant period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 32. Significant accounting judgments and estimates (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

### IV. TAXATION

#### 1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Value-added tax ("VAT")	Sales revenue and construction installation income in accordance with relevant tax law	3%, 6%, 9% (10% before 1 April 2019), 13% (16% before 1 April 2019)
Enterprise income tax ("EIT")	Taxable income	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for tax preferential (Note IV. 2) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
City maintenance and construction tax ("CCT")	Based on the actual VAT and circulation tax payment	1%, 5%, 7%
Educational surcharge	Based on the actual VAT and circulation tax payment	3%
Local educational surcharge	Based on the actual VAT and circulation tax payment	2%
Land appreciation tax ("LAT")	Calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate	Extra progressive tax rate: 30%, 40%, 50%, 60%

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential

Super deduction of research and development (R&D) expenses

Pursuant to Chapter IV, Item 1 of Article 30 of the *Law of the PRC on Enterprise Income Tax Law* (the “New EIT Law”), the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2015] No. 119) and *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction Proportion of Research and Development Expenses* (Cai Shui [2018] No. 99), the Company and its subsidiaries complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

Tax preferential for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs* (Cai Shui [2011] No. 58), the tax preference for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 70% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* shall be issued separately.”

Pursuant to the *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for Western Development Strategies* (Cai Shui [2020] No. 23), the tax preference for the Western Region Development are valid until 2030. According to the Circular, “from 1 January 2021 to 31 December 2030, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 60% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* has been issued by National Development and Reform Commission. If the catalogue is modified during the period of the announcement, the modified version shall apply since the date of implementation.”

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

At present, the *Catalogue of Encouraged Industries in the Western Region* has been approved by the State Council and has been implemented since 1 October 2014. Certain subsidiaries of the Company, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), China Railway 12th Bureau Group Railway Maintenance Engineering Co., Ltd. (中鐵十二局集團鐵路養護工程有限公司), China Railway 12th Bureau Group (Tibet) Engineering Co., Ltd. (中鐵十二局集團(西藏)工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 15th Bureau Group Tibet Engineering Co., Ltd. (中鐵十五局集團西藏工程有限公司), China Railway 16th Bureau Group Tibet Engineering Co., Ltd. (中鐵十六局集團西藏工程有限公司), China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 17th Bureau Group Tibet Engineering Co., Ltd. (中鐵十七局集團西藏工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 18th Bureau Group Tibet Engineering Co., Ltd. (中鐵十八局集團西藏工程有限公司), China Railway 19th Bureau Group Tibet Engineering Co., Ltd. (中鐵十九局集團西藏工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團市政工程有限公司), China Railway Guizhou Engineering Co., Ltd. (中鐵貴州工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway 23rd Bureau Group Rail Transit Chengdu Engineering Co., Ltd. (中鐵二十三局集團軌道交通成都工程有限公司), China Railway 23rd Bureau Group Tibet Engineering Co., Ltd. (中鐵二十三局集團西藏工程有限公司), China Railway 23rd Bureau Group Survey & Design Institute Co., Ltd. (中鐵二十三局集團建築設計研究院有限公司), China Railway 25th

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

Bureau Group (Ganzhou) Engineering Co., Ltd. (中鐵二十五局集團(贛州)工程有限公司), China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司), China Railway Chongqing Urban Rail Transit Engineering Co., Ltd. (中鐵建重慶軌道環線建設有限公司), China Railway First Survey and Design Institute Group Co., Ltd. (中鐵第一勘察設計院集團有限公司), Shaanxi Xingan Runtong Electrification Co., Ltd. (陝西興安潤通電氣化有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Lanzhou Railway Survey and Design Institute Co., Ltd. (蘭州鐵道設計院有限公司), China Railway SIYUAN Group Nanning Survey and Design Co., Ltd. (中鐵四院集團南寧勘察設計院有限公司), China Railway SIYUAN Group Southwest Survey and Design Co., Ltd. (中鐵四院集團西南勘察設計有限公司), China Railway Material Group Southwest Co., Ltd. (中鐵物資集團西南有限公司), CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), China Railway Construction Heavy Industry Xinjiang Co., Ltd. (鐵建重工新疆有限公司), China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司), Chongqing China Petroleum & Railway Construction Industrial Co., Ltd. (重慶中油鐵建實業有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), CRCC Chongqing Investment Group Co., Ltd. (中鐵建重慶投資集團有限公司), CRCC Chongqing Petrochemical Sales Co., Ltd. (中鐵建重慶石化銷售有限公司), China Railway Construction Kunlun Metro Investment Construction Management Co., Ltd. (中鐵建昆侖地鐵投資建設管理有限公司), CRCC Kunlun Investment Co., Ltd. (中國鐵建昆侖投資集團有限公司), China Railway Construction Guizhou Construction Co., Ltd. (中鐵建貴州建設有限公司), China Railway Construction Yunnan Transportation Construction Management Co., Ltd. (中鐵建雲南交通建設管理有限公司), China Railway Construction Yunnan Investment Co., Ltd. (中鐵建雲南投資有限公司), CRCC Kunlun Tianfu Greenway Chengdu Co., Ltd. (中鐵建昆侖天府綠道成都有限公司), Chengdu CRCC Kunlun Rail Engineering Co., Ltd. (成都中鐵建昆侖軌道工程有限公司), Chengdu CRCC City Investment Composite Pipe Gallery Construction Management Co., Ltd. (成都中鐵建城投綜合管廊建設管理有限公司), CRCC Beibuwan Construction and Investment Co., Ltd. (中鐵建北部灣建設投資有限公司), China Railway Construction Northwest Investment & Construction Co., Ltd. (中鐵建西北投資建設有限公司), China Railway Construction (Yinchuan) City Development Co., Ltd. (中鐵建(銀川)城市發展有限公司), China Railway Material Group Yunnan Co., Ltd. (中鐵物資集團雲南有限公司), and Chongqing Jinlu Traffic Engineering Co., Ltd. (重慶金路交通工程有限責任公司) met requirements of "enterprises located in the Western Region, whose principal businesses are encouraged industries, and the income of which accounts for more than 70% of the total income of such enterprises", and are applicable to preferential income tax rate of 15% for the Western Region Development in 2019 and 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries

China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司): (1) its subsidiaries including China Railway 11th Bureau Group 1st Engineering Co., Ltd. (中鐵十一局集團第一工程有限公司), China Railway 11th Bureau Group 2nd Engineering Co., Ltd. (中鐵十一局集團第二工程有限公司), China Railway 11th Bureau Group 3rd Engineering Co., Ltd. (中鐵十一局集團第三工程有限公司), China Railway 11th Bureau Group 4th Engineering Co., Ltd. (中鐵十一局集團第四工程有限公司) and China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway 11th Bureau Group Bridge Engineering Co., Ltd. (中鐵十一局集團橋樑有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Science and Technology Department, Jiangxi Provincial Department of Finance, and Jiangxi Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiary China Railway 11 Bureau Group 6th Engineering Co., Ltd. of (中鐵十一局集團第六工程有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; and (4) its subsidiaries including China Railway 11th Bureau Hanjiang Heavy Industry Co., Ltd. (中鐵十一局集團漢江重工有限公司), China Railway 11th Bureau Electrical Engineering Co., Ltd. (中鐵十一局集團電務工程有限公司) and China Railway 11th Bureau Construction and Installation Engineering Co., Ltd. (中鐵十一局集團建築安裝工程有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司): (1) its subsidiary China Railway 12th Bureau Group 7th Engineering Co., Ltd. (中鐵十二局集團第七工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway 12th Bureau Construction and Installation Engineering Co., Ltd. (中鐵十二局集團建築安裝工程有限公司) has been recognised as a High-tech Enterprise by Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, and Shanxi Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (3) its subsidiaries including China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) and China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) have been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (4) its subsidiary Electrification Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團電氣化工程有限公司) has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (1) China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司) has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd. (中國鐵建大橋工程局集團第一工程有限公司) has been recognised as a High-tech Enterprise by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, and Dalian Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (3) its subsidiary China Railway Construction Bridge Engineering Bureau Group 2nd Engineering Co., Ltd. (中國鐵建大橋工程局集團第二工程有限公司) has been recognised as a High-tech Enterprise by Shenzhen Science and Technology Bureau, Shenzhen Municipal Bureau of Finance, and Shenzhen Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (4) its subsidiary China Railway Construction Bridge Engineering Bureau Group 4th Engineering Co., Ltd. (中國鐵建大橋工程局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Heilongjiang Provincial Science and Technology Department, Heilongjiang Provincial Department of Finance, and Heilongjiang Provincial Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (5) its subsidiary China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中國鐵建大橋工程局集團第六工程有限公司) has been recognised as a High-tech Enterprise by Jilin Provincial Science and Technology Bureau, Jilin Province Bureau of Finance, and Jilin Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (6) its subsidiary China Railway Bridge Engineering Group Electrification Engineering Co., Ltd. (中鐵建大橋工程局集團電氣化工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (7) its subsidiary China Railway Modern Survey and Design Institute Group Co., Ltd. (中鐵現代勘察設計院有限公司) has been recognised as a High-tech Enterprise by Jilin Provincial Science and Technology Department, Jilin Province Department of Finance, and Jilin Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; and (8) its subsidiary China Railway Jinqiao Engineering Testing Co., Ltd. (中鐵津橋工程檢測有限公司) has been recognised as a High-tech Enterprise by Jilin Provincial Science and Technology Bureau, Jilin Province Bureau of Finance, and Jilin Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司): (1) its subsidiary China Railway 14th Bureau Group Fangshan Bridge Co., Ltd. (中鐵十四局集團房橋有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiaries including Electrification Engineering Co., Ltd. of China Railway 14th Bureau Group (中鐵十四局集團電氣化工程有限公司), and Shandong Tiezheng Testing Technology Co., Ltd. (山東鐵正工程試驗檢測中心有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Shandong Province, Shandong Provincial Department of Finance, and Shandong Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (3) its subsidiary China Railway 14th Bureau Group 3rd Engineering Co., Ltd. (中鐵十四局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Shandong Province, Shandong Provincial Department of Finance, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; and (4) its subsidiary China Railway 14th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十四局集團隧道工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Shandong Province, Shandong Provincial Department of Finance, and Shandong Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司): (1) its subsidiary China Railway 15th Bureau Group 3rd Engineering Co., Ltd. (中鐵十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway 15th Bureau Group 4th Engineering Co., Ltd. (中鐵十五局集團第四工程有限公司) has been recognised as a High-tech Enterprise by the Henan Science and Technology Department, Henan Provincial Department of Finance, and Henan Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (3) its subsidiary China Railway 15th Bureau Group 5th Engineering Co., Ltd. (中鐵十五局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (1) China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司) and its subsidiaries including China Railway 16th Bureau Group 1st Engineering Co., Ltd. (中鐵十六局集團第一工程有限公司) and China Railway 16th Bureau Group Subway Engineering Co., Ltd. (中鐵十六局集團地鐵工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiaries including China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司), China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司) and China Railway 16th Bureau Group Electrification Engineering Co., Ltd. (中鐵十六局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiary China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (4) its subsidiary China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Zhejiang Provincial Science and Technology Bureau, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (5) its subsidiaries including China Railway 16th Bureau Group City Construction Development Co., Ltd. (中鐵十六局集團城市建設發展有限公司) and China Railway 16th Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵十六局集團路橋工程有限公司) has been recognised as High-tech Enterprises by Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (6) its subsidiary China Railway 16th Bureau Group 2nd Engineering Co., Ltd. (中鐵十六局集團第二工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (7) its subsidiary China Railway 16th Bureau Group Railway Transportation Engineering Co., Ltd. (中鐵十六局集團鐵運工程有限公司) has been recognised as a High-tech Enterprise by Inner Mongolia Autonomous Region Science & Technology Department, Inner Mongolia Autonomous Region Department of Finance, and Inner Mongolia Autonomous Region Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司): (1) its subsidiary China Railway 17th Bureau 1st Engineering Co., Ltd. (中鐵十七局集團第一工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway 17th Bureau 3rd Engineering Co., Ltd. (中鐵十七局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (3) its subsidiary China Railway 17th Bureau 5th Engineering Co., Ltd. (中鐵十七局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, and Shanxi Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (4) its subsidiary China Railway(Guizhou) Municipal Engineering Co., Ltd. (中鐵(貴州)市政工程有限公司) has been recognised as a High-tech Enterprise by Guizhou Provincial Department of Science and Technology, Guizhou Provincial Finance Bureau, and Guizhou Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary China Railway 17th Bureau Shanghai Rail Transit Engineering Co., Ltd. (中鐵十七局集團上海軌道交通工程有限公司) has been recognised as a High-tech Enterprise by Science and Technology Commission Shanghai Municipality, Shanghai Municipal Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiaries including China Railway 17th Bureau Group Electrification Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) and China Railway 17th Bureau Group Construction Engineering Co., Ltd. (中鐵十七局集團建築工程有限公司) have been recognised as High-tech Enterprises by Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, and Shanxi Provincial Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司): (1) its subsidiaries China Railway 18th Bureau Group 1st Engineering Co., Ltd. (中鐵十八局集團第一工程有限公司) and China Railway 18th Bureau Group 2nd Engineering Co., Ltd. (中鐵十八局集團第二工程有限公司) have been recognised as High-tech Enterprises by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (2) its subsidiary China Railway 18th Bureau Group 3rd Engineering Co., Ltd. (中鐵十八局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Zhuozhou Municipal Science and Technology Bureau, Zhuozhou Municipal Bureau of Finance, and Zhuozhou Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 18th Bureau Group 4th Engineering Co., Ltd. (中鐵十八局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (4) its subsidiary China Railway 18th Bureau Group 5th Engineering Co., Ltd. (中鐵十八局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; and (5) its subsidiary China Railway 18th Bureau Group Construction and Installation Engineering Co., Ltd. (中鐵十八局集團建築安裝工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (1) its subsidiaries including China Railway 19th Bureau Group Rail Transit Engineering Co., Ltd. (中鐵十九局集團軌道交通工程有限公司) and China Railway 19th Bureau Group Mining Investment Co., Ltd. (中鐵十九局集團礦業投資有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiary China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, and Dalian Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiaries including China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) and China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Liaoning Province, Liaoning Province Finance Department, and Liaoning Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (4) its subsidiary China Railway 19th Bureau Group Corporation Electric Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (5) its subsidiary China Railway 19th Bureau Group 3rd Engineering Co., Ltd. (中鐵十九局集團有限公司第三工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Liaoning Province, Liaoning Province Finance Department, and Liaoning Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (6) its subsidiary China Railway 19th Bureau Group 6th Engineering Co., Ltd. (中鐵十九局集團有限公司第六工程有限公司) has been recognised as High-tech Enterprises by Department of Science & Technology of Jiangsu Province, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (7) its subsidiary China Railway 19th Bureau Group 7th Engineering Co., Ltd. (中鐵十九局集團有限公司第七工程有限公司) has been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (8) its subsidiary China Railway 19th Bureau Group Guangzhou Engineering Co., Ltd. (中鐵十九局集團廣州工程有限公司) has been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司): (1) its subsidiary China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Qingdao Science and Technology Bureau, Qingdao Municipal Bureau of Finance, and Qingdao Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2019 to 31 December 2021; and (2) its subsidiary China Railway Building and Installing Engineering Design Institute Co., Ltd. (中鐵建安工程設計院有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司): China Railway 21st Bureau Group Metro Engineering Co., Ltd. (中鐵二十一局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprises by Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, and Shandong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.

China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司): (1) China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司) and its subsidiary China Railway 22nd Bureau Group Metro Co., Ltd. (中鐵二十二局集團軌道工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (2) its subsidiary China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiary China Railway 22nd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十二局集團有限公司第三工程有限公司) has been recognised as a High-tech Enterprise by Xiamen Science and Technology Bureau, Xiamen Municipal Bureau of Finance, and Xiamen Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (4) its subsidiary China Railway 22nd Bureau Group Electrification Engineering Co., Ltd. (中鐵二十二局集團電氣化工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司): its subsidiary China Railway 23rd Bureau Group Rail Transit Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by Shanghai Municipal Science & Technology Commission, Shanghai Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022;

China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司): China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) has been recognised as a High-tech Enterprise by Shanghai Municipal Science & Technology Commission, Shanghai Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021;

China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司): (1) China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司) and its subsidiary China Railway 25th Bureau Group 1st Engineering Co., Ltd. (中鐵二十五局集團第一工程有限公司) have been recognised as High-Tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiary China Railway 25th Bureau Group 4th Engineering Co., Ltd. (中鐵二十五局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Department of Science and Technology of Guangxi Zhuang Autonomous Region, Department of Finance of Guangxi Zhuang Autonomous Region, and Guangxi Zhuang Autonomous Region Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiary China Railway 25th Bureau Group 5th Engineering Co., Ltd. (中鐵二十五局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Qingdao Science and Technology Bureau, Qingdao Municipal Bureau of Finance, and Qingdao Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2018 to 31 December 2020; (4) its subsidiary China Railway 25th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (5) its subsidiaries including Guangzhou Tiecheng Engineering Inspection Co., Ltd. (廣州鐵誠工程質量檢測有限公司) and China Railway 25th Bureau Group Electric Engineering Co., Ltd. (中鐵二十五局集團電務工程有限公司) have been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; and (6) its subsidiary Liuzhou Railway Engineering Quality Testing Center Co., Ltd. (柳州鐵路工程質量檢測中心有限公司) has been recognised as a High-tech Enterprise by Department of Science and Technology of Guangxi Zhuang Autonomous Region, Department of Finance of Guangxi Zhuang Autonomous Region, and Guangxi Zhuang Autonomous Region Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2020 to 31 December 2022;

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Corporation(中鐵建設集團有限公司): (1) China Railway Construction Corporation(中鐵建設集團有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (2) its subsidiaries Beijing CRCC Decoration Engineering Co., Ltd. (北京中鐵裝飾工程有限公司), Beijing CRCC Architecture & Technology Co., Ltd. (北京中鐵建築科技有限公司) and Beijing CRCC Elevator Engineering Co., Ltd. (北京中鐵電梯工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiaries China Railway Construction Group Equipment Co., Ltd. (中鐵建設集團設備安裝有限公司) and China Railway Construction Group Infrastructure Construction Co., Ltd. (中鐵建設集團基礎設施建設有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; and (4) its subsidiary China Railway Construction Group South Engineering Co., Ltd. (中鐵建設集團南方工程有限公司) has been recognised as a High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.

China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司): (1) China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司) and its subsidiary Beijing CRCC Electrification Design Institute Co., Ltd. (北京中鐵建電氣化設計研究院有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiary China Railway Construction Electrification Bureau Group 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Henan Science and Technology Department, Henan Provincial Department of Finance, and Henan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (3) its subsidiary China Railway Construction Electrification Bureau Group 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; (4) its subsidiary China Railway Construction Electrification Bureau Group 4th Engineering Co., Ltd. (中鐵建電氣化局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (5) its



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

subsidiary China Railway Construction Electrification Bureau Group 5th Engineering Co., Ltd. (中國鐵建電氣化局集團第五工程有限公司) has been recognised as a High-tech Enterprise by Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 till 31 December 2021; (6) its subsidiary China Railway Construction Electrification Bureau Group Kang Yuan New Material Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Jiangsu Province, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (7) its subsidiary China Railway Construction Electrification Bureau Group South Engineering Co., Ltd. (中鐵建電氣化局集團南方工程有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (8) its subsidiary China Railway Construction Electrification Bureau Group Science and Technology Co., Ltd. (中鐵建電氣化局集團科技有限公司) has been recognised as a High-tech Enterprise by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, and Hebei Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (9) its subsidiary China Railway Construction Electrification Bureau Group Metro Engineering Machinery Co., Ltd. (中鐵建電氣化局集團軌道交通器材有限公司) has been recognised as a High-tech Enterprise by Jiangsu Provincial Science and Technology Department, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (10) its subsidiary China Railway Construction Electrification Bureau Group North Engineering Co., Ltd. (中國鐵建電氣化局集團北方工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

CRCC Harbour and Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司): (1) CRCC Harbour and Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; and (2) its subsidiary CRCC Harbour and Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司): (1) China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (2) its subsidiary Beijing Engineering Company Limited of China Railway Urban Construction Group (中鐵城建北京工程有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (3) its subsidiary China Railway Urban Construction Group 1st Engineering Co., Ltd. (中鐵城建集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Science and Technology Department, Department of Finance of Shanxi, and Shanxi Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (4) its subsidiary China Railway Urban Construction Group 2nd Engineering Co., Ltd. (中鐵城建集團第二工程有限公司) has been recognised as a High-tech Enterprise by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (5) its subsidiary China Railway Urban Construction Group 3rd Engineering Co., Ltd. (中鐵城建集團第三工程有限公司) has been recognised as a High-tech Enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; and (6) its subsidiary China Railway Urban Construction Group Nanchang Construction Co., Ltd. (中鐵城建集團南昌建設有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Science and Technology Department, Jiangxi Provincial Department of Finance, and Jiangxi Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway SIYUAN Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司): (1) China Railway SIYUAN Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司) and its subsidiary Railway SIYUAN (Hubei) Engineering Supervision Consulting Co., Ltd. (鐵四院(湖北)工程監理諮詢有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2020 and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022; (2) its subsidiaries including China Railway SIYUAN Survey and Design Group Engineering Construction Co., Ltd. (中鐵四院集團工程建設有限責任公司) and Wuhan Tiechen Engineering Testing Co., Ltd. (武漢鐵辰工程檢測有限公司) have been recognised as High-tech Enterprises by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2018 and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020; (3) its subsidiary New Rail Transit Design and Research Institute Co., Ltd. of China Railway SIYUAN Survey and Design Group Co., Ltd. (中鐵四院集團新型軌道交通設計研究院有限公司) has been recognised as a High-tech Enterprise by Jiangsu Provincial Science and Technology Department, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration since 2018 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary Wuhan Railway SIYUAN Engineering Consulting Co., Ltd. (武漢鐵四院工程諮詢有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2019 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021; and (5) its subsidiary Guangzhou Holding Company of The China Railway SIYUAN Survey and Design Group Co., Ltd. (中鐵四院集團廣州設計院有限公司) has been recognised as High-tech Enterprises by Department of Science & Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司): China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司) and its subsidiaries including Beijing Railway Fifth Group Engineering Machinery Co., Ltd. (北京鐵五院工程機械有限公司) and Beijing China Railway Construction North Road & Bridge Engineering Co., Ltd. (北京中鐵建北方路橋工程有限公司) have been recognised as High-tech Enterprises by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

China Railway Construction Heavy Industry Corporation Limited (中國鐵建重工集團股份有限公司): China Railway Construction Heavy Industry Corporation Limited (中國鐵建重工集團股份有限公司) and its subsidiary Zhuzhou China Railway Electric Materials Co., Ltd. (株州中鐵電氣物資有限公司) have been recognised as a High-tech Enterprises by China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, and Hunan Provincial Tax Service, State Taxation Administration since 2020, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IV. TAXATION (Continued)

#### 2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Civil Engineering Construction Corporation (中國土木工程集團有限公司): its subsidiary China Railway CCECC Fuzhou Survey & Design Institute Co., Ltd. (中土集團福州勘察設計研究院有限公司) has been recognised as a High-tech Enterprise by Fujian Provincial Department of Science and Technology, Fujian Provincial Department of Finance, and Fujian Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司): China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司) has been recognised as a High-tech Enterprise by Science and Technology Commission Shanghai Municipality, Shanghai Municipal Finance Bureau, and Shanghai Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司): its subsidiary Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 to 31 December 2020.

China Railway Maglev Transportation Investment Construction Co., Ltd. (中鐵磁浮交通投資建設有限公司): China Railway Maglev Transportation Investment Construction Co., Ltd. (中鐵磁浮交通投資建設有限公司) has been recognised as a High-tech Enterprise by Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration since 2020, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2020 to 31 December 2022.

CRCC Cyber Information Technology Co., Ltd. (中鐵建網絡信息科技有限公司): CRCC Cyber Information Technology Co., Ltd. (中鐵建網絡信息科技有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration since 2019, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2019 to 31 December 2021.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

RMB'000

Item	31 December 2020	31 December 2019
Cash on hand	63,475	97,202
Cash at banks	173,759,526	142,462,384
Other cash and bank balances	7,475,759	7,770,596
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	6,698,286	6,556,995
Total	187,997,046	156,887,177

The restricted cash and bank balances of the Group are stated in Note V. 63.

As at 31 December 2020, the Group held foreign cash and bank balances amounting to RMB13,646,348,000 (31 December 2019: RMB9,263,845,000), and held no restricted deposits (31 December 2019: Nil).

RMB'000

Item	31 December 2020	31 December 2019
Cash and bank balances at the end of the year	187,997,046	156,887,177
Less: Mandatory reserves placed by CRCC Finance Company Limited with the central bank	6,698,286	6,556,995
Less: Other restricted cash and bank balances	7,402,151	7,708,492
Less: Non-pledged time deposits with original maturity of three months or more when acquired	6,227,113	2,328,074
Cash and cash equivalents at the end of the year	167,669,496	140,293,616

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Held-for-trading financial assets

RMB'000

Item	31 December 2020	31 December 2019
Monetary fund products	–	3,009,186
Equity instruments	150,183	168,119
Others	436,839	410,341
Total	587,022	3,587,646

#### 3. Bills receivable

RMB'000

Item	31 December 2020	31 December 2019
Commercial acceptance bills	17,702,191	10,260,964
Bank acceptance bills	606,185	91,053
Less: Impairment of credit losses	65,560	46,743
Total	18,242,816	10,305,274

The restricted bills receivable of the Group are stated in Note V. 63.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### 4. Receivables at FVTOCI

RMB'000

Item	31 December 2020	31 December 2019
Bank acceptance bills	3,683,653	2,654,263
Total	3,683,653	2,654,263

As at 31 December 2020, the Group had RMB3,870,101,000 (31 December 2019: RMB1,098,468,000) non-matured bills receivable which had right of recourse and had been discounted or endorsed to other parties. The Group derecognised those bills receivable as the Group considered that all risks and rewards of the ownership had been transferred from the discounted or endorsed bills receivable since there was extremely low risk of the acceptor's inability to cash the bills upon expiry due to the acceptor's good reputation.

### 5. Trade receivables

An aging analysis of trade receivables is listed as follows:

RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	102,570,270	92,147,207
1 to 2 years	16,542,230	14,220,068
2 to 3 years	6,122,823	6,306,436
Over 3 years	8,728,128	6,077,845
Subtotal	133,963,451	118,751,556
Less: Impairment of credit losses	8,267,247	6,613,019
Total	125,696,204	112,138,537

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

Movements in impairment of credit losses for trade receivables are listed as follows:

Item	<i>RMB'000</i>	
	2020	2019
Opening balance of current year	6,613,019	4,705,845
Provision for the year	3,270,335	2,939,511
Less: Reversal for the year	1,310,500	898,997
Less: Write-off for the year	138,917	99,405
Others	(166,690)	(33,935)
Closing balance of current year	8,267,247	6,613,019

The movements in detail of impairment of credit losses for the year ended 31 December 2020 are presented in Note VIII. 3.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

Trade receivables and impairment of credit losses by category are listed as follows:

RMB'000

Category	Gross carrying amount		31 December 2020 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	7,086,982	5.29	4,308,160	60.79	2,778,822
Impairment of credit losses assessed by credit risk portfolio	126,876,469	94.71	3,959,087	3.12	122,917,382
<b>Total</b>	<b>133,963,451</b>	<b>100.00</b>	<b>8,267,247</b>	<b>6.17</b>	<b>125,696,204</b>

RMB'000

Category	Gross carrying amount		31 December 2019 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	5,337,174	4.49	3,394,656	63.60	1,942,518
Impairment of credit losses assessed by credit risk portfolio	113,414,382	95.51	3,218,363	2.84	110,196,019
<b>Total</b>	<b>118,751,556</b>	<b>100.00</b>	<b>6,613,019</b>	<b>5.57</b>	<b>112,138,537</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

As at 31 December 2020, trade receivables whose impairment of credit losses were assessed individually are listed as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Provision percentage (%)	Reasons
Company 1	575,639	342,873	59.56	Note
Company 2	240,519	240,519	100.00	Note
Company 3	226,220	24,568	10.86	Note
Company 4	212,523	212,523	100.00	Note
Company 5	180,836	81,376	45.00	Note
Others	5,651,245	3,406,301	60.28	–
<b>Total</b>	<b>7,086,982</b>	<b>4,308,160</b>	<b>60.79</b>	<b>–</b>

Note: According to the recoverability of receivables, the Group recorded all or a portion of impairment of credit losses.

As at 31 December 2020, trade receivables whose impairment of credit losses were assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2020			
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)
Within 1 year	102,228,891	80.57	921,696	0.90
1 to 2 years	15,418,657	12.15	821,763	5.33
2 to 3 years	5,390,735	4.25	628,209	11.65
Over 3 years	3,838,186	3.03	1,587,419	41.36
<b>Total</b>	<b>126,876,469</b>	<b>100.00</b>	<b>3,959,087</b>	<b>3.12</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Trade receivables (Continued)

As at 31 December 2020, trade receivables from the five largest customers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,890,532	Within 1 year	1.41
Company 2	Third party	1,626,577	Within 1 year	1.21
Company 3	Third party	1,124,370	Within 1 year	0.84
Company 4	Third party	800,980	Within 1 year	0.60
Company 5	Third party	771,589	Within 1 year	0.58
Total	–	6,214,048	–	4.64

For the year ended 31 December 2020, the write-off of trade receivables amounted to RMB138,917,000 (For the year ended 31 December 2019: RMB99,405,000)

Transferred trade receivables that are derecognised are analyzed as follows:

For the year ended 31 December 2020, the Group derecognised trade receivables of RMB55,699,312,000 (For the year ended 31 December 2019: RMB52,130,810,000) due to transfer of financial assets and recognised losses from derecognition of financial assets, amounting to RMB2,639,464,000 (For the year ended 31 December 2019: RMB2,720,403,000).

Assets and liabilities recognised due to continuing involvement in the transferred asset:

As at 31 December 2020, the Group recognised assets of RMB381,000,000 and liabilities of RMB381,000,000 (As at 31 December 2019: RMB374,000,000 and RMB374,000,000) related to continuing involvement of transferred trade receivables.

The restricted trade receivables of the Group are stated in Note V. 63.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Advances to suppliers

An aging analysis of advances to suppliers is listed as follows:

RMB'000

Aging	31 December 2020		31 December 2019	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	23,782,856	97.81	23,826,757	97.91
1 to 2 years	294,588	1.21	261,322	1.07
2 to 3 years	225,999	0.93	191,190	0.79
Over 3 years	13,048	0.05	56,712	0.23
Total	24,316,491	100.00	24,335,981	100.00

As at 31 December 2020, there were no significant advances to suppliers aged over one year.

As at 31 December 2020, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	270,000	Within 1 year	1.11
Company 2	Third party	204,416	Within 1 year	0.84
Company 3	Third party	181,210	Within 1 year	0.75
Company 4	Third party	180,212	Within 1 year	0.74
Company 5	Third party	147,103	Within 1 year	0.60
Total	–	982,941	–	4.04

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables

An aging analysis of other receivables is listed as follows:

	<i>RMB'000</i>	
<b>Aging</b>	<b>31 December 2020</b>	31 December 2019
Within 1 year	<b>53,477,470</b>	50,868,850
1 to 2 years	<b>7,123,511</b>	6,229,654
2 to 3 years	<b>5,852,947</b>	2,998,293
Over 3 years	<b>5,085,125</b>	4,770,025
Subtotal	<b>71,539,053</b>	64,866,822
Less: Impairment of credit losses	<b>5,155,972</b>	4,766,484
Total	<b>66,383,081</b>	60,100,338

Movements in the impairment of credit losses of other receivables are listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>2020</b>	2019
Opening balance of the current year	<b>4,766,484</b>	3,828,719
Provision for the year	<b>1,032,493</b>	1,000,212
Less: Reversal for the year	<b>361,562</b>	272,810
Less: Write-off for the year	<b>216,753</b>	53,916
Others	<b>(64,690)</b>	264,279
Closing balance of the current year	<b>5,155,972</b>	4,766,484

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

- (1) As at 31 December 2020, analysis of impairment of credit losses of other receivables at phase I by portfolio is listed as follows:

RMB'000

Nature	Gross carrying amount	Impairment of credit losses	Provision percentage (%)
Loans for cooperative development project	36,839,524	41,726	0.11
Security deposit and cash pledged	18,390,168	558,684	3.04
Advance payments	5,534,511	83,121	1.50
Others	5,293,861	289,863	5.48
Total	66,058,064	973,394	1.47

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

- (2) As at 31 December 2020, analysis of impairment of credit losses of other receivables at phase II is listed as follows:

RMB'000

Category	31 December 2020				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed by credit risk portfolio	1,604,508	100.00	511,336	31.87	1,093,172
Total	1,604,508	100.00	511,336	31.87	1,093,172

- (3) As at 31 December 2020, analysis of impairment of credit losses of other receivables at phase III is listed as follows:

RMB'000

Category	31 December 2020				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed individually	3,373,867	87.03	3,204,477	94.98	169,390
Impairment of credit losses assessed by credit risk portfolio	502,614	12.97	466,765	92.87	35,849
Total	3,876,481	100.00	3,671,242	94.71	205,239

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

Impairment of credit losses assessed individually of other receivables are listed as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Provision percentage (%)	Reasons
Company 1	446,618	446,618	100.00	Note
Company 2	233,186	183,186	78.56	Note
Company 3	193,168	193,168	100.00	Note
Company 4	118,947	95,158	80.00	Note
Company 5	109,252	109,252	100.00	Note
Others	2,272,696	2,177,095	95.79	–
<b>Total</b>	<b>3,373,867</b>	<b>3,204,477</b>	<b>94.98</b>	<b>–</b>

Note: According to the recoverability of other receivables, the Group recorded all or a portion of impairment of credit losses.

For the year ended 31 December 2020, the write-off of other receivables amounted to RMB216,753,000 (for the year ended 31 December 2019: RMB53,916,000).

Gross carrying amount of other receivables categorized by nature is listed as follows:

RMB'000

Nature	31 December 2020	31 December 2019
Loans for cooperative development project	36,839,524	28,657,086
Security deposit and cash pledged	19,973,944	17,947,945
Advance payments	5,834,607	7,363,930
Others	8,890,978	10,897,861
<b>Total</b>	<b>71,539,053</b>	<b>64,866,822</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Other receivables (Continued)

As at 31 December 2020, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Gross carrying amount	Percentage of total other receivables (%)	Nature	Aging	Impairment of credit losses
Company 1	2,879,247	4.02	Loans for cooperative development project	Within 3 years	2,879
Company 2	2,072,975	2.90	Loans for cooperative development project	Within 2 years	2,073
Company 3	2,060,932	2.88	Loans for cooperative development project	Within 1 years	289
Company 4	1,721,574	2.41	Loans for cooperative development project	Within 1 year	1,722
Company 5	1,611,118	2.25	Loans for cooperative development project	Within 4 years	1,611
Total	10,345,846	14.46	–	–	8,574

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories

RMB'000

Item	31 December 2020		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	23,653,604	22,508	23,631,096
Work in progress	2,550,805	–	2,550,805
Finished goods	6,066,574	153,248	5,913,326
Turnover materials	11,407,895	99,514	11,308,381
Properties under development (1)	158,221,386	730,436	157,490,950
Completed properties held for sale (2)	32,361,699	897,527	31,464,172
<b>Total</b>	<b>234,261,963</b>	<b>1,903,233</b>	<b>232,358,730</b>

RMB'000

Item	31 December 2019		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	22,367,821	14,056	22,353,765
Work in progress	2,095,484	–	2,095,484
Finished goods	5,998,048	197,507	5,800,541
Turnover materials	10,299,081	99,514	10,199,567
Properties under development (1)	123,214,723	840,394	122,374,329
Completed properties held for sale (2)	32,635,344	567,455	32,067,889
<b>Total</b>	<b>196,610,501</b>	<b>1,718,926</b>	<b>194,891,575</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

Movements in the provision for decline in value of inventories are listed as follows:

RMB'000

Item	1 January 2020	Additions		Reductions		31 December 2020
		Provision	Others	Reversal	Write-off and Others	
Raw materials	14,056	9,724	–	1,232	40	22,508
Finished goods	197,507	1,789	–	32,843	13,205	153,248
Turnover materials	99,514	–	–	–	–	99,514
Properties under development	840,394	47,457	–	–	157,415	730,436
Completed properties held for sale	567,455	362,190	160,025	13,180	178,963	897,527
<b>Total</b>	<b>1,718,926</b>	<b>421,160</b>	<b>160,025</b>	<b>47,255</b>	<b>349,623</b>	<b>1,903,233</b>

RMB'000

Item	1 January 2019	Additions		Reductions		31 December 2019
		Provision	Others	Reversal	Write-off and Others	
Raw materials	21,815	3,321	–	–	11,080	14,056
Finished goods	168,380	41,341	–	6,986	5,228	197,507
Turnover materials	99,514	–	–	–	–	99,514
Properties under development	1,099,596	51,747	20,118	–	331,067	840,394
Completed properties held for sale	394,619	113,658	257,881	–	198,703	567,455
<b>Total</b>	<b>1,783,924</b>	<b>210,067</b>	<b>277,999</b>	<b>6,986</b>	<b>546,078</b>	<b>1,718,926</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

(1) Details of the properties under development are listed as follows:

RMB'000

Project name	Construction commencement date	Estimated latest completion date	Estimated aggregate investment amount	31 December 2020	31 December 2019
Tianjin Guoyin Wenyuan Project	October 2018	September 2021	10,009,470	7,325,443	6,474,997
Xipai Jinsha Residence Project	May 2020	January 2022	10,301,036	6,961,243	810,000
Wenzhou Lucheng Future Community	September 2020	August 2023	10,705,140	5,207,538	-
CRCC Haiyu Xi'an Project	August 2019	April 2022	11,276,542	5,008,482	3,978,450
CRCC Xipai City Project	September 2017	June 2022	12,427,584	4,649,034	3,776,429
International Mansion Project	July 2019	May 2022	5,576,179	4,414,447	4,117,115
Nanjing Huayu Xi'an Residence Project	June 2020	August 2022	5,223,862	3,708,244	1,285,000
Chongqing Dadukou Project	July 2019	September 2022	5,889,404	3,563,598	3,085,278
Shaoxing Huayujiangnan Mansion Project	August 2019	December 2021	5,808,849	3,268,356	2,817,615
CRCC Huayutang Project	December 2019	December 2022	5,900,000	3,214,315	2,870,085
CRCC Huayu City Project	July 2020	May 2022	6,091,326	2,974,903	2,552,919
Wutong Bay Project	December 2018	April 2021	3,048,462	2,722,750	2,354,323
Jinan Wutongyuan Project	November 2019	December 2022	4,665,170	2,510,764	2,326,046
Suzhou Jingwan - Huayu Tianjing Huating Project	July 2020	December 2022	3,081,720	2,497,191	-
Lingxiu Mansion South Zone Project	December 2018	December 2021	3,733,690	2,392,050	2,179,894
Huayu Tianjingfu Project	August 2019	June 2021	3,081,720	2,314,548	2,063,841
Huayu Lingnanyuan Project	November 2019	December 2022	3,137,800	2,281,873	2,096,593
Nanchoumingju Project	August 2020	September 2021	3,792,080	2,126,539	1,821,846
Wutonggang Jiayan Project (Original name: Shuiniufang Land Parcel Project)	May 2020	November 2022	2,895,104	2,115,406	1,956,787
Yinghao Wealth Plaza Project	August 2018	June 2021	3,391,300	2,095,168	-
Others	-	-	296,635,828	86,869,494	76,647,505
Total	-	-	416,672,266	158,221,386	123,214,723

As at 31 December 2020, the aggregate carrying amount of borrowing costs capitalised in properties under development was RMB10,528,744,000 (31 December 2019: RMB8,235,648,000). Borrowing costs capitalised for the year ended 31 December 2020 amounted to RMB5,114,789,000 (for the year ended 31 December 2019: RMB3,867,604,000). The capitalisation rates of borrowing costs ranged from 3.50%~8.00% (2019: 3.66%-8.20%).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Inventories (Continued)

(2) Details of the completed properties held for sale are listed as follows:

RMB'000

Project name	Latest completion date	1 January 2020 Gross carrying amount	Additions	Reductions	31 December 2020 Gross carrying amount
Lingxiu Mansion North Zone Project	December 2020	–	3,282,353	441,547	2,840,806
Guiyang CRCC International City Project	December 2019	1,686,074	–	118,790	1,567,284
Chengdu Beihu Xinqu Project	December 2019	1,923,173	–	422,793	1,500,380
Tiejian Tower Project	December 2020	–	1,557,558	92,831	1,464,727
Tianjin CRCC International City Project	April 2019	1,547,422	116,754	212,012	1,452,164
Beijing CRCC International City Project	September 2019	1,110,366	28,643	4,575	1,134,434
Nananhuayu Project	October 2018	1,389,829	–	288,614	1,101,215
Xiangxie International Project	April 2019	2,473,146	–	1,409,762	1,063,384
CRCC Southern Headquarter Base Project	June 2019	1,469,376	–	437,876	1,031,500
CRCC Chengdu Xipai City Project (No. 7 Lot)	November 2020	335,298	1,670,121	1,052,445	952,974
CRCC Fuzhou Langqi Shanyucheng Project	December 2020	–	1,670,541	758,808	911,733
Dalian Qingxiu Lanwan Project	December 2018	1,073,636	–	273,611	800,025
CRCC Xipai City Project	December 2019	1,090,728	–	291,829	798,899
Yuehu International Project	November 2020	435,064	771,732	419,855	786,941
Guian Shanyucheng Project	December 2020	128,881	1,332,944	721,928	739,897
Changchun Xipai Tangsong Project	December 2020	–	914,701	234,279	680,422
Jiucheng Yihao Project	December 2017	667,944	–	19,892	648,052
CRCC Yujing Yangguang Project	December 2020	–	1,783,069	1,185,775	597,294
CRCC Xishan Wutong Project	December 2020	–	1,681,969	1,175,956	506,013
Hangzhou CRCC International City Project	October 2020	23,329	831,319	354,770	499,878
Others	–	17,281,078	14,578,950	20,576,351	11,283,677
<b>Total</b>	–	<b>32,635,344</b>	<b>30,220,654</b>	<b>30,494,299</b>	<b>32,361,699</b>

The restricted inventories of the Group are stated in Note V. 63.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. Contract assets

Contract assets are from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset, and is disclosed in contract assets/other non-current assets based on liquidity. While progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

RMB'000

Item	31 December 2020		Carrying amount
	Gross carrying amount	Impairment losses on assets	
Contract assets	170,497,190	5,466,715	165,030,475

RMB'000

Item	31 December 2019		Carrying amount
	Gross carrying amount	Impairment losses on assets	
Contract assets	160,274,029	5,370,948	154,903,081

The movements of impairment losses for contract assets for the year ended 31 December 2020 are presented in Note VIII. 3.

#### 10. Other current assets

RMB'000

Item	31 December 2020	31 December 2019
	Prepaid taxes and VAT input to be deducted	19,617,127
Others	544,080	570,741
Total	20,161,207	17,900,227

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11. Loans and advances to customers

RMB'000

Item	31 December 2020	31 December 2019
Loans to customers	2,772,645	2,730,000

#### 12. Long-term receivables

RMB'000

Item	31 December 2020		
	Gross carrying amount	Impairment of credit losses	Carrying amount
Long-term project receivables	27,649,820	555,095	27,094,725
Long-term loans to customers	27,528,420	174,651	27,353,769
Land development receivables	9,981,764	45,369	9,936,395
Others	16,972,797	77,182	16,895,615
Total	82,132,801	852,297	81,280,504
Less: Current portion of non-current assets:			
Including: Long-term project receivables	6,842,426	34,330	6,808,096
Long-term project receivables	3,028,254	15,637	3,012,617
Long-term loans to customers	2,126,182	10,607	2,115,575
Land development receivables	1,572,892	7,513	1,565,379
Others	115,098	573	114,525
Long-term receivables due after one year	75,290,375	817,967	74,472,408

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

*RMB'000*

Item	31 December 2019		Carrying amount
	Gross carrying amount	Impairment of credit losses	
Long-term project receivables	29,711,700	518,519	29,193,181
Long-term loans to customers	21,037,729	139,544	20,898,185
Land development receivables	10,357,357	50,625	10,306,732
Others	10,615,141	53,245	10,561,896
<b>Total</b>	<b>71,721,927</b>	<b>761,933</b>	<b>70,959,994</b>
Less: Current portion of non-current assets:			
Including: Long-term project receivables	10,207,608	52,228	10,155,380
Long-term loans to customers	3,696,172	21,366	3,674,806
Land development receivables	3,127,905	13,945	3,113,960
Others	3,293,487	16,467	3,277,020
Others	90,044	450	89,594
Long-term receivables due after one year	61,514,319	709,705	60,804,614



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

The Group assesses ECL of long-term receivables on an individual or a collective basis of credit risk characteristics.

RMB'000

Category	Gross carrying amount		31 December 2020 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Impairment of credit losses assessed individually	1,059,281	1.29	408,786	38.59	650,495
Impairment of credit losses assessed by credit risk portfolio	81,073,520	98.71	443,511	0.55	80,630,009
Total	82,132,801	100.00	852,297	1.04	81,280,504

As at 31 December 2020, long-term receivables with significant financing component were presented in accordance with the net amount after discount. The discount rate is 4.75%-5.50% (31 December 2019: 4.35%-5.50%).

Movements in the impairment of credit losses of long-term receivables were as follows:

RMB'000

Item	2020	2019
Opening balance of the current year	761,933	491,547
Provision for the year	128,276	325,863
Less: Reversal for the year	64,375	55,646
Less: Write-off for the year	4,394	–
Others	30,857	169
Closing balance of the current year	852,297	761,933

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 12. Long-term receivables (Continued)

Long-term receivables derecognised due to the transfer of financial assets:

In 2020, the Group has no long-term receivables derecognised due to the transfer of financial assets (as at 31 December 2019: RMB2,902,721,000), and has not recognised losses on derecognition (2019: recognised losses on derecognition of RMB158,656,000).

Assets and liabilities recognised due to continuing involvement of transferred long-term receivables:

As at 31 December 2020, the Group recognised assets of RMB15,250,000 and liabilities of RMB15,250,000 (As at 31 December 2019: RMB15,250,000 and RMB15,250,000) due to continuing involvement of transferred long-term receivables in previous years.

The restricted long-term receivables of the Group are stated in Note V. 63.

#### 13. Long-term equity investments

RMB'000

Item		31 December 2020	31 December 2019
Investments in unlisted companies			
– equity method			
Joint ventures	(1)	32,741,001	24,533,795
Associates	(2)	37,929,246	25,160,118
Less: Provision for impairment of long-term equity investments		49,208	49,279
Total		70,621,039	49,644,634

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (1) Investment in joint ventures

31 December 2020:

RMB'000

Investee	Investment cost	1 January 2020	Changes for the year				Others	31 December 2020	Provision for impairment at the end of year
			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method	Declaration of cash dividends			
Sichuan Tianfu Airport Expressway Co., Ltd.	3,624,600	3,100,000	524,600	-	-	-	-	3,624,600	-
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	3,610,664	3,310,664	300,000	-	-	-	-	3,610,664	-
Yunnan Yulin Expressway Construction Co., Ltd.	3,192,991	2,078,996	1,113,995	-	-	-	-	3,192,991	-
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	1,688,099	-	-	2	-	-	1,688,101	-
CRCC Shaanxi Highway Co., Ltd.	1,597,200	1,149,366	447,820	-	(23)	-	-	1,597,163	-
Chongqing Tiefu Jianxin Highway Co., Ltd.	1,554,400	1,554,400	-	-	(199,014)	-	-	1,355,386	-
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,021,998	1,009,176	-	-	15,445	-	-	1,024,621	-
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	866,213	-	-	3,092	-	-	869,305	-
Chongqing Tiefu Shuanghe Expressway Co., Ltd.	850,000	850,000	-	-	-	-	-	850,000	-
Chongqing Rail Transit Line 18 Construction and Operation Co., Ltd.	671,073	244,870	426,203	-	-	-	-	671,073	-
Others	-	8,632,803	6,534,557	(383,900)	1,024,571	(1,575,311)	(24,831)	14,207,889	(49,208)
<b>Total</b>	<b>-</b>	<b>24,484,587</b>	<b>9,347,175</b>	<b>(383,900)</b>	<b>844,073</b>	<b>(1,575,311)</b>	<b>(24,831)</b>	<b>32,691,793</b>	<b>(49,208)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (1) Investment in joint ventures (Continued)

31 December 2019:

RMB'000

Investee	Investment cost	1 January 2019	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			31 December 2019	Provision for impairment at the end of year
					Investment profits or losses under equity method	Declaration of cash dividends	Provision for impairment of long-term equity investments		
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	3,310,664	1,240,000	2,070,664	-	-	-	-	3,310,664	-
Sichuan Tianfu Airport Expressway Co., Ltd.	3,100,000	1,900,000	1,200,000	-	-	-	-	3,100,000	-
Yunnan Yulin Expressway Construction Co., Ltd.	2,078,996	289,770	1,789,226	-	-	-	-	2,078,996	-
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	1,838,159	-	(150,000)	(60)	-	-	1,688,099	-
Chongqing Tiefu Jianxin Highway Co., Ltd.	1,554,400	854,400	700,000	-	-	-	-	1,554,400	-
CRCC Shaanxi Highway Co., Ltd.	1,149,380	190,020	959,360	-	(14)	-	-	1,149,366	-
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,021,998	1,018,247	-	-	(9,071)	-	-	1,009,176	-
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	870,188	-	-	(475)	(3,500)	-	866,213	-
Chongqing Tiefu Shuanghe Expressway Co., Ltd.	850,000	470,000	380,000	-	-	-	-	850,000	-
Kunming Kunlun Shouzhi Real Estate Co., Ltd.	598,200	-	598,200	-	(313)	-	-	597,887	-
Others	-	4,414,634	2,796,657	(154,557)	1,842,440	(522,590)	(49,208)	8,279,786	(49,208)
<b>Total</b>	-	13,085,418	10,496,107	(304,557)	1,832,507	(526,090)	(49,208)	24,484,587	(49,208)

**Note 1:** According to the articles of association of Hohhot Metro Line 2 Construction & Management Co., Ltd., the major decisions made in the shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. As the Group holds 51.00% shares in Hohhot Metro Line 2 Construction & Management Co., Ltd., it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

**Note 2:** According to the articles of association of China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. ("The 6th Continent"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 70.00% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

**Note 3:** According to the articles of association of China-Africa Lekkil Investment Co., Ltd. ("China-Africa Lekkil"), the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (2) Investment in associates

31 December 2020:

RMB'000

Investee	Investment cost	1 January 2020	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			31 December 2020	Provision for impairment at the end of year	
					Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends			
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 1)	2,637,980	775,400	1,862,580	-	-	-	-	2,637,980	-	
CRCC Financial Leasing Co., Ltd. (Note 2)	1,747,618	2,075,531	-	-	311,141	-	63,877	2,450,549	-	
Hengda Real Estate (Shenzhen) Co., Ltd.	2,313,506	2,313,506	-	-	(134)	-	(127,849)	2,185,523	-	
Ningxia Inter-City Railway Co., Ltd.	1,924,675	2,036,500	-	(111,825)	-	-	-	1,924,675	-	
CRCC Gansu Zhangbian Highway Co., Ltd.	1,465,800	750,615	725,950	-	26,363	-	-	1,502,928	-	
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,660,258	-	-	(29,530)	(197,315)	-	1,433,413	-	
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) (Note 3)	980,000	560,000	420,000	-	-	-	-	980,000	-	
CRCC Investment Shandong Xiaqinghe Development Co., Ltd.	980,000	420,000	560,000	-	-	-	-	980,000	-	
Hangu Railway Co., Ltd.	975,725	292,532	683,368	-	(4,706)	-	-	971,194	-	
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 4)	930,494	660,099	270,395	-	-	-	-	930,494	-	
Others	-	13,615,606	8,156,456	(189,051)	490,270	-	(149,271)	8,480	21,932,490	-
Total	-	25,160,047	12,678,749	(300,876)	793,404	(197,315)	(149,271)	(55,492)	37,929,246	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (2) Investment in associates (Continued)

31 December 2019:

RMB'000

Investee	Investment cost	1 January 2019	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			31 December 2019	Provision for impairment at the end of year
					Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends		
Hengda Real Estate (Shenzhen) Co., Ltd.	2,313,506	-	2,313,506	-	-	-	-	2,313,506	-
CRCC Financial Leasing Co., Ltd. (Note 2)	1,747,618	1,718,427	-	-	332,638	-	24,466	2,075,531	-
Ningxia Inter-City Railway Co., Ltd.	2,036,500	2,236,500	-	(200,000)	154,315	-	(154,315)	2,036,500	-
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,449,910	-	-	(28,163)	238,511	-	1,660,258	-
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 1)	775,400	409,400	366,000	-	-	-	-	775,400	-
CRCC Gansu Zhangbian Highway Co., Ltd.	739,850	254,240	485,610	-	10,765	-	-	750,615	-
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 4)	660,099	300,000	360,099	-	-	-	-	660,099	-
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	575,017	575,017	-	-	38,164	-	(38,164)	575,017	-
Chongqing Yurong Highway Co., Ltd.	853,960	566,549	-	-	7,196	-	-	573,745	-
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) (Note 3)	560,000	-	560,000	-	-	-	-	560,000	-
Others	-	8,383,094	4,926,336	(102,306)	49,058	12,582	(87,988)	13,179,376	(71)
<b>Total</b>	<b>-</b>	<b>15,893,137</b>	<b>9,011,551</b>	<b>(302,306)</b>	<b>563,973</b>	<b>251,093</b>	<b>(280,467)</b>	<b>25,160,047</b>	<b>(71)</b>

*Note 1:* According to the articles of association of Kunming Metro Line 5 Construction & Operation Co., Ltd. ("Kunming Metro Line 5"), the decisions made in the shareholders' meetings of determining business policies and investment plans and approving the board's reports shall be subject to more than half of voting rights of attending shareholders. The Group holds 9.40% shares in Kunming Metro Line 5 and has sent one director to the board of directors. It can neither control nor jointly control the entity with other shareholders over the entity, but has significant influence. Therefore, it is accounted for an associate of the Group.

*Note 2:* According to the articles of association of CRCC Financial Leasing Co., Ltd., the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution, changing the company form, scope of operations, issuing of corporate bonds and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50.00% shares in CRCC Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term equity investments (Continued)

##### (2) Investment in associates (Continued)

*Note 3:* According to rules of procedure of Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) ("City Vice-Center Fund Partnership"), The City Vice-Center Fund Partnership has established an investment decision-making committee (hereinafter referred to as the "investment committee"). The resolutions made by the investment committee shall be subject to more than half (excluding half) of members' consent. The investment committee consists of 9 members, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

*Note 4:* According to the shareholders' agreement and the articles of association of Yunnan Kunchu Highway Investment & Development Co., Ltd. ("Yunnan Kunchu"), the decisions made in the shareholders' meetings of increasing or decreasing the registered capital, transferring shareholders' shares, establishing and amending the company's articles of association shall be subject to 100% consent of voting rights of shareholders. Other decisions shall be subject to more than three quarters of voting rights of shareholders. The Group holds 72.00% of the voting rights of Yunnan Kunchu. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the Company. Therefore, it is accounted for an associate of the Group.

#### 14. Other equity instrument investments

RMB'000

Item	31 December 2020	31 December 2019
Equity investments in listed companies	2,167,237	2,130,633
Equity investments in unlisted companies	8,343,160	7,907,976
Total	10,510,397	10,038,609

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 14. Other equity instrument investments (Continued)

2020:

RMB'000

Item	Changes for the year					31 December 2020	Dividends recognised for the year
	1 January 2020	Increase of investment	Decrease of investment	Changes in fair value	Others		
Other equity instrument investments	10,038,609	436,300	(3,950)	39,438	-	10,510,397	118,395

2019:

RMB'000

Item	Changes for the year					31 December 2019	Dividends recognised for the year
	1 January 2019	Increase of investment	Decrease of investment	Changes in fair value	Others		
Other equity instrument investments	8,268,378	1,673,638	(260,000)	353,903	2,690	10,038,609	187,668



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Investment properties

Subsequent measurement under cost method

2020:

RMB'000

	Buildings and land use right	Total
<b>I. Original costs</b>		
1 January 2020	6,470,785	6,470,785
Increase	2,466,363	2,466,363
Additions	404,091	404,091
Transferred in from inventories	903,141	903,141
Transferred in from fixed assets	425,623	425,623
Acquired from business combinations involving entities not under common control ( <i>Note VI. 1</i> )	101,094	101,094
Transferred in	632,414	632,414
Decrease	351,779	351,779
Disposal	343,065	343,065
Transferred out to fixed assets	8,714	8,714
31 December 2020	8,585,369	8,585,369
<b>II. Accumulated depreciation and amortisation</b>		
1 January 2020	843,791	843,791
Increase	241,916	241,916
Provision	190,017	190,017
Transferred in from fixed assets	51,899	51,899
Decrease	35,103	35,103
Disposal	29,574	29,574
Transferred out to fixed assets	5,529	5,529
31 December 2020	1,050,604	1,050,604
<b>III. Provision for impairment</b>		
1 January 2020	269,237	269,237
Provision	19,780	19,780
Decrease	8,492	8,492
31 December 2020	280,525	280,525
<b>IV. Carrying amount</b>		
Closing balance	7,254,240	7,254,240
Opening balance	5,357,757	5,357,757

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Investment properties (Continued)

Subsequent measurement under cost method (Continued)

2019:

	Buildings and land use right	<i>RMB'000</i> Total
<b>I. Original costs</b>		
1 January 2019	6,336,471	6,336,471
Increase	522,581	522,581
Additions	18,239	18,239
Transferred in from inventories	278,746	278,746
Transferred in from fixed assets	224,398	224,398
Transferred in	1,198	1,198
Decrease	388,267	388,267
Transferred out to fixed assets	102,500	102,500
Transferred out	285,767	285,767
31 December 2019	6,470,785	6,470,785
<b>II. Accumulated depreciation and amortisation</b>		
1 January 2019	646,646	646,646
Increase	219,451	219,451
Provision	201,900	201,900
Transferred in from fixed assets	17,551	17,551
Decrease	22,306	22,306
Transferred out to fixed assets	4,378	4,378
Transferred out	17,928	17,928
31 December 2019	843,791	843,791
<b>III. Provision for impairment</b>		
1 January 2019	45,745	45,745
Provision	64,184	64,184
Transferred in	159,308	159,308
31 December 2019	269,237	269,237
<b>IV. Carrying amount</b>		
Closing balance	5,357,757	5,357,757
Opening balance	5,644,080	5,644,080

As at 31 December 2020, the Group has no investment properties of which the title certificates are in the process of handling (as at 31 December 2019: RMB51,503,000).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets

2020:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
1 January 2020	21,367,307	46,224,246	15,242,414	50,443,234	133,277,201
Increase	4,266,136	6,021,399	1,141,629	9,535,769	20,964,933
Additions	503,772	4,659,103	1,019,806	8,790,879	14,973,560
Transferred in from construction in progress	1,070,124	1,344,418	121,823	652,290	3,188,655
Acquired from business combinations involving entities not under common control	524,404	17,878	–	3,267	545,549
Transferred in ( <i>Note</i> )	2,167,836	–	–	89,333	2,257,169
Decrease	630,703	3,546,275	1,493,289	4,411,464	10,081,731
Disposal or retirement	154,890	2,937,499	1,463,478	4,402,309	8,958,176
Transferred out to investment properties	425,623	–	–	–	425,623
Transferred out	50,190	608,776	29,811	9,155	697,932
31 December 2020	25,002,740	48,699,370	14,890,754	55,567,539	144,160,403
<b>II. Accumulated depreciation</b>					
1 January 2020	4,982,575	28,505,796	11,925,504	36,796,901	82,210,776
Increase	662,686	4,125,526	1,089,998	8,363,937	14,242,147
Provision	657,157	4,125,526	1,089,998	8,363,937	14,236,618
Transferred in	5,529	–	–	–	5,529
Decrease	138,659	2,722,474	1,371,268	4,339,627	8,572,028
Disposal or retirement	75,053	2,261,685	1,351,078	4,334,407	8,022,223
Transferred out to investment properties	51,899	–	–	–	51,899
Transferred out	11,707	460,789	20,190	5,220	497,906
31 December 2020	5,506,602	29,908,848	11,644,234	40,821,211	87,880,895
<b>III. Provision for impairment</b>					
1 January 2020	76,521	71,787	830	25,519	174,657
Transferred out	5,439	–	–	1,630	7,069
31 December 2020	71,082	71,787	830	23,889	167,588
<b>IV. Carrying amount</b>					
31 December 2020	19,425,056	18,718,735	3,245,690	14,722,439	56,111,920
1 January 2020	16,308,211	17,646,663	3,316,080	13,620,814	50,891,768

*Note:* Transferred in of the year is mainly fixed assets obtained by the Group to offset the Group's creditors right.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets (Continued)

2019:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
1 January 2019	20,471,891	43,379,123	14,388,468	44,074,335	122,313,817
Increase	1,485,978	4,991,132	1,679,793	10,236,390	18,393,293
Additions	122,693	4,056,656	1,678,994	9,562,384	15,420,727
Transferred in from construction in progress	1,186,021	932,654	–	672,802	2,791,477
Transferred in from investment properties	102,500	–	–	–	102,500
Transferred in	74,764	1,822	799	1,204	78,589
Decrease	590,562	2,146,009	825,847	3,867,491	7,429,909
Disposal or retirement	335,276	1,559,537	825,847	3,840,383	6,561,043
Transferred out to investment properties	224,398	–	–	–	224,398
Transferred out	30,888	586,472	–	27,108	644,468
31 December 2019	21,367,307	46,224,246	15,242,414	50,443,234	133,277,201
<b>II. Accumulated depreciation</b>					
1 January 2019	4,634,087	25,838,583	11,522,575	31,233,393	73,228,638
Increase	535,409	4,271,887	1,110,019	9,002,469	14,919,784
Provision	531,031	4,271,887	1,110,019	9,002,469	14,915,406
Transferred in from investment properties	4,378	–	–	–	4,378
Decrease	186,921	1,604,674	707,090	3,438,961	5,937,646
Disposal or retirement	154,367	1,411,379	707,090	3,438,560	5,711,396
Transferred out to investment properties	17,551	–	–	–	17,551
Transferred out	15,003	193,295	–	401	208,699
31 December 2019	4,982,575	28,505,796	11,925,504	36,796,901	82,210,776
<b>III. Provision for impairment</b>					
1 January 2019	74,128	74,794	902	25,589	175,413
Provision	2,397	–	–	–	2,397
Disposal or retirement	4	3,007	72	70	3,153
31 December 2019	76,521	71,787	830	25,519	174,657
<b>IV. Carrying amount</b>					
31 December 2019	16,308,211	17,646,663	3,316,080	13,620,814	50,891,768
1 January 2019	15,763,676	17,465,746	2,864,991	12,815,353	48,909,766

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Fixed assets (Continued)

The restricted fixed assets of the Group are stated in Note V. 63.

As at 31 December 2020, the amount of interest expenses capitalised in the balance of fixed assets was RMB60,153,000 (31 December 2019: RMB35,866,000). For the year ended 31 December 2020, there is RMB24,287,000 of interest expenses capitalised which was transferred in from construction in progress (2019: RMB3,129,000).

As at 31 December 2020, the Group had no significant fixed assets that were temporarily idle (31 December 2019: Nil).

As at 31 December 2020, the Group was in the process of applying for and handling registration or transfer of the title certificates of certain buildings with an aggregate carrying amount of RMB2,278,025,000 (31 December 2019: RMB1,631,534,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use such buildings. The Company's management is also of the opinion that the matter did not have any adverse significant impact on the Group's financial position as at 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress

RMB'000

Item	31 December 2020			31 December 2019		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
CRCC Wisdom Port	752,509	-	752,509	-	-	-
Hengqin Tiejian Plaza Project (Original name: Zhuhai Tiejian Plaza Project)	681,746	-	681,746	568,508	-	568,508
Public Wharf of Qiwei Operating Area, Taixing Port Area, Taizhou Port	644,771	-	644,771	369,230	-	369,230
Guanggu Hi-Tech Innovation Base Project	451,041	-	451,041	227,186	-	227,186
Tiejian Tower Project (Original name: Zhuhai Tiejian Tower Project)	434,589	-	434,589	264,829	-	264,829
Tiejian Building Phase II Project	420,316	-	420,316	318,428	-	318,428
Yangtze River Wharf Project	300,856	-	300,856	327,869	-	327,869
New office building of Jian'an Company (Original name: Hengda Weilai City Phase II Office Building No.3)	297,064	-	297,064	146,956	-	146,956
Shanghai Baoshan New City Yanghang Yangxin Community Unit BSPO-0601 07-08 Lot Rental Housing Project	273,549	-	273,549	9,455	-	9,455
Prefabricated Industrial Park Construction Project (Original name: Prefabricated Construction Base)	239,868	-	239,868	214,425	-	214,425
Others	3,065,366	9,563	3,055,803	3,177,480	9,563	3,167,917
<b>Total</b>	<b>7,561,675</b>	<b>9,563</b>	<b>7,552,112</b>	<b>5,624,366</b>	<b>9,563</b>	<b>5,614,803</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2020:

RMB'000

Item	Budget	1 January	Additions	Transfer out	Others	31 December	Source of funds	Proportion of
		2020				2020		investment to budget (%)
CRCC Wisdom Port	1,207,543	-	752,509	-	-	752,509	Self-funding/ loan	62
Hengqin Tiejian Plaza Project (Original name: Zhuhai Tiejian Plaza Project)	2,056,000	568,508	113,238	-	-	681,746	Self-funding/ loan	33
Public Wharf of Qiwei Operating Area, Taixing Port Area, Taizhou Port	1,211,836	369,230	275,541	-	-	644,771	Self-funding	53
Guanggu Hi-Tech Innovation Base Project	822,482	227,186	223,855	-	-	451,041	Self-funding	55
Tiejian Tower Project (Original name: Zhuhai Tiejian Tower Project)	524,600	264,829	169,760	-	-	434,589	Self-funding/ loan	83
Tiejian Building Phase II Project	446,000	318,428	101,888	-	-	420,316	Self-funding	94
Yangtze River Wharf Project	461,250	327,869	56,917	83,930	-	300,856	Self-funding/ loan	83
New office building of Jian'an Company (Original name: Hengda Weilai City Phase II Office Building No.3)	316,437	146,956	150,108	-	-	297,064	Self-funding	94
Shanghai Baoshan New City Yanghang Yangxin Community Unit BSPO-0601 07-08 Lot Rental Housing Project	1,000,000	9,455	273,548	9,454	-	273,549	Self-funding	28
Prefabricated Industrial Park Construction Project (Original name: Prefabricated Construction Base)	467,300	214,425	36,132	10,689	-	239,868	Self-funding/ loan	54
Others	-	3,177,480	3,143,475	3,255,589	-	3,065,366	Self-funding/ loan	-
<b>Total</b>	<b>-</b>	<b>5,624,366</b>	<b>5,296,971</b>	<b>3,359,662</b>	<b>-</b>	<b>7,561,675</b>	<b>-</b>	<b>-</b>
Less: Provision for impairment	-	9,563	-	-	-	9,563	-	-
<b>Net value at the end of the year</b>	<b>-</b>	<b>5,614,803</b>	<b>5,296,971</b>	<b>3,359,662</b>	<b>-</b>	<b>7,552,112</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2019:

Item	Budget	1 January 2019	Additions	Transfer out	Disposals	Others	31 December 2019	Source of funds	Proportion of investment to
									budget (%)
Zuhai Tiejian Plaza Project	2,056,000	-	568,508	-	-	-	568,508	Self-funding/ loan	28
Public Wharf of Qiwei Operating Area, Taixing Port Area, Taizhou Port	1,211,836	74,983	294,247	-	-	-	369,230	Self-funding	30
Yangtze River Wharf Project	371,250	87,446	240,423	-	-	-	327,869	Self-funding	88
Tiejian Building Phase II Project	446,000	265,840	52,588	-	-	-	318,428	Self-funding	71
Zuhai Tiejian Tower Project	510,030	175,781	89,048	-	-	-	264,829	Self-funding/ loan	52
Wuhu Tunnel Boring Machine Construction Project	499,000	170,978	68,824	-	-	-	239,802	Self-funding/ loan	48
Guanggu Hi-Tech Innovation Base Project	822,482	92,316	134,870	-	-	-	227,186	Self-funding	28
Prefabricated Construction Base	467,300	4,215	210,210	-	-	-	214,425	Self-funding/ loan	46
TBM (Tunnel Boring Machine) (S1051) Renovation Project	250,000	-	191,514	-	-	-	191,514	Self-funding	77
Hengda Weilai City Phase II Office Building No.3	276,937	-	146,956	-	-	-	146,956	Self-funding	53
Others	-	3,566,388	2,231,051	3,015,123	27,397	700	2,755,619	Self-funding/ loan	--
<b>Total</b>	<b>-</b>	<b>4,437,947</b>	<b>4,228,239</b>	<b>3,015,123</b>	<b>27,397</b>	<b>700</b>	<b>5,624,366</b>	<b>-</b>	<b>-</b>
Less: Provision for impairment	-	9,563	-	-	-	-	9,563	-	-
<b>Net value at the end of the period</b>	<b>-</b>	<b>4,428,384</b>	<b>4,228,239</b>	<b>3,015,123</b>	<b>27,397</b>	<b>700</b>	<b>5,614,803</b>	<b>-</b>	<b>-</b>

For the year ended 31 December 2020, construction in progress with a carrying amount of RMB3,188,655,000 (2019: RMB2,791,477,000), RMB40,538,000 (2019: RMB19,017,000) and RMB41,138,000 (2019: Nil) had been transferred to fixed assets, intangible assets and investment properties respectively.

The restricted construction in progress of the Group are stated in Note V. 63.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

The amounts of interest expenses capitalised in the balance of construction in progress and the capitalisation rates are listed as follows:

2020:

RMB'000

Item	Progress as at 31 December 2020 (%)	Accumulated amount of interest capitalised as at 31 December 2020	Interest capitalised during the year	Capitalisation rate during the year (%)
Jingjiang Bridge Science and Technology Industrial Park	34	24,426	10,872	3.47
Yangtze River Wharf Project	83	12,433	7,712	3.46
CRCC Wisdom Port	62	12,108	12,108	4.90
North Blue Ocean Production Base	60	11,492	7,008	4.35
Tiejian Tower Project (Original name: Zhuhai Tiejian Tower Project)	83	6,844	911	5.10
Others	–	10,760	8,398	–
Total	–	78,063	47,009	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Construction in progress (Continued)

2019:

RMB'000

Item	Progress as at 31 December 2019 (%)	Accumulated amount of interest capitalised as at 31 December 2019	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project	48	17,392	6,783	4.74
Jingjiang Bridge Science and Technology Industrial Park	13	13,554	8,934	3.74
Yangtze River Wharf Project	88	10,657	7,239	3.79
Zhuhai Tiejian Tower Project	52	5,933	4,986	4.89
North Blue Ocean Production Base	54	4,484	1,185	4.35
Others	–	1,985	1,850	–
<b>Total</b>	–	<b>54,005</b>	<b>30,977</b>	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Right-of-use assets

2020:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
1 January 2020	1,210,511	5,839,786	537,643	125,789	7,713,729
Additions	1,034,298	1,105,854	85,923	6,956	2,233,031
Disposal or retirement	109,628	939,271	108,266	5,269	1,162,434
31 December 2020	2,135,181	6,006,369	515,300	127,476	8,784,326
<b>II. Accumulated depreciation</b>					
1 January 2020	346,832	1,601,672	57,796	28,718	2,035,018
Provision	518,114	1,481,475	102,117	19,798	2,121,504
Disposal or retirement	59,863	589,680	11,019	3,966	664,528
31 December 2020	805,083	2,493,467	148,894	44,550	3,491,994
<b>III. Carrying amount</b>					
Closing balance	1,330,098	3,512,902	366,406	82,926	5,292,332
Opening balance	863,679	4,238,114	479,847	97,071	5,678,711

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Right-of-use assets (Continued)

2019:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
<b>I. Original costs</b>					
1 January 2019	907,708	5,131,559	1,010,508	94,538	7,144,313
Additions	449,687	902,548	–	40,744	1,392,979
Disposal or retirement	146,884	194,321	472,865	9,493	823,563
31 December 2019	1,210,511	5,839,786	537,643	125,789	7,713,729
<b>II. Accumulated depreciation</b>					
1 January 2019	–	–	–	–	–
Provision	348,636	1,606,072	59,898	30,073	2,044,679
Disposal or retirement	1,804	4,400	2,102	1,355	9,661
31 December 2019	346,832	1,601,672	57,796	28,718	2,035,018
<b>III. Carrying amount</b>					
Closing balance	863,679	4,238,114	479,847	97,071	5,678,711
Opening balance	907,708	5,131,559	1,010,508	94,538	7,144,313

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets

2020:

RMB'000

Item	Land use rights	Concession rights	Software licenses	Mining rights and others	Total
<b>I. Original costs</b>					
1 January 2020	7,565,424	55,776,599	811,147	736,003	64,889,173
Increase	820,529	11,703,954	209,856	921,218	13,655,557
Additions	820,529	9,654,696	143,465	24,223	10,642,913
Transferred in from construction in progress	–	–	40,538	–	40,538
Acquired from business combinations involving entities not under common control (Note VI. 1)	–	2,049,258	25,853	896,995	2,972,106
Decrease	86,970	2,036,845	39,559	64,916	2,228,290
Disposal or retirement	86,970	–	38,863	64,916	190,749
Disposal of subsidiaries	–	2,036,845	696	–	2,037,541
31 December 2020	8,298,983	65,443,708	981,444	1,592,305	76,316,440
<b>II. Accumulated amortisation</b>					
1 January 2020	1,516,449	1,911,077	421,188	98,465	3,947,179
Increase	147,979	477,276	151,810	213,104	990,169
Provision	147,979	477,276	151,810	213,104	990,169
Decrease	17,581	8,974	36,388	433	63,376
Disposal or retirement	17,581	–	35,741	433	53,755
Disposal of subsidiaries	–	8,974	647	–	9,621
31 December 2020	1,646,847	2,379,379	536,610	311,136	4,873,972
<b>III. Provision for impairment</b>					
1 January 2020 and 31 December 2020	9,043	1,060,130	–	878	1,070,051
<b>IV. Carrying amount</b>					
Closing balance	6,643,093	62,004,199	444,834	1,280,291	70,372,417
Opening balance	6,039,932	52,805,392	389,959	636,660	59,871,943

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

2019:					
<i>RMB'000</i>					
Item	Land use rights	Concession rights	Software licenses	Mining rights and others	Total
<b>I. Original costs</b>					
1 January 2019	7,193,473	45,497,193	605,610	776,159	54,072,435
Increase	529,508	11,723,703	220,982	13,299	12,487,492
Additions	529,508	11,723,703	201,965	13,299	12,468,475
Transferred in from construction in progress	–	–	19,017	–	19,017
Decrease	157,557	1,444,297	15,445	53,455	1,670,754
Disposal of subsidiaries	–	1,444,297	–	–	1,444,297
Disposal or retirement	157,557	–	15,445	53,455	226,457
31 December 2019	7,565,424	55,776,599	811,147	736,003	64,889,173
<b>II. Accumulated amortisation</b>					
1 January 2019	1,321,363	1,691,133	286,279	94,511	3,393,286
Increase	216,458	219,944	141,665	29,639	607,706
Provision	216,458	219,944	141,665	29,639	607,706
Decrease	21,372	–	6,756	25,685	53,813
Disposal or retirement	21,372	–	6,756	25,685	53,813
31 December 2019	1,516,449	1,911,077	421,188	98,465	3,947,179
<b>III. Provision for impairment</b>					
1 January 2019	11,265	–	–	878	12,143
Provision	–	1,060,130	–	–	1,060,130
Disposal	2,222	–	–	–	2,222
31 December 2019	9,043	1,060,130	–	878	1,070,051
<b>IV. Carrying amount</b>					
Closing balance	6,039,932	52,805,392	389,959	636,660	59,871,943
Opening balance	5,860,845	43,806,060	319,331	680,770	50,667,006

As at 31 December 2020, there were no intangible assets recognised through internal research and development (31 December 2019: Nil).

The restricted intangible assets of the Group are stated in Note V. 63.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

As at 31 December 2020, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB727,130,000 (31 December 2019: RMB78,326,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use such land, and also of the opinion that the matter did not have any significant adverse impact on the Group's financial position as at 31 December 2020.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are analyzed as follows:

2020:

RMB'000

Item	Progress as at 31 December 2020 (%)	Accumulated amount of interest capitalised as at 31 December 2020	Interest capitalised during the period	Capitalisation rate during the period (%)
Sichuan Jianpu Highway Project concession rights	100	1,151,795	–	–
Sichuan Dejian Highway Project concession rights	97	964,813	378,341	4.53
Guangxi Ziyuan (Meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Sichuan Dedu Highway Project concession rights	80	409,202	193,325	4.69
Hunan Anxiang to Cili Highway Project concession rights	77	253,490	167,823	4.39
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	165,669	–	–
Beijing New Airport North Line Highway project (middle part)	100	57,579	–	–
Beijing Xingyan Highway Project concession rights	100	45,554	–	–
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
S404 from Sucheng, Suzhou to demarcation between Anhui and Jiangsu concession rights	100	20,720	–	–
Others	–	21,065	11,563	–
Total	–	3,853,031	751,052	–



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are analyzed as follows: (Continued)

2019:

RMB'000

Item	Progress as at 31 December 2019 (%)	Accumulated amount of interest capitalised as at 31 December 2019	Interest capitalised during the period	Capitalisation rate during the period (%)
Sichuan Jianpu Highway Project concession rights	100	1,151,795	–	–
Sichuan Dejian Highway Project concession rights	80	586,472	309,936	4.76
Guangxi Ziyuan (Meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Sichuan Dedu Highway Project concession rights	56	215,877	133,665	4.88
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	165,669	–	–
Hunan Anxiang to Cili Highway Project concession rights	48	85,667	58,465	4.60
Beijing New Airport North Line Highway project (middle part)	100	57,579	7,201	4.45
Beijing Xingyan Highway Project concession rights	100	45,554	–	–
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
S404 from Sucheng, Suzhou to demarcation between Anhui and Jiangsu concession rights	48	20,720	20,720	5.00
Others	–	12,295	11,586	–
<b>Total</b>	<b>–</b>	<b>3,104,772</b>	<b>541,573</b>	<b>–</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 20. Goodwill

2020:

Original costs

RMB'000

Item	1 January 2020	Increase	Decrease	Exchange differences on translation of foreign operations	31 December 2020
Acquisition of ALDESA Company (Note 1)	-	412,481	-	18,963	431,444
Acquisition of Hangsheng Company (Note 2)	100,135	-	-	-	100,135
Acquisition of CIDEON Company (Note 3)	91,369	-	-	-	91,369
Others	44,199	-	-	-	44,199
Total	235,703	412,481	-	18,963	667,147

Accumulated depreciation

RMB'000

Item	1 January 2020	Increase	Decrease	31 December 2020
Acquisition of Hangsheng Company (Note 2)	100,135	-	-	100,135
Acquisition of CIDEON Company (Note 3)	15,656	8,580	-	24,236
Others	1,071	-	-	1,071
Total	116,862	8,580	-	125,442

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 20. Goodwill (Continued)

2019:

Original costs

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Acquisition of Hangsheng Company (Note 2)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 3)	91,369	–	–	91,369
Others	38,280	5,919	–	44,199
<b>Total</b>	<b>229,784</b>	<b>5,919</b>	<b>–</b>	<b>235,703</b>

Accumulated depreciation

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Acquisition of Hangsheng Company (Note 2)	–	100,135	–	100,135
Acquisition of CIDEON Company (Note 3)	–	15,656	–	15,656
Others	1,071	–	–	1,071
<b>Total</b>	<b>1,071</b>	<b>115,791</b>	<b>–</b>	<b>116,862</b>

Note 1: The goodwill of RMB412,481,000 was acquired in the business combination involving entities not under common control of GRUPO ALDESA, S.A. (See Note VI. 1 for details) on 8 May 2020.

Note 2: The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012. In 2019, due to internal business restructuring and institutional reform, the synergies of the business combination no longer existed and the Group accrued impairment of the goodwill of RMB100,135,000.

Note 3: On 29 February 2016, the Group purchased CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG (collectively referred to as "CIDEON Company"), which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000. The group accrued impairment of the goodwill of RMB8,580,000 in 2020 (2019: RMB15,656,000).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Deferred tax assets/liabilities

RMB'000

Item	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	235,913	52,594	352,843	73,006
Provision for impairment of assets and credit losses	12,515,583	2,518,637	11,228,915	2,253,061
Deductible tax losses	3,309,749	643,154	2,771,562	511,742
Revaluation surplus from restructuring	1,291,263	319,517	1,383,180	341,388
Unrealised profits of intra-group transactions	5,873,768	1,375,549	4,714,240	1,093,891
Changes in fair value of other equity instrument investments	258,048	53,603	306,758	64,654
Interest expenses that can be carried forward for deduction	952,471	238,117	–	–
Others	5,961,789	1,433,110	5,745,402	1,389,770
Total	30,398,584	6,634,281	26,502,900	5,727,512

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Deferred tax assets/liabilities (Continued)

Item	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of other equity instrument investments	1,233,898	233,607	1,207,810	227,163
Asset appreciation from appraisal for business combinations involving entities not under common control	821,926	209,428	–	–
Book-tax temporary differences for revenue recognition	3,106,988	776,747	881,425	220,356
Others	1,834,332	369,527	742,388	162,859
Total	6,997,144	1,589,309	2,831,623	610,378

Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

*RMB'000*

Item	Offset amount between deferred tax assets and liabilities at the end of the year	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	211,108	6,423,173	102,565	5,624,947
Deferred tax liabilities	211,108	1,378,201	102,565	507,813

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Deferred tax assets/liabilities (Continued)

Deductible temporary differences and deductible tax losses for which deferred tax assets are not recognised are listed as follows:

*RMB'000*

Item	31 December 2020	31 December 2019
Deductible temporary differences	12,789,866	11,291,639
Deductible tax losses	13,358,364	11,563,321
<b>Total</b>	<b>26,148,230</b>	22,854,960

Deductible losses, for which no deferred tax assets are recognised, will expire in the following years:

*RMB'000*

Year	31 December 2020	31 December 2019
2020	–	726,436
2021	749,592	758,148
2022	1,423,477	1,533,850
2023	3,315,590	3,607,344
2024	2,692,330	4,154,083
2025	3,525,758	25,675
2026	35,299	35,299
2027	130,889	130,889
2028	295,292	295,292
2029	295,344	296,305
2030	894,793	–
<b>Total</b>	<b>13,358,364</b>	11,563,321

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 22. Other non-current assets

RMB'000

Item	31 December 2020	31 December 2019
Retention receivables	61,772,918	62,759,430
Contract assets derived from land development receivables and other project receivables	10,310,299	7,439,734
Others	3,089,146	4,575,347
Subtotal	75,172,363	74,774,511
Less: Current portion of non-current assets Including: Retention receivables	9,443,613	7,799,355
	9,443,613	7,799,355
Total	65,728,750	66,975,156

The restricted other non-current assets of the Group are stated in Note V. 63.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Short-term loans

RMB'000

Item	31 December 2020	31 December 2019
Pledged loans ( <i>Note 1, Note 2, Note 3</i> )	1,762,489	1,799,449
Mortgaged loans ( <i>Note V. 33 (Note 6)</i> )	–	112,873
Guaranteed loans ( <i>Note 4</i> )	4,203,911	5,093,140
Credit loans	43,912,673	35,743,804
Total	49,879,073	42,749,266

*Note 1:* As at 31 December 2020, short-term loans with a carrying amount of RMB735,666,000 (31 December 2019: RMB1,236,968,000) were secured by the pledge of the Group's trade receivables and all the interests and gains under the contracts thereof with a carrying amount of RMB735,666,000 (31 December 2019: RMB1,245,243,000).

*Note 2:* As at 31 December 2020, short-term loans with a carrying amount of RMB926,823,000 (31 December 2019: RMB562,481,000) were secured by the pledge of the Group's bills receivable with a carrying amount of RMB926,823,000 (31 December 2019: RMB562,481,000).

*Note 3:* As at 31 December 2020, short-term loans with a carrying amount of RMB100,000,000 (31 December 2019: Nil) were secured by the pledge of the Group's royalties with a carrying amount of RMB668,895,000 (31 December 2019: Nil).

*Note 4:* As at 31 December 2020, all guaranteed loans were guaranteed by the entities comprising the Group (31 December 2019: all guaranteed loans were guaranteed by the entities comprising the Group).

As at 31 December 2020, annual interest rates of above short-term loans ranged from 0.43% to 7.00% (31 December 2019: 2.15% to 7.99%).

As at 31 December 2020, the Group had no overdue short-term loans (31 December 2019: Nil).



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 24. Due to customers

RMB'000

Item	31 December 2020	31 December 2019
Due to customers	4,815,608	3,820,235

#### 25. Bills payable

RMB'000

Item	31 December 2020	31 December 2019
Commercial acceptance bills	25,472,104	17,409,156
Bank acceptance bills	58,818,852	52,192,821
Total	84,290,956	69,601,977

As at 31 December 2020 the Group had no unpaid overdue bills payable (31 December 2019: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 26. Trade payables

Aging of trade payables is listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Within 1 year	<b>340,777,759</b>	318,511,674
1 to 2 years	<b>6,038,420</b>	5,059,474
2 to 3 years	<b>1,499,873</b>	1,050,771
Over 3 years	<b>1,011,272</b>	1,163,385
<b>Total</b>	<b>349,327,324</b>	325,785,304

As at 31 December 2020, trade payables aged over one year amounted to RMB8,549,565,000 (31 December 2019: RMB7,273,630,000), primarily consisted of payables for construction contracts and materials. Since the progress of relevant projects had not reached the point of payments, these trade payables had not been settled.

#### 27. Contract liabilities

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Advances for construction contracts	<b>72,901,759</b>	61,232,083
Advances for the sale of properties ( <i>Note</i> )	<b>52,259,745</b>	41,866,261
Advances for the sale of materials	<b>4,189,679</b>	4,040,219
Advances for the sale of goods	<b>682,891</b>	353,972
Others	<b>1,024,543</b>	1,014,054
<b>Total</b>	<b>131,058,617</b>	108,506,589

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 27. Contract liabilities (Continued)

Note: Details of advances for the sale of properties are listed as follows:

RMB'000

Project name	31 December	Percentage of	Estimated
	2020	accumulated pre-sales as at 31 December 2020 %	
Shaoxing Huayujiangnan Mansion Project	5,127,031	77	December 2021
Nanjing Huayu Xi'an Residence Project	2,078,298	51	August 2022
CRCC Haiyu Xi'an Project	2,061,503	36	April 2022
Xi'an CRCC International City II Project	1,932,686	71	November 2021
Wutong Bay Project	1,746,942	70	April 2021
CRCC Xipai City Project	1,555,255	45	June 2022
Xi'an Tiexing Xipai International Project	1,446,888	85	December 2021
Xi'an CRCC International City III Project	1,412,218	71	January 2021
CRCC Wutongyuan Project	1,352,514	88	June 2021
Huayu Tianjingfu Project	1,276,994	59	June 2021
Yushuilanwan Project Phase 1	1,152,024	58	October 2021
CRCC Donglindao Project	1,136,476	46	December 2021
Xiangman Xi'an Project	1,130,364	91	June 2021
Tiejian Tower Project	1,040,623	57	December 2020
CRCC Bailubandao Project	998,266	65	March 2021
CRCC Wuyunqingxiu Project	861,463	90	July 2021
CRCC Yipinhuaifu	850,165	91	June 2021
Tianjin Guoyin Wenyuan Project	826,278	22	September 2021
Guian Shanyucheng Project	806,625	90	December 2021
CRCC Yangchun Hupan Project	805,035	77	December 2021
CRCC Shanyu Lanting Project	750,259	30	October 2021
CRCC Huayu Jiangnan City Project	741,315	15	May 2021
CRCC Huayu City Project	739,835	21	May 2022
CRCC Caidian Zhiyu City Project	738,282	31	December 2021
Hefei Qingxiucheng Project	686,808	93	December 2021
CRCC Fengling International City Project	681,317	97	June 2021
CRCC Nansha Haiyue International Project	610,116	25	January 2022
CRCC Wutongyuan-Qiaoxinyuan Project	604,703	93	December 2021
Nanning Anji Shanyu City Project	600,368	71	March 2021
CRCC Chengdu Xipai City Project (No. 7 Lot)	587,198	88	November 2020
Others	15,921,896	–	–
<b>Total</b>	<b>52,259,745</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 27. Contract liabilities (Continued)

As at the balance sheet date, significant contract liabilities aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2020	Reasons
Company 1	Third party	1,003,934	Work performed but not billed
Company 2	Third party	429,070	Work performed but not billed
Company 3	Third party	414,226	Work performed but not billed
Company 4	Third party	344,545	Work performed but not billed
Company 5	Third party	341,378	Work performed but not billed
Total	–	2,533,153	–

#### 28. Employee benefits payable

2020:

RMB'000

Item	1 January 2020	Accrued	Paid	31 December 2020
Short-term benefits	10,228,668	61,768,898	61,642,911	10,354,655
Post-employment benefits (defined contribution plans)	1,651,699	5,686,531	5,719,573	1,618,657
Total	11,880,367	67,455,429	67,362,484	11,973,312

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

2019:

RMB'000

Item	1 January 2019	Accrued	Paid	31 December 2019
Short-term benefits	9,717,291	57,590,072	57,078,695	10,228,668
Post-employment benefits (defined contribution plans)	1,563,280	6,673,519	6,585,100	1,651,699
<b>Total</b>	<b>11,280,571</b>	<b>64,263,591</b>	<b>63,663,795</b>	<b>11,880,367</b>

Short-term benefits:

2020:

RMB'000

Item	1 January 2020	Accrued	Paid	31 December 2020
Salaries, bonuses, allowances and subsidies	7,365,466	44,114,629	44,086,170	7,393,925
Staff welfare	–	3,898,083	3,898,083	–
Social insurance	1,095,988	3,333,405	3,389,803	1,039,590
Including: Medical insurance	956,719	3,030,694	3,071,975	915,438
Work injury insurance	86,125	187,454	190,952	82,627
Maternity insurance	53,144	115,257	126,876	41,525
Housing funds	674,487	3,520,030	3,542,707	651,810
Union fund and employee education fund	585,986	1,244,420	1,170,640	659,766
Others	506,741	5,658,331	5,555,508	609,564
<b>Total</b>	<b>10,228,668</b>	<b>61,768,898</b>	<b>61,642,911</b>	<b>10,354,655</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

Short-term benefits: (Continued)

2019:

Item	<i>RMB'000</i>			
	1 January 2019	Accrued	Paid	31 December 2019
Salaries, bonuses, allowances and subsidies	6,978,400	41,585,790	41,198,724	7,365,466
Staff welfare	–	3,571,972	3,571,972	–
Social insurance	1,110,730	3,481,968	3,496,710	1,095,988
Including: Medical insurance	970,674	3,038,880	3,052,835	956,719
Work injury insurance	91,072	236,105	241,052	86,125
Maternity insurance	48,984	206,983	202,823	53,144
Housing funds	684,423	3,161,120	3,171,056	674,487
Union fund and employee education fund	569,131	1,198,488	1,181,633	585,986
Others	374,607	4,590,734	4,458,600	506,741
<b>Total</b>	<b>9,717,291</b>	<b>57,590,072</b>	<b>57,078,695</b>	<b>10,228,668</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 28. Employee benefits payable (Continued)

Defined contribution plan:

2020:

RMB'000

Item	1 January 2020	Accrued	Paid	31 December 2020
Basic pension insurance	1,182,798	3,753,721	3,857,550	1,078,969
Unemployment insurance	91,367	145,419	159,201	77,585
Supplementary pension insurance	377,534	1,787,391	1,702,822	462,103
<b>Total</b>	<b>1,651,699</b>	<b>5,686,531</b>	<b>5,719,573</b>	<b>1,618,657</b>

2019:

RMB'000

Item	1 January 2019	Accrued	Paid	31 December 2019
Basic pension insurance	1,146,935	5,074,155	5,038,292	1,182,798
Unemployment insurance	91,745	194,898	195,276	91,367
Supplementary pension insurance	324,600	1,404,466	1,351,532	377,534
<b>Total</b>	<b>1,563,280</b>	<b>6,673,519</b>	<b>6,585,100</b>	<b>1,651,699</b>

Defined contribution plan includes basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are capitalised or expensed in the period when incurred.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 29. Taxes payable

*RMB'000*

Item	31 December 2020	31 December 2019
VAT	3,591,537	2,264,422
EIT	2,639,368	2,352,430
Others	2,161,474	2,353,152
Total	8,392,379	6,970,004

#### 30. Other payables

*RMB'000*

Item	31 December 2020	31 December 2019
Guarantees and deposits	22,030,794	18,653,879
Payables for advances	26,554,366	21,365,743
Amounts due to related parties	8,477,965	7,589,027
Dividends payable	779,570	977,453
Others	21,752,764	21,530,710
Total	79,595,459	70,116,812



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 30. Other payables (Continued)

As at 31 December 2020, significant other payables aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2020	Reasons
Company 1	Third party	234,500	Payables not settled
Company 2	Third party	213,576	Payables not settled
Company 3	Third party	161,012	Payables not settled
Company 4	Third party	141,596	Payables not settled
Company 5	Third party	124,548	Payables not settled
Total	–	875,232	–

#### 31. Current portion of non-current liabilities

RMB'000

Item	31 December 2020	31 December 2019
Current portion of long-term loans (Note V. 33)	15,381,398	16,914,489
Current portion of bonds payable (Note V. 34)	8,342,887	13,565,374
Current portion of long-term payables	2,670,332	2,140,031
Current portion of lease liabilities (Note V. 35)	1,942,562	1,920,949
Current portion of provisions	151,610	11,565
Current portion of post-employment benefits payable	84,554	119,668
Total	28,573,343	34,672,076

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 31. Current portion of non-current liabilities (Continued)

The current portion of long-term loans is presented as follows:

Item	<i>RMB'000</i>	
	31 December 2020	31 December 2019
Credit loans	8,849,570	10,034,266
Guaranteed loans ( <i>Note V. 33 (Note 9)</i> )	2,072,624	3,363,450
Mortgaged loans ( <i>Note V. 33 (Note 6)</i> )	2,418,711	2,569,180
Pledged loans ( <i>Note V. 33 (Note 1, Note 4)</i> )	2,040,493	947,593
<b>Total</b>	<b>15,381,398</b>	16,914,489

#### 32. Other current liabilities

Item	<i>RMB'000</i>	
	31 December 2020	31 December 2019
Amounts to be transferred to output VAT	19,059,566	14,449,127
Short-term unsecured financing bonds ( <i>Note 1</i> )	2,106,771	–
Others	425,906	298,409
<b>Total</b>	<b>21,592,243</b>	14,747,536

*Note 1:* Short-term unsecured financing bonds bear a fixed interest rate. The principal and the interest will be repaid in a lump sum at the end of the term.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 32. Other current liabilities (Continued)

The movement of short-term unsecured financing bonds is listed as follows:

RMB'000

Bond name	Par value	Issuance date	Bond term	Opening balance	Net amount of issuance during the year	Interests accrued	Amortisation of discounts and premium and effects of exchange rate	Repayment of principal and interest for the year	Closing balance
China Railway Construction Real Estate Group Co., Ltd. 2020 first issue short-term financing bond	1,400,000	13 March 2020	12 months	-	1,398,090	27,340	1,367	-	1,426,797
China Railway Construction Real Estate Group Co., Ltd. 2020 second issue short-term financing bond	600,000	24 March 2020	12 months	-	599,163	11,540	642	-	611,345
Aldesa Agrupación Empresarial, S.A.U. EUR 5.9 million short-term commercial bills	EUR 5.90 million	3 December 2020	6 months	-	46,467	-	546	-	47,013
Aldesa Agrupación Empresarial, S.A.U. EUR 2.7 million short-term commercial bills	EUR 2.70 million	3 December 2020	3 months	-	21,370	-	246	-	21,616
Total	-	-	-	-	2,065,090	38,880	2,801	-	2,106,771

#### 33. Long-term loans

RMB'000

Item	31 December 2020	31 December 2019
Pledged loans (Note 1, Note 2, Note 3, Note 4)	46,322,599	35,091,405
Mortgaged loans (Note 5, Note 6, Note 7, Note 8)	11,296,894	6,639,979
Guaranteed loans (Note 9)	14,096,548	21,249,507
Credit loans	39,302,104	24,955,147
Total	111,018,145	87,936,038

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 33. Long-term loans (Continued)

*Note 1:* As at 31 December 2020, long-term loans with a carrying amount of RMB37,750,629,000, including current portion of long-term loans of RMB175,710,000 (31 December 2019: RMB33,787,052,000, including current portion of long-term loans of RMB114,500,000) were secured by pledges of the Group's concession rights with a carrying amount of RMB59,148,340,000 (31 December 2019: RMB48,874,715,000).

*Note 2:* As at 31 December 2020, long-term loans with a carrying amount of RMB720,001,000, none of which was due within one year (31 December 2019: Nil), were secured by pledges of the Group's land use rights with a carrying amount of RMB4,398,531,000 (31 December 2019: Nil).

*Note 3:* As at 31 December 2020, long-term loans with a carrying amount of RMB342,154,000, none of which was due within one year (31 December 2019: Nil), were secured by pledge of the Group's trade receivables with a carrying amount of RMB431,357,000 (31 December 2019: Nil).

*Note 4:* As at 31 December 2020, long-term loans with a carrying amount of RMB9,550,308,000, including current portion of long-term loans of RMB1,864,783,000 (31 December 2019: RMB2,251,946,000, including current portion of long-term loans of RMB833,093,000) were secured by pledges of the Group's contract assets of BT projects with a carrying amount of RMB7,526,905,000 (31 December 2019: RMB4,779,563,000) and the Group's long-term receivables with a carrying amount of RMB10,472,021,000 (31 December 2019: RMB133,142,000).

*Note 5:* As at 31 December 2020, long-term loans with a carrying amount of RMB49,381,000, including no current portion of long-term loans (31 December 2019: RMB43,653,000, including current portion of long-term loans of RMB18,880,000) were secured by mortgages of the Group's fixed assets with a carrying amount of RMB60,290,000 (31 December 2019: RMB263,379,000).

*Note 6:* As at 31 December 2020, long-term loans with a carrying amount of RMB13,452,678,000, including current portion of long-term loans of RMB2,418,711,000 (31 December 2019: short-term loans with a carrying amount of RMB112,873,000 and long-term loans with a carrying amount of RMB8,865,506,000, including current portion of long-term loans of RMB2,550,300,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB36,791,724,000 (31 December 2019: RMB25,977,309,000).

*Note 7:* As at 31 December 2020, long-term loans with a carrying amount of RMB213,546,000, none of which was due within one year (31 December 2019: Nil), were secured by mortgages of the Group's construction in progress with a carrying amount of RMB681,746,000 (31 December 2019: Nil).

*Note 8:* As at 31 December 2020, long-term loans with a carrying amount of RMB0, including no current portion of long-term loans (31 December 2019: RMB300,000,000, including no current portion of long-term loans) were secured by mortgages of the Group's long-term receivables with a carrying amount of RMB0 (31 December 2019: RMB1,291,510,000).

*Note 9:* As at 31 December 2020, the guaranteed long-term loans, including current portion of long-term loans of RMB2,072,624,000 (31 December 2019: RMB3,363,450,000), were all internally guaranteed by the entities comprising the Group.

As at 31 December 2020, the Group had no overdue long-term loans (31 December 2019: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 33. Long-term loans (Continued)

The maturity profile of the long-term loans as at the end of the year is listed as follows:

*RMB'000*

Item	31 December 2020	31 December 2019
Within one year or paid on demand ( <i>Note V. 31</i> )	15,381,398	16,914,489
In the second year ( <i>inclusive</i> )	25,051,038	16,265,195
In the third to fifth year ( <i>inclusive</i> )	35,874,440	29,947,337
Over five years	50,092,667	41,723,506
<b>Total</b>	<b>126,399,543</b>	104,850,527

#### 34. Bonds payable

Bonds payable include: (1) unsecured medium-term notes, private placement notes, and assets-backed notes guaranteed by the Group with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid on schedule whereas the principal is paid at the maturity date; (2) the 5-year zero-interest US dollar and 5-year RMB Convertible Bond issued by the Company in the international market with a fixed interest rate with interest repayable semi-annually and the principal repayable upon maturity; and (3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is repayable semi-annually whereas the principal is repayable upon maturity.

*RMB'000*

Item	31 December 2020	31 December 2019
Bonds payable	34,454,741	39,709,268
Less: Current portion of bonds payable ( <i>Note V. 31</i> )	8,342,887	13,565,374
Non-current portion of bonds payable	26,111,854	26,143,894

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

As at 31 December 2020, balances of bonds payable are listed as follows:

RMB'000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2020	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2020
CROC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,583,848	-	190,478	(353,932)	192,058	5,228,336
China Railway Construction Corporation Limited -USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	3,298,086	-	-	(35,636)	-	3,262,450
China Railway Construction Real Estate Group Co., Ltd. - 2020 first issue of public placement corporate bonds to professional investors	3,590,000	15 September 2020	5 years	3,590,000	4.05%	-	3,082,888	36,349	119	-	3,119,356
China Railway Construction Real Estate Group Co., Ltd. - 2019 first issue of public placement Corporate bond (variety I)	2,700,000	15 March 2019	5 years	2,700,000	4.25%	2,776,436	-	114,750	2,112	114,750	2,778,548
China Railway Construction Real Estate Group Co., Ltd. - 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,889,402	-	103,601	5,136	252,487	2,745,652
China Railway Construction Real Estate Group Co., Ltd. - 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	2,314,209	-	130,680	1,514	130,680	2,315,723
China Railway Construction Real Estate Group Co., Ltd. - 2020 first issue of medium term note	2,100,000	12 March 2020	5 years	2,100,000	3.27%	-	2,093,935	50,400	988	-	2,145,323
China Railway Construction Real Estate Group Co., Ltd. - 2019 first issue of private placement Corporate bond (variety I)	1,500,000	10 January 2019	3 years	1,500,000	4.73%	1,562,120	-	70,950	1,399	70,950	1,563,519
China Railway Construction Real Estate Group Co., Ltd. - 2019 first issue of private placement Corporate bond (variety III)	1,500,000	10 January 2019	5 years	1,500,000	4.90%	1,562,366	-	73,500	1,102	73,500	1,563,468
China Railway Construction Investment Group Co., Ltd. - 2019 first issue of public placement Corporate bond	1,200,000	9 April 2019	3 years	1,200,000	3.98%	1,233,869	-	48,423	683	47,760	1,235,215
China Railway Construction Real Estate Group Co., Ltd. - 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.75%	1,292,065	-	59,850	5,876	179,850	1,177,941
China Railway 16th Bureau Group Co., Ltd. - 2019 private placement Corporate bond	1,000,000	30 October 2019	10 years	1,000,000	4.73%	1,008,015	-	47,168	-	47,300	1,007,883
China Railway Construction Real Estate Group Co., Ltd. - 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	4.70%	969,341	-	44,650	5,003	44,650	974,344
China Railway Construction Investment Group Co., Ltd. - 2020 first issue of public placement Corporate bond (variety I)	800,000	11 March 2020	3 years	800,000	3.18%	-	799,094	21,200	258	-	820,552
China Railway SIYUAN Survey and Design Group Co., Ltd. - 2020 first issue of medium term note	1,000,000	24 April 2020	3 years	1,000,000	2.50%	-	700,000	11,805	-	-	711,805
CROC (Beijing) Property Management Co., Ltd. - 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	823,130	-	50,530	959	183,475	691,144
China Railway Construction Real Estate Group Co., Ltd. - 2019 first phase of debt financing plan	654,000	5 December 2019	3 years	654,000	6.10%	654,000	-	39,894	(1,616)	39,894	652,384
China Railway Construction Real Estate Group Co., Ltd. - 2020 second issue of medium term note	900,000	23 March 2020	5 years	900,000	3.34%	-	597,517	22,140	351	-	620,008
China Railway Construction Investment Group Co., Ltd. - 2020 first issue of public placement Corporate bond (variety III)	600,000	11 March 2020	5 years	600,000	3.45%	-	599,321	17,250	112	-	616,683
China Railway Construction Investment Group Co., Ltd. - 2020 second issue of public placement Corporate bond (COVID-19 prevention and control bond)	500,000	16 March 2020	3 years	500,000	3.20%	-	499,434	13,333	161	-	512,928
China Railway Construction Real Estate Group Co., Ltd. 2019 second issue of private placement Corporate bond	300,000	18 March 2019	5 years	300,000	4.90%	309,952	-	14,700	233	14,700	310,185
China Railway Construction Real Estate Group Co., Ltd. Beijing Financial Assets Exchange debt financing plan - 20 Jing China Railway Construction Real Estate Co., Ltd. ZR002	300,000	16 April 2020	3 years	300,000	5.38%	-	298,645	10,443	348	7,821	301,615

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2020	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2020
China Railway Construction Real Estate Group Co., Ltd. Beijing Financial Assets Exchange debt financing plan – 20 Jing China Railway Construction Real Estate Co., Ltd. ZR001	100,000	27 March 2020	3 years	100,000	5.67%	-	99,549	4,144	130	4,144	99,679
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	10,261,286	-	239,697	9,017	10,510,000	-
China Railway Construction Corporation Limited – RMB3.45 billion Convertible Bond with 1.5% Coupon due in 2021 (Note 7)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	146,205	-	142	8,860	155,207	-
China Railway Construction Real Estate Group Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.80%	3,024,938	-	108,000	11,062	3,144,000	-
<b>Total</b>	-	-	-	-	-	39,709,268	8,770,383	1,524,077	(335,761)	15,213,226	34,454,741
<b>Less: Current portion of bonds payable</b>	-	-	-	-	-	13,565,374	-	-	-	-	8,342,887
<b>Non-current portion of bonds payable</b>	-	-	-	-	-	26,143,894	-	-	-	-	26,111,854

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

As at 31 December 2019, balances of bonds payable are listed as follows:

*RMB'000*

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2019	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2019
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,979,362	–	509,256	11,621	510,000	10,261,286
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,463,582	–	194,223	95,849	193,827	5,583,848
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	3,040,981	–	–	257,105	–	3,298,086
China Railway Construction Real Estate Group Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.80%	2,971,853	–	144,000	17,084	144,000	3,024,938
China Railway Construction Real Estate Group Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,789,332	–	103,600	5,103	103,600	2,899,402
China Railway Construction Real Estate Group Co., Ltd. – 2019 first issue of public placement Corporate bond (variety I)	2,700,000	15 March 2019	5 years	2,700,000	4.25%	–	2,688,840	86,063	1,533	–	2,776,436
China Railway Construction Real Estate Group Co., Ltd. – 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	2,192,819	–	130,680	1,601	130,680	2,314,209
China Railway Construction Real Estate Group Co., Ltd. – 2019 first issue of private placement Corporate bond (variety II)	1,500,000	10 January 2019	5 years	1,500,000	4.90%	–	1,494,028	67,375	963	–	1,562,366
China Railway Construction Real Estate Group Co., Ltd. – 2019 first issue of private placement Corporate bond (variety I)	1,500,000	10 January 2019	3 years	1,500,000	4.73%	–	1,496,009	65,038	1,073	–	1,562,120
China Railway Construction Real Estate Group Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.75%	1,494,698	–	63,900	(2,533)	312,000	1,292,065
China Railway Construction Investment Group Co., Ltd. – 2019 first issue of public placement Corporate bond	1,200,000	9 April 2019	3 years	1,200,000	3.98%	–	1,198,642	35,157	70	–	1,233,869
China Railway 16th Bureau Group Co., Ltd. – 2019 private placement Corporate bond	1,000,000	30 October 2019	10 years	1,000,000	4.73%	–	1,000,000	8,015	–	–	1,008,015



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2019	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle paid in the year	31 December 2019
China Railway Construction Real Estate Group Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	4.70%	1,494,453	-	57,921	(1,158)	626,500	969,341
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	868,360	-	57,549	1,203	132,411	823,130
China Railway Construction Real Estate Group Co., Ltd. – 2019 first phase of debt financing plan	654,000	5 December 2019	3 years	654,000	6.10%	-	654,000	-	-	-	654,000
China Railway Construction Real Estate Group Co., Ltd. – 2019 second issue of private placement Corporate bond	300,000	18 March 2019	5 years	300,000	4.90%	-	298,758	11,025	169	-	309,952
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 1)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,172,629	-	50,332	268,511	3,346,750	146,205
China Railway Construction Real Estate Group Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	3 years	3,000,000	4.58%	2,990,353	-	11,450	9,647	3,137,400	-
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	2,900	-	418,000	-
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	5,507	-	624,780	-
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	3 years	1,000,000	4.00%	1,000,000	-	30,000	-	1,040,000	-
<b>Total</b>	-	-	-	-	-	38,458,422	8,830,277	1,633,991	667,841	10,719,948	39,709,268
<b>Less: Current portion of bonds payable</b>	-	-	-	-	-	1,000,000	-	-	-	-	13,565,374
<b>Non-current portion of bonds payable</b>	-	-	-	-	-	37,458,422	-	-	-	-	26,143,894

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Bonds payable (Continued)

*Note 1:* The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 (settled by US Dollar). The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, is set to be HKD13.775 per H share (calculated in a fixed exchange rate by HKD1 to RMB0.8898), and will be subject to adjustments under certain circumstances. The debt component of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the initially recognised liability is recognised as equity. On 23 December 2019, the Company redeemed and cancelled the principal of the convertible bonds of RMB3.295 billion, and the remaining part was fully redeemed on 23 January 2020.

*Note 2:* The Company issued a five-year Convertible Bond at zero interest rate with the principal of USD500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HKD10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the fair value of derivative financial instruments is recognised as debt instruments. As at 31 December 2020, the debt instruments amounted to RMB 3,262,450,000 and was included in current portion of non-current liabilities according to liquidity

#### 35. Lease liabilities

RMB'000

Item	31 December 2020	31 December 2019
Lease liabilities	4,619,967	5,081,929
Less: Total current portion of lease liabilities ( <i>Note V. 31</i> )	1,942,562	1,920,949
Total non-current portion of lease liabilities	2,677,405	3,160,980

#### 36. Long-term payables

RMB'000

Item	31 December 2020	31 December 2019
Retention payables	10,268,528	7,515,958
Payables for specific items	1,489,000	–
Special payables ( <i>Note 1</i> )	74,060	99,222
Others	1,857,480	948,017
Total	13,689,068	8,563,197

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 36. Long-term payables (Continued)

Note 1:

2020:

RMB'000

Item	1 January 2020	Additions	Reductions	31 December 2020
Specific project funds	88,416	122,182	147,697	62,901
Research and development funds	10,806	4,285	3,932	11,159
Total	99,222	126,467	151,629	74,060

2019:

RMB'000

Item	1 January 2019	Additions	Reductions	31 December 2019
Specific project funds	96,285	73,417	81,286	88,416
Research and development funds	58,984	7,271	55,449	10,806
Total	155,269	80,688	136,735	99,222

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Deferred income

2020:

RMB'000

Item	1 January 2020	Additions	Reductions	31 December 2020
Government grants related to assets	1,850,593	1,198,596	29,000	3,020,189
Government grants related to income	438,057	861,419	907,194	392,282
Others	553,570	12,397	191,468	374,499
<b>Total</b>	<b>2,842,220</b>	<b>2,072,412</b>	<b>1,127,662</b>	<b>3,786,970</b>

2019:

RMB'000

Item	1 January 2019	Additions	Reductions	31 December 2019
Government grants related to assets	1,070,289	1,249,714	469,410	1,850,593
Government grants related to income	46,471	791,295	399,709	438,057
Others	1,147,023	164,926	758,379	553,570
<b>Total</b>	<b>2,263,783</b>	<b>2,205,935</b>	<b>1,627,498</b>	<b>2,842,220</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Deferred income (Continued)

As at 31 December 2020, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2020	Additions	Included in non-operating income/other income in the year	Other changes (Note)	31 December 2020	Related to assets /income
Sichuan Dedu Highway Project Enterprise	1,717,200	1,100,000	–	–	2,817,200	Related to assets
Development and Support Fund	77,179	372,246	(340,721)	(21,167)	87,537	Related to assets/income
Others	494,271	587,769	(572,565)	(1,741)	507,734	–
<b>Total</b>	<b>2,288,650</b>	<b>2,060,015</b>	<b>(913,286)</b>	<b>(22,908)</b>	<b>3,412,471</b>	<b>–</b>

As at 31 December 2019, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2019	Additions	Included in non-operating income/other income in the year	Other changes (Note)	31 December 2019	Related to assets/ income
Sichuan Dedu Highway Project Enterprise	500,000	1,217,200	–	–	1,717,200	Related to assets
Development and Support Fund	463	214,286	(137,570)	–	77,179	Related to assets/income
Others	616,297	609,523	(276,623)	(454,926)	494,271	–
<b>Total</b>	<b>1,116,760</b>	<b>2,041,009</b>	<b>(414,193)</b>	<b>(454,926)</b>	<b>2,288,650</b>	<b>–</b>

Note: Government grants related to assets are used to offset against the carrying amount of relevant assets when relevant assets become ready for their intended use.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 38. Share capital

2020:

RMB'000

Item	1 January 2020	Increase	Decrease	31 December 2020
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

2019:

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Other equity instruments

*RMB'000*

Item		31 December 2020	31 December 2019
2020 renewable loans	Note 1	22,400,000	–
2019 renewable loans	Note 2	13,200,000	15,201,000
2019 renewable corporate bonds	Note 3	11,994,417	11,994,417
2018 renewable corporate bonds	Note 4	6,992,689	6,992,689
2019 CRCC medium-term notes	Note 5	5,982,651	5,982,651
2020 renewable corporate bonds	Note 6	4,697,404	–
2020 medium-term notes Phase I	Note 7	2,991,242	–
2016 convertible bonds	Note 8	–	18,336
<b>Total</b>		<b>68,258,403</b>	40,189,093

*Note 1:* In 2020, the Company issued RMB22,400,000,000 in an aggregate principal amount of renewable loans. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the loans did not satisfy the definition of financial liabilities and included the loans in other equity instruments.

*Note 2:* In 2019, the Company acquired RMB15,201,000,000 in an aggregate principal amount of renewable loans. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the loans did not satisfy the definition of financial liabilities and included the loans in other equity instruments. In 2020, the Company redeemed the principal of renewable loans amounting to RMB2,001,000,000.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Other equity instruments (Continued)

*Note 3:* In 2019, the Company issued RMB12,000,000,000 in an aggregate principal amount of three tranches of renewable corporate bonds. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the bonds did not satisfy the definition of financial liabilities. The net proceeds from the issuance amounting to RMB11,994,417,000, net of the relevant expenses of issuance of RMB5,583,000 were included in other equity instruments.

*Note 4:* In 2018, the Company issued RMB7,000,000,000 in an aggregate principal amount of renewable corporate bonds. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the bonds did not satisfy the definition of financial liabilities. The net proceeds from the issuance amounting to RMB6,992,689,000, net of the relevant expenses of issuance of RMB7,311,000 were included in other equity instruments.

*Note 5:* In 2019, the Company issued RMB6,000,000,000 in an aggregate principal amount of two tranches of medium-term notes. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the notes did not satisfy the definition of financial liabilities. The net proceeds from the issuance amounting to RMB5,982,651,000, net of the relevant expenses of issuance of RMB17,349,000 were included in other equity instruments.

*Note 6:* In 2020, the Company issued RMB4,700,000,000 in an aggregate principal amount of renewable corporate bonds. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the bonds did not satisfy the definition of financial liabilities. The net proceeds from the issuance amounting to RMB4,697,404,000, net of the relevant expenses of issuance of RMB2,596,000 were included in other equity instruments.

*Note 7:* In 2020, the Company issued RMB3,000,000,000 in an aggregate principal amount of medium-term notes. According to the terms of the contract, the Company had no contractual obligation to deliver cash or other financial assets to the holders. The Company considered that the notes did not satisfy the definition of financial liabilities. The net proceeds from the issuance amounting to RMB2,991,242,000, net of the relevant expenses of issuance of RMB8,758,000 were included in other equity instruments.

*Note 8:* The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 and the part which was recognised as equity amounted to RMB408,129,000. On 23 December 2019, the Company redeemed an aggregate principal amount of RMB3,295,000,000 (representing approximately 95.51% of the initial aggregate principal amount) and transferred the carrying amount of the corresponding equity component, amounting to RMB389,793,000, into capital reserve. The remaining part of the convertible bond has been fully redeemed on 23 January 2020 and the remaining part recognised as equity with a carrying amount of RMB18,336,000 has been transferred into capital reserve.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 40. Capital reserve

2020:

RMB'000

Item	1 January 2020	Increase	Decrease	31 December 2020
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Equity transactions with non-controlling shareholders	2,876,681	2,048	–	2,878,729
Others (Note V. 39 (Note 8))	(124,729)	18,336	16,261	(122,654)
<b>Total</b>	<b>44,154,726</b>	<b>20,384</b>	<b>16,261</b>	<b>44,158,849</b>

2019:

RMB'000

Item	1 January 2019	Increase	Decrease	31 December 2019
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Equity transactions with non-controlling shareholders (Note 1)	(461,878)	4,020,273	681,714	2,876,681
Others (Note V. 39 (Note 8))	(506,626)	389,793	7,896	(124,729)
<b>Total</b>	<b>40,434,270</b>	<b>4,410,066</b>	<b>689,610</b>	<b>44,154,726</b>

Note 1: On 18 December 2019, the Company and its subsidiaries including China Railway 11th Bureau Group Co., Ltd., China Railway Construction Group Co., Ltd., China Railway Construction Investment Group Co., Ltd. and CRCC Kunlun Investment Group Co., Ltd. ("the Target Companies") entered into Capital Contribution Agreements and Investment Agreements with several third-party investors. Pursuant to the agreements, the third-party investors respectively made capital contributions to the Target Companies in cash. Upon completion of the capital contribution, the Company's shareholding proportion of the Target Companies decreased from 100% to 81.62%, 85.64%, 87.34% and 70.77% respectively, but the Company will not lose actual control over the Target Companies. The capital contributions made by the third-party investors amounted to RMB11,000,000,000 in aggregate. These transactions resulted in an increase of capital reserve amounting to RMB2,996,354,000 and an increase of non-controlling interests amounting to RMB8,003,646,000 in the consolidated financial statements of the Group as at 31 December 2019.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 40. Capital reserve (Continued)

In December 2019, the Company's subsidiaries including China Railway 14th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 18th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 21st Bureau Group Co., Ltd. and China Railway Urban Construction Group Co., Ltd. and their subsidiaries entered into Capital Contribution Agreements and Equity Transferring Agreements with several third-party investors. Pursuant to the agreements, the third-party investors made capital contributions amounting to RMB5,950,000,000 in aggregate to the subsidiaries. These transactions resulted in an increase of capital reserve amounting to RMB1,022,523,000 and an increase of non-controlling interests amounting to RMB4,927,477,000 in the consolidated financial statements of the Group as at 31 December 2019.

#### 41. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company in the consolidated statement of financial position:

RMB'000

Item	1 January 2019	Increase/ (decrease)	Less: Other comprehensive income carried forward to retained earnings	1 January	Increase/ (decrease)	Less: Other comprehensive income carried forward to retained earnings	31 December
				2020	2020	2020	2020
Re-measurement of defined benefit	9,126	15,729	(2,021)	26,876	8,933	(2,214)	38,023
Effect of deferred tax from changes in re-measurement of defined benefit	(48,240)	(2,714)	-	(50,954)	(967)	-	(51,921)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of investee, under the equity method	(122,580)	251,093	-	128,513	(197,315)	-	(68,802)
Changes in fair value of other debt investments	513	(417)	-	96	(1,164)	-	(1,068)
Changes in fair value of other equity instrument investments	219,896	382,311	-	602,207	32,335	-	634,542
Effect of deferred tax from changes in fair value of other equity instrument investments	(45,720)	(80,750)	-	(126,470)	(16,430)	-	(142,900)
Changes in fair value of receivables at FVTOCI	-	(7,785)	-	(7,785)	3,019	-	(4,766)
Effect of deferred tax from changes in fair value of receivables at FVTOCI	-	2,703	-	2,703	(1,879)	-	824
Exchange differences on translation of foreign operations	(528,054)	(113,186)	104	(641,344)	(1,054,850)	-	(1,696,194)
<b>Total</b>	<b>(515,059)</b>	<b>446,984</b>	<b>(1,917)</b>	<b>(66,158)</b>	<b>(1,228,318)</b>	<b>(2,214)</b>	<b>(1,292,262)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other comprehensive income (Continued)

Other comprehensive income in the statement of profit or loss:

2020:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit	8,634	672	7,966	(4)
Changes in fair value of other equity instrument investments	39,438	17,495	15,905	6,038
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	(197,315)	–	(197,315)	–
Changes in fair value of other debt investments	(1,770)	(442)	(1,164)	(164)
Changes in fair value of receivables at FVTOCI	4,913	1,879	1,140	1,894
Exchange differences on translation of foreign operations	(1,078,516)	–	(1,054,850)	(23,666)
<b>Total</b>	<b>(1,224,616)</b>	<b>19,604</b>	<b>(1,228,318)</b>	<b>(15,902)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Other comprehensive income (Continued)

2019:

Item	<i>RMB'000</i>			
	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit	15,729	2,714	13,015	-
Changes in fair value of other equity instrument investments	353,903	76,481	301,561	(24,139)
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	251,093	-	251,093	-
Changes in fair value of other debt investments	(417)	-	(417)	-
Changes in fair value of receivables at FVTOCI	(10,327)	(2,703)	(5,082)	(2,542)
Exchange differences on translation of foreign operation	(111,992)	-	(113,186)	1,194
<b>Total</b>	<b>497,989</b>	<b>76,492</b>	<b>446,984</b>	<b>(25,487)</b>

#### 42. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the *Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation* (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III. 29.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Surplus reserve

2020:

RMB'000

Item	1 January 2020	Increase	31 December 2020
Statutory surplus reserve ( <i>Note</i> )	4,613,506	1,526,063	6,139,569

2019:

RMB'000

Item	1 January 2019	Increase	31 December 2019
Statutory surplus reserve ( <i>Note</i> )	3,229,881	1,383,625	4,613,506

*Note:* In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 44. Retained earnings

Item	<i>RMB'000</i>	
	2020	2019
Retained earnings at the beginning of the year	107,488,965	92,768,356
Net profit attributable to the owners of the Company	22,392,983	20,197,378
Less: Appropriation to statutory surplus reserve	1,526,063	1,383,625
Cash dividend declared for ordinary Shares ( <i>Note 1</i> )	2,851,704	2,851,704
Interest distributed to other equity instruments holders ( <i>Note 2</i> )	2,024,338	1,239,523
Others	(26,182)	(1,917)
Retained earnings at the end of the year ( <i>Note 3</i> )	123,453,661	107,488,965

*Note 1:* In accordance with the resolution at the 2019 annual general meeting of shareholders on 19 June 2020, the Company declared a cash dividend for the year ended 31 December 2019 of RMB0.21 per share (2019: RMB0.21 per share), which amounted to RMB2,851,704,000 (2019: RMB2,851,704,000) based on 13,579,541,500 ordinary shares in issue. The above dividends have been paid on 27 July 2020, and 11 August 2020.

*Note 2:* For the year ended 31 December 2020, the Company accrued interest of other equity instruments holders amounting to RMB2,024,338,000 (2019: RMB1,239,523,000).

*Note 3:* On 31 December 2020, there is no amount attributable to other equity instruments holders in the balance of the Group's retained earnings (31 December 2019: Nil).

#### 45. Revenue and cost of sales

Item	<i>RMB'000</i>		<i>RMB'000</i>	
	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	902,956,052	820,353,184	824,182,647	746,000,147
Other operating revenue	7,368,711	5,634,082	6,269,510	4,364,921
Total	910,324,763	825,987,266	830,452,157	750,365,068

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 45. Revenue and cost of sales (Continued)

(1) Revenue is listed as follows:

RMB'000

Sector	2020	2019
Construction operations	795,121,482	713,557,663
Real estate development operations	40,928,924	41,297,403
Manufacturing operations	15,545,978	16,379,287
Survey, design and consultancy operations	18,453,059	17,946,952
Other business operations	40,275,320	41,270,852
Total	910,324,763	830,452,157

(2) Disaggregation of revenue:

RMB'000

	Construction operations	Real estate development operations	Manufacturing operations	Survey, design and consultancy operations	Other business operations	Total
Timing of revenue recognition						
Over time	795,121,482	-	-	16,476,484	3,662,043	815,260,009
A point in time	-	40,928,924	15,545,978	1,976,575	36,613,277	95,064,754
Total	795,121,482	40,928,924	15,545,978	18,453,059	40,275,320	910,324,763

(3) The construction services provided by the Group are mainly identified as single performance obligation and met the criteria of performance obligation performed over time. As at 31 December 2020, for the construction services in progress, the transaction prices allocated to their unsatisfied (including partially unsatisfied) performance obligations are based on their performance progress over the relevant construction contract periods and would be recognised as revenue based on their performance progress in future construction contract periods.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 46. Taxes and surcharges

<i>RMB'000</i>		
<b>Item</b>	<b>2020</b>	2019
City maintenance and construction tax	<b>746,674</b>	768,925
Stamp duty	<b>492,980</b>	391,191
Property tax	<b>235,843</b>	224,007
Others	<b>2,257,823</b>	3,249,427
<b>Total</b>	<b>3,733,320</b>	4,633,550

#### 47. Selling and distribution expenses

<i>RMB'000</i>		
<b>Item</b>	<b>2020</b>	2019
Employee compensation costs	<b>2,979,979</b>	2,713,083
Advertising and publicity expenses	<b>1,641,838</b>	1,469,782
Transportation expenses	<b>206,191</b>	329,224
Others	<b>839,859</b>	920,766
<b>Total</b>	<b>5,667,867</b>	5,432,855

#### 48. General and administrative expenses

<i>RMB'000</i>		
<b>Item</b>	<b>2020</b>	2019
Employee compensation costs	<b>13,801,756</b>	13,019,187
Depreciation expenses of fixed assets	<b>781,148</b>	679,006
Office, travelling and transportation expenses	<b>938,580</b>	1,227,660
Others	<b>3,516,960</b>	3,225,407
<b>Total</b>	<b>19,038,444</b>	18,151,260

The above general and administrative expenses include audit fees for the year 2020, amounting to RMB29,880,000.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 49. Research and development expenses

RMB'000

Item	2020	2019
Employee compensation costs and material costs	18,605,952	16,527,801

#### 50. Finance costs

RMB'000

Item	2020	2019
Interest expenses	11,534,826	11,118,265
Less: Interest income	3,684,788	3,982,445
Less: Interest capitalised	5,913,331	4,424,989
Exchange gains	(82,451)	(473,879)
Bank charges and others	1,398,553	1,395,396
Total	3,252,809	3,632,348

The amount of capitalised interest had been included in the balances of construction in progress (Note V. 17), intangible assets (Note V. 19) and properties under development (Note V. 8 (1)).

#### 51. Impairment losses on assets

RMB'000

Item	2020	2019
Losses from impairment of intangible assets	–	(1,060,130)
Losses from decline in value of inventories	(373,905)	(203,081)
Losses from impairment of contract assets	(619,203)	(399,844)
Others	(30,231)	(230,588)
Total	(1,023,339)	(1,893,643)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 52. Impairment of credit losses

<i>RMB'000</i>		
Item	2020	2019
Losses from impairment of receivables	(2,714,524)	(3,102,515)
Losses from impairment of loans to customers	12,645	(15,000)
<b>Total</b>	<b>(2,701,879)</b>	<b>(3,117,515)</b>

#### 53. Other income

<i>RMB'000</i>		
Item	2020	2019
Government grants relating to daily operations	739,216	322,530
Others	202,300	92,609
<b>Total</b>	<b>941,516</b>	<b>415,139</b>

#### 54. Investment income/(losses)

<i>RMB'000</i>		
Item	2020	2019
Share of profits of long-term equity investments under the equity method	1,637,477	2,396,480
Investment income from disposal of long-term equity investments	29,366	166,307
Gains from the re-measurement at fair values of remaining equity investments when losing controls of subsidiaries	–	2,964
Losses from derecognition of financial assets measured at amortised cost	(2,639,464)	(2,908,505)
Investment income from holding other equity instruments	118,395	187,668
Investment income from holding and disposal of held-for-trading financial assets	65,895	36,902
Others	(141,594)	(301,852)
<b>Total</b>	<b>(929,925)</b>	<b>(420,036)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 55. Gains on fair value changes

*RMB'000*

Item	2020	2019
Financial assets and liabilities at fair value through profit or loss	<b>105,833</b>	656,543

#### 56. Non-operating income

*RMB'000*

Item	2020	2019	Non-recurring profit or loss of the year
Government grants	<b>202,455</b>	96,503	202,455
Approved unpayable balances	<b>284,463</b>	357,294	284,463
Gains on compensation, penalties and fines	<b>210,644</b>	193,443	210,644
Others	<b>370,796</b>	327,473	370,796
Total	<b>1,068,358</b>	974,713	1,068,358

Government grants credited to profit or loss for the period are listed as follows:

*RMB'000*

Nature	2020	2019	Related to assets/income
Enterprise development funds	<b>366,089</b>	227,688	Related to income
Relocation compensation	<b>22,886</b>	32,270	Related to assets/income
Refund of taxes	<b>106,094</b>	119,616	Related to income
Others	<b>446,602</b>	39,459	Related to income
Total	<b>941,671</b>	419,033	–
Including: Other income	<b>739,216</b>	322,530	–
Non-operating income	<b>202,455</b>	96,503	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 57. Non-operating expenses

*RMB'000*

Item	2020	2019	Non-recurring profit or loss of the year
Loss on compensation, penalties and fines	287,598	351,321	287,598
Donations	117,962	42,328	117,962
Others	192,835	183,193	192,835
<b>Total</b>	<b>598,395</b>	576,842	598,395

#### 58. Costs and expenses classified by nature

Supplementary information of the Group's costs of sales, selling and distribution expenses, general and administrative expenses, research and development expenses categorized by nature is listed as follows:

*RMB'000*

Item	2020	2019
Cost of services rendered	689,240,479	615,339,670
Cost of goods sold	73,761,895	72,949,220
Employee benefits ( <i>Note V. 28</i> )	67,455,429	64,263,591
Depreciation expenses on fixed assets ( <i>Note V. 16</i> )	14,236,618	14,915,406
Depreciation expenses on right-of-use assets ( <i>Note V. 18</i> )	2,121,504	2,044,679
Amortisation expenses on intangible assets ( <i>Note V. 19</i> )	990,169	607,706
Depreciation expenses on investment properties ( <i>Note V. 15</i> )	190,017	201,900

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 59. Income tax expenses

RMB'000

Item	2020	2019
Current tax expenses – Mainland China	5,595,522	5,807,731
Current tax expenses – Others	109,727	111,014
Deferred tax expenses	76,629	(515,786)
Total	5,781,878	5,402,959

A reconciliation of the income tax expense applicable to profit before tax is listed as follows:

RMB'000

Item	2020	2019
Profit before tax	31,490,552	28,026,650
Income tax at the statutory income tax rate of 25%	7,872,638	7,006,662
Tax effect of preferential tax rates for some subsidiaries	(1,160,272)	(922,320)
Tax effect of share of profits and losses of joint ventures and associates	(409,369)	(599,120)
Effect of non-taxable income	(494,879)	(354,350)
Effect of non-deductible expenses	440,632	336,766
Effect of utilisation of unrecognised deductible tax losses	(475,740)	(286,635)
Income tax benefits on research and development expenses (Note)	(1,128,009)	(1,106,615)
Effect of unrecognised deductible tax losses	1,098,719	1,112,597
Deductible temporary differences not recognised as deferred tax assets	197,534	190,022
Adjustments in respect of current income tax of previous years	(179,136)	6,379
Others	19,760	19,573
Income tax expense at the Group's effective tax rate	5,781,878	5,402,959

Note: According to the provisions of Cai Shui [2018] No. 99, the pre-tax weighted deduction ratio for enterprise research and development expenses is increased to 75% for the period from 1 January 2018 to 31 December 2020.

The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the statutory tax rate according to existing laws, interpretations and practices of the country or jurisdiction in which the Group operates.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 60. Earnings per share

The basic earnings per share is calculated based on the net profit for the year attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the year.

	<i>RMB'000</i>	
<b>Item</b>	<b>2020</b>	2019
Earnings		
Net profit attributable to shareholders of the Company	<b>22,392,983</b>	20,197,378
Including: profit or loss from continuing operations	<b>22,392,983</b>	20,197,378
Less: attributable to holder of other equity instruments (Note V. 44)	<b>2,024,338</b>	1,239,523
Net profit attributable to ordinary shareholders	<b>20,368,645</b>	18,957,855
Shares		
Number of the outstanding ordinary shares of the Company	<b>13,579,541,500</b>	13,579,541,500
Basic earnings per share ( <i>RMB/share</i> )	<b>1.50</b>	1.40
Diluted earnings per share ( <i>RMB/share</i> ) (Note)	<b>1.44</b>	1.33

Note: A Coupon Convertible Bond at USD500 million with the issue date on 29 January 2016 and the part of a Coupon Convertible Bond at RMB3.45 billion with the issue date on 21 December 2016 which were redeemed in 2020 have been taken into consideration.

#### 61. Notes to items in the statement of cash flows

	<i>RMB'000</i>	
<b>Item</b>	<b>2020</b>	2019
(1) Cash received from other operating activities:		
Rental income of fixed assets	<b>888,761</b>	809,958
Sale of raw materials	<b>1,937,045</b>	684,650
Government grants	<b>941,671</b>	419,033
Others	<b>19,063,154</b>	14,598,844
Total	<b>22,830,631</b>	16,512,485

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 61. Notes to items in the statement of cash flows (Continued)

*RMB'000*

Item	2020	2019
(2) Cash paid for other operating activities:		
Office and travelling expenses	1,144,771	1,556,884
Repair and maintenance costs	439,423	451,788
Advertising and publicity expenses	1,641,838	1,469,782
Others	10,795,116	7,393,711
Total	14,021,148	10,872,165

*RMB'000*

Item	2020	2019
(3) Cash received from other investing activities:		
Net cash inflow of acquisition of subsidiary	850,315	–
Others	288,362	95,795
Total	1,138,677	95,795

*RMB'000*

Item	2020	2019
(4) Cash received from other financing activities:		
Cash receipts from financing	3,438,307	6,507,000
Total	3,438,307	6,507,000

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 61. Notes to items in the statement of cash flows (Continued)

Item	<i>RMB'000</i>	
	2020	2019
(5) Cash paid for other financing activities:		
Redemption of other equity instrument	2,001,000	13,000,000
Acquisition of non-controlling interests	69,848	–
Cash paid for lease liabilities	2,391,626	1,970,045
Others	–	10,000
Total	4,462,474	14,980,045



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 62. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

	2020	2019
Reconciliation of net profit to cash flows generated from operating activities:		
Net profit	<b>25,708,674</b>	22,623,691
Add: Impairment losses on assets	<b>1,023,339</b>	1,893,643
Impairment of credit losses	<b>2,701,879</b>	3,117,515
Depreciation of fixed assets	<b>14,236,618</b>	14,915,406
Depreciation of right-of-use assets	<b>2,121,504</b>	2,044,679
Amortisation of intangible assets	<b>990,169</b>	607,706
Amortisation of investment properties	<b>190,017</b>	201,900
Amortisation of long-term prepayments	<b>207,772</b>	167,709
Gains from disposal of fixed assets, intangible assets and other long-term assets	<b>(515,870)</b>	(211,564)
Gains on fair value changes	<b>(105,833)</b>	(656,543)
Finance costs	<b>5,262,583</b>	5,597,643
Investment income	<b>(1,844,663)</b>	(2,790,321)
Decrease (increase) in deferred tax assets	<b>64,703</b>	(691,355)
(Decrease) Increase in deferred tax liabilities	<b>(79,574)</b>	180,975
Increase in inventories	<b>(37,841,060)</b>	(34,935,209)
Increase in contract assets	<b>(10,572,334)</b>	(31,067,140)
Increase in operating receivables	<b>(10,828,377)</b>	(19,788,821)
Increase in operating payables	<b>49,530,992</b>	80,142,164
Decrease in the deposits with the central bank	<b>(141,291)</b>	(1,346,240)
Net cash flows used in operating activities	<b>40,109,248</b>	40,005,838

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 62. Supplementary information to the consolidated statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

	<i>RMB'000</i>	
Item	2020	2019
Cash at the end of the year	<b>160,935,485</b>	134,751,232
Less: Opening balance of cash	<b>134,751,232</b>	128,786,704
Add: Closing balance of cash equivalents	<b>6,734,011</b>	5,542,384
Less: Opening balance of cash equivalents	<b>5,542,384</b>	1,301,013
Net increase in cash and cash equivalents	<b>27,375,880</b>	10,205,899

(2) Cash and cash equivalents

	<i>RMB'000</i>	
Item	31 December 2020	31 December 2019
Cash	<b>160,935,485</b>	134,751,232
Including: Cash on hand	<b>63,475</b>	97,202
Cash with banks/financial institutions without restriction	<b>160,872,010</b>	134,654,030
Cash equivalents	<b>6,734,011</b>	5,542,384
Closing balance of cash and cash equivalents	<b>167,669,496</b>	140,293,616

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 63. Assets with title restrictions

RMB'000

Item	31 December 2020	31 December 2019	Reason
Intangible assets	64,215,766	48,874,715	Pledged for loans
Inventories	36,791,724	25,977,309	Mortgaged for loans
Cash and bank balances	14,100,437	14,265,487	Note
Long-term receivables (pledged)	10,472,021	133,142	Pledged for loans
Other non-current assets	7,526,905	4,779,563	Pledged for loans
Trade receivables	1,167,023	1,245,243	Pledged for loans
Bills receivable	926,823	562,481	Pledged for loans
Construction in progress	681,746	–	Mortgaged for loans
Fixed assets	60,290	263,379	Mortgaged for loans
Long-term receivables (mortgaged)	–	1,291,510	Mortgaged for loans
Total	135,942,735	97,392,829	–

Note: As at 31 December 2020, the Group held frozen deposits of RMB794,376,000 (31 December 2019: RMB284,785,000). The residual amount of RMB6,607,775,000 (31 December 2019: RMB7,423,707,000) was comprised of several kinds of deposits. CRCC Finance Company Limited placed RMB6,698,286,000 (31 December 2019: RMB6,556,995,000) in the central bank as statutory reserves.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 64. Foreign currency monetary items

31 December 2020:

Item			<i>RMB'000</i>
	Closing balance of foreign currencies ( <i>'000</i> )	Exchange rate	Closing balance in RMB
Cash and bank balances			12,040,937
Including: U.S. Dollar	1,636,646	6.5249	10,678,954
Euro	72,795	8.0250	584,179
Others			777,804
Trade receivables			2,199,903
Including: U.S. Dollar	169,576	6.5249	1,106,469
Algeria Dinars	15,979,084	0.0493	788,403
Others			305,031
Other receivables			226,652
Including: U.S. Dollar	11,223	6.5249	73,232
Others			153,420
Trade payables			1,163,627
Including: U.S. Dollar	135,664	6.5249	885,195
Algeria Dinars	1,065,471	0.0493	52,570
Others			225,862
Other payables			263,672
Including: U.S. Dollar	27,659	6.5249	180,470
Others			83,202
Short-term loans			5,156,995
Including: U.S. Dollar	210,000	6.5249	1,370,229
Euro	405,000	8.0250	3,250,125
Saudi Riyal	200,391	1.7410	348,874
Qatari Riyal	104,688	1.7936	187,767
Others			-
Long-term loans			2,326,777
Including: U.S. Dollar	215,053	6.5249	1,403,199
Euro	114,476	8.0250	918,667
Others			4,911
Bonds payable (including current portion of bonds payable)			8,490,786
Including: U.S. Dollar	1,301,290	6.5249	8,490,786

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VI. CHANGES OF CONSOLIDATION SCOPE

#### 1. Business combinations involving entities not under common control

- (1) Business combination involving entities not under common control occurred in the current period

On 8 May 2020, the Company's subsidiary CRCC International Investment Co., Ltd. acquired 75% equity of GRUPO ALDESA, S.A. by means of equity acquisition and capital contribution through its wholly owned subsidiary EUROINFRA INVERSION, S.L.U. in Spain. The acquisition date of this transaction is 8 May 2020, which is the date on which the Group actually acquired control over GROUP ALDESA, S.A.

RMB'000

Acquiree	Date of acquisition	Equity acquisition cost	Proportion (%)	Means of equity acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of acquiree from the acquisition date to the period-end	Net profit of acquiree from the acquisition date to the period-end
GRUPO ALDESA, S.A.	8 May 2020	2,232,829	75	Capital contribution and equity acquisition	8 May 2020	Acquisition of control	2,174,933	(739,033)

- (1) *Cost of acquisition and goodwill*

RMB'000

Cost of acquisition	GRUPO ALDESA, S.A.
– Cash	2,232,829
Total cost of acquisition	2,232,829
Less: Share obtained of the fair value of identifiable net assets	1,820,348
Goodwill	412,481

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VI. CHANGES OF CONSOLIDATION SCOPE (Continued)

#### 1. Business combinations involving entities not under common control (Continued)

(1) Business combination involving entities not under common control occurred in the current period (Continued)

(2) *Identifiable assets and liabilities of acquiree at the acquisition date*

RMB'000

<b>GRUPO ALDESA, S.A.</b>		
	<b>Carrying amount on the date of acquisition</b>	Fair value on the date of acquisition
<b>Assets:</b>		
Cash and bank balances	<b>2,293,218</b>	2,293,218
Trade receivables	<b>879,226</b>	879,226
Advances to suppliers	<b>350,480</b>	350,480
Other receivables	<b>64,856</b>	64,856
Inventories	<b>436,187</b>	475,895
Contract assets	<b>2,285,004</b>	2,285,004
Current portion of non-current assets	<b>17,535</b>	17,535
Other current assets	<b>577,662</b>	577,662
Long-term receivables	<b>34,833</b>	34,833
Long-term equity investments	<b>70,865</b>	124,618
Investment properties	<b>91,400</b>	101,094
Fixed assets	<b>534,212</b>	545,197
Construction in progress	<b>26,119</b>	26,119
Right-of-use assets	<b>64,282</b>	64,282
Intangible assets	<b>635,496</b>	2,972,106
Deferred tax assets	<b>788,920</b>	921,643
Other non-current assets	<b>273,296</b>	191,961
<b>Total assets:</b>	<b>9,423,591</b>	11,925,729

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VI. CHANGES OF CONSOLIDATION SCOPE (Continued)

#### 1. Business combinations involving entities not under common control (Continued)

(1) Business combination involving entities not under common control occurred in the current period (Continued)

(2) *Identifiable assets and liabilities of acquiree at the acquisition date (Continued)*

RMB'000

<b>GRUPO ALDESA, S.A.</b>		
	<b>Carrying amount on the date of acquisition</b>	Fair value on the date of acquisition
<b>Liabilities:</b>		
Short-term loans	<b>1,200,463</b>	1,200,463
Bills payable	<b>184,465</b>	184,465
Trade payables	<b>989,671</b>	989,671
Contract liabilities	<b>832,359</b>	832,359
Employee benefits payable	<b>61,396</b>	61,396
Taxes payable	<b>223,881</b>	223,881
Other payables	<b>881,526</b>	881,526
Current portion of non-current liabilities	<b>119,757</b>	119,757
Other current liabilities	<b>3,238,709</b>	3,549,964
Lease liabilities	<b>48,770</b>	48,770
Long-term payables	<b>337,992</b>	337,992
Deferred income	<b>12,190</b>	12,190
Provisions	<b>109,628</b>	109,628
Deferred tax liabilities	<b>259,477</b>	943,518
<b>Total Liabilities:</b>	<b>8,500,284</b>	9,495,580
<b>Net assets</b>		
Less: Non-controlling interests	–	609,801
Net assets obtained	–	1,820,348
Acquisition consideration	–	2,232,829
<b>Goodwill</b>	–	412,481

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES

#### 1. Subsidiaries

(1) Particulars of the principal subsidiaries of the Company are listed as follows:

Subsidiaries acquired through establishment or investment

RMB'000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion %	
					Direct	Indirect
China Civil Engineering Construction Corporation	Beijing	Beijing	Construction	3,000,000	100.00	-
China Railway 11th Bureau Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Construction	6,162,382	81.62	-
China Railway 12th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100.00	-
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,200,000	100.00	-
China Railway 14th Bureau Group Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Construction	3,110,000	100.00	-
China Railway 15th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	3,000,000	100.00	-
China Railway 16th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100.00	-
China Railway 17th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	3,021,226	100.00	-
China Railway 18th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100.00	-
China Railway 19th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100.00	-
China Railway 20th Bureau Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100.00	-
China Railway 21st Bureau Group Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Construction	2,038,000	100.00	-
China Railway 22nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	2,000,000	100.00	-
China Railway 23rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	2,000,000	100.00	-
China Railway 24th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	2,000,000	100.00	-
China Railway 25th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	2,000,000	100.00	-
China Railway First Survey and Design Institute Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Survey and design	1,000,000	100.00	-
China Railway SIYUAN Survey and Design Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Survey and design	1,000,000	100.00	-



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

- (1) Particulars of the principal subsidiaries of the Company are listed as follows:  
(Continued)

Subsidiaries acquired through establishment or investment (Continued)

RMB'000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion %	
					Direct	Indirect
China Railway Construction Group Co., Ltd.	Beijing	Beijing	Construction	3,502,971	85.64	-
China Railway Construction Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,800,000	100.00	-
China Railway Material Group Co., Ltd.	Beijing	Beijing	Purchase and sales of goods and materials	3,000,000	100.00	-
CRCC High-Tech Equipment Corporation Limited	Kunming, Yunnan	Kunming, Yunnan	Manufacturing operations	1,519,884	63.70	1.30
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development and operation	7,000,000	100.00	-
China Railway Construction Heavy Industry Corporation Limited	Changsha, Hunan	Changsha, Hunan	Manufacturing operations	3,855,540	99.50	0.50
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment, Construction	12,067,086	87.34	-
CRCC Finance Company Limited	Beijing	Beijing	Finance service	9,000,000	94.00	-
China Railway Construction Corporation (International) Limited	Beijing	Beijing	Construction	3,000,000	100.00	-
CRCC Capital Holdings Group Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Finance service	9,000,000	100.00	-
China Railway Urban Construction Group Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100.00	-
CRCC Kunlun Investment Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Project investment, Construction	5,087,166	70.77	-
CRCC Chongqing Investment Group Co., Ltd.	Chongqing	Chongqing	Project investment, Construction	3,000,000	100.00	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

(2) The subsidiaries with significant non-controlling interests are listed as follows:

31 December 2020:

RMB'000

Subsidiary	Shareholding proportion (%)	Net profit or loss attributable to non-controlling interests	Dividends distribute to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
China Railway Construction Investment Group Co., Ltd.	12.66	595,617	486,914	12,323,550
China Railway 11th Bureau Group Co., Ltd.	18.38	340,643	248,791	4,185,517
CRCC Kunlun Investment Group Co., Ltd.	29.23	198,834	100,973	3,860,281
China Railway Construction Group Co., Ltd.	14.36	159,274	93,661	3,025,047

RMB'000

Subsidiary	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China Railway Construction Investment Group Co., Ltd.	27,894,274	114,357,909	142,252,183	50,103,556	61,920,071	112,023,627
China Railway 11th Bureau Group Co., Ltd.	43,441,784	11,423,528	54,865,312	40,849,220	1,187,436	42,036,656
CRCC Kunlun Investment Group Co., Ltd.	14,266,334	21,716,723	35,983,057	22,338,146	3,529,791	25,867,937
China Railway Construction Group Co., Ltd.	65,375,626	11,121,202	76,496,828	61,502,496	3,505,419	65,007,915

RMB'000

Subsidiary	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China Railway Construction Investment Group Co., Ltd.	24,006,529	96,570,729	120,577,258	44,952,443	48,863,994	93,816,437
China Railway 11th Bureau Group Co., Ltd.	41,572,344	10,884,610	52,456,954	38,234,426	984,895	39,219,321
CRCC Kunlun Investment Group Co., Ltd.	13,325,620	15,558,632	28,884,252	18,503,784	1,171,698	19,675,482
China Railway Construction Group Co., Ltd.	50,901,650	10,444,807	61,346,457	48,875,440	2,347,464	51,222,904

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 1. Subsidiaries (Continued)

- (2) The subsidiaries with significant non-controlling interests are listed as follows:  
(Continued)

RMB'000

Subsidiary	2020			Net cash flows generated from operating activities
	Revenue	Net profit	Total comprehensive income	
China Railway Construction Investment Group Co., Ltd.	32,310,456	2,143,952	2,154,595	3,772,268
China Railway 11th Bureau Group Co., Ltd.	70,685,909	1,368,986	1,374,946	2,353,198
CRCC Kunlun Investment Group Co., Ltd.	28,539,844	1,753,201	1,753,201	5,116,901
China Railway Construction Group Co., Ltd.	72,023,447	1,044,778	1,051,069	(2,339,338)

RMB'000

Subsidiary	2019			Net cash flows generated from operating activities
	Revenue	Net profit	Total comprehensive income	
China Railway Construction Investment Group Co., Ltd.	27,633,955	979,237	1,086,963	6,934,333
China Railway 11th Bureau Group Co., Ltd.	64,670,305	1,411,892	1,397,881	784,059
CRCC Kunlun Investment Group Co., Ltd.	26,847,112	1,645,249	1,645,249	2,397,849
China Railway Construction Group Co., Ltd.	51,848,110	783,937	787,410	2,176,597

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates

Principle joint ventures and associates

*RMB'000*

Name of principle joint ventures and associates	Principal place of business	Place of registration	Principal activities	Shareholding proportion %		Measurement of joint ventures and associates
				Direct	Indirect	
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Hohhot, Inner Mongolia	Hohhot, Inner Mongolia	Rail Transit Project Investment & Development	51	-	Equity method
Sichuan Tianfu Airport Expressway Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Highway Project Investment & Management	50	-	Equity method
Hengda Real Estate (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Real estate development	49	-	Equity method
CRCC Financial Leasing Co., Ltd.	Tianjin	Tianjin	Finance lease	50	-	Equity method

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

Major financial information of principle joint ventures

RMB'000

	31 December 2020/For the year ended 31 December 2020		31 December 2019/For the year ended 31 December 2019	
	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.
Current assets	2,260,207	271,270	2,118,045	957,208
Including: Cash and cash equivalents	976,668	199,884	738,451	885,882
Non-current assets	12,959,133	32,873,476	10,056,891	27,949,797
<b>Total assets</b>	<b>15,219,340</b>	<b>33,144,746</b>	12,174,936	28,907,005
Current liabilities	2,349,258	326,243	1,312,572	298,602
Non-current liabilities	5,858,032	25,793,903	4,560,350	22,408,403
<b>Total liabilities</b>	<b>8,207,290</b>	<b>26,120,146</b>	5,872,922	22,707,005
Non-controlling interests	–	–	–	–
Total equity attributable to owners of the company	7,012,050	26	6,302,014	6,200,000
The net assets multiplied by the shareholding proportion	3,576,146	3,512,300	3,214,027	3,100,000
Adjustment event				
– Others	34,518	112,300	96,637	–
Carrying amount of investments in the joint ventures attributable to the Group	3,610,664	3,624,600	3,310,664	3,100,000

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

Major financial information of principle joint ventures (Continued)

RMB'000

	31 December 2020/For the year ended 31 December 2020		31 December 2019/For the year ended 31 December 2019	
	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.
Revenue	232,915	-	-	-
Finance costs	71,088	-	-	-
Income tax expenses	(9,354)	-	-	-
Net profit	35,035	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	35,035	-	-	-
Dividends from joint ventures for the year	-	-	-	-
Total assets	11,298,169	46,192,054	10,912,457	48,565,281
Total liabilities	6,607,915	40,606,790	6,221,768	43,602,472

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

Major financial information of principle joint ventures (Continued)

RMB'000

	31 December 2020/For the year ended 31 December 2020		31 December 2019/For the year ended 31 December 2019	
	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.	Hohhot Metro Line 2 Construction & Management Co., Ltd.	Sichuan Tianfu Airport Expressway Co., Ltd.
Non-controlling interests	-	-	-	-
Total equity attributable to owners of the company	4,690,254	5,585,264	4,690,689	4,962,809
The net assets multiplied by the shareholding proportion	2,298,224	2,792,632	2,298,438	2,481,405
Adjustment issue				
- Unrealized profits of intra-group transactions	(127,849)	(339,636)	-	(403,514)
- Others	15,148	(2,447)	15,068	(2,360)
Carrying amount of investments in the associates attributable to the Group	2,185,523	2,450,549	2,313,506	2,075,531
Revenue	916	4,545,063	982	4,843,951
Finance costs	(72)	-	420	-
Income tax expenses	-	211,647	-	231,932
Net profit	(435)	622,455	1,258	665,275
Other comprehensive income	-	-	-	-
Total comprehensive income	(435)	622,455	1,258	665,275
Dividends from associates for the year	-	-	-	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 2. Equity in joint ventures and associates (Continued)

The aggregate financial information of the individually insignificant joint ventures:

Item	<i>RMB'000</i>	
	31 December 2020	31 December 2019
Shares of net profit of the joint ventures attributable to the Group	844,073	1,832,507
Shares of total comprehensive income of the joint ventures attributable to the Group	844,073	1,832,507
Carrying amount of investments in the joint ventures attributable to the Group	25,456,529	18,073,923

The aggregate financial information of the individually insignificant associates:

Item	<i>RMB'000</i>	
	31 December 2020	31 December 2019
Shares of net profit of the associates attributable to the Group	482,397	231,335
Shares of other comprehensive income (loss) of the associates attributable to the Group	(197,315)	251,093
Shares of total comprehensive income of the associates attributable to the Group	285,082	482,428
Carrying amount of investments in the associates attributable to the Group	33,293,174	20,771,010



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VII. EQUITY IN OTHER ENTITIES (Continued)

#### 3. Equity in structured entities that have not been merged into the consolidated financial statements

As of December 31, 2020, the scale of major structured entities that the Group participated in and that were not included in the consolidated financial statements totaled approximately RMB22,870,846,000. Among them, the subscription amount of the Group was approximately RMB4,028,222,000 and that of other investors was approximately RMB18,842,624,000. The Group has no control over this category of structured entity, so the structured entities have not been merged into the consolidated financial statements. As of December 31, 2020, the actual subscription amount paid by the Group was approximately RMB1,251,767,000, of which RMB76,637,000 was accounted in held-for-trading financial assets and RMB1,175,130,000 was accounted in other non-current financial assets. The Group's largest risk exposure in these structured entities is the amount of capital contributed by the Group as of the balance sheet date. The Group has no obligation or intention to provide financial support to the structured entities.

As of December 31, 2020, the Group's cumulative issuance amount of asset-backed securities and asset-backed notes was RMB44,724,699,000. The subordinated tranche of the asset-backed securities and asset-backed notes was RMB2,387,840,000. On December 31, 2020, the subordinated tranche of asset-backed securities and asset-backed notes held by the Group was RMB401,250,000, of which RMB305,000,000 was accounted in held-for-trading financial assets and RMB96,250,000 was accounted in other non-current financial assets.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

#### 1. Financial instruments by category

The carrying amount of each category of financial instruments at the balance sheet date are as follows:

31 December 2020:

Financial assets

RMB'000

Item	Classified as financial assets at fair value through other comprehensive income	Designated as financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Bills receivable	-	-	-	18,242,816	18,242,816
Trade receivables	-	-	-	125,696,204	125,696,204
Receivables at FVTOCI	3,683,653	-	-	-	3,683,653
Loans and advances to customers	-	-	-	2,772,645	2,772,645
Other receivables (excluding petty cash)	-	-	-	65,869,102	65,869,102
Other current assets	-	-	-	45,670	45,670
Long-term receivables	-	-	-	74,472,408	74,472,408
Cash and bank balances	-	-	-	187,997,046	187,997,046
Held-for-trading financial assets	-	-	587,022	-	587,022
Debt investments	-	-	-	41	41
Other debt investments	1,003,745	-	-	-	1,003,745
Other equity instrument investments	-	10,510,397	-	-	10,510,397
Other non-current financial assets	-	-	2,839,530	-	2,839,530
Current portion of non-current assets	16,584	-	-	6,808,096	6,824,680
<b>Total</b>	<b>4,703,982</b>	<b>10,510,397</b>	<b>3,426,552</b>	<b>481,904,028</b>	<b>500,544,959</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

31 December 2020: (Continued)

Financial liabilities

RMB'000

Item	Other financial liabilities	Total
Short-term loans	49,879,073	49,879,073
Due to customers	4,815,608	4,815,608
Bills payable	84,290,956	84,290,956
Trade payables	349,327,324	349,327,324
Other payables	79,595,459	79,595,459
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable, provisions and lease liabilities)	26,394,617	26,394,617
Other current liabilities	2,417,770	2,417,770
Long-term loans	111,018,145	111,018,145
Bonds payable	26,111,854	26,111,854
Long-term payables (excluding special payables)	13,615,008	13,615,008
Other non-current liabilities	85,250	85,250
<b>Total</b>	<b>747,551,064</b>	<b>747,551,064</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the balance sheet date are as follows: (Continued)

31 December 2019:

Financial assets

RMB'000

Item	Classified as financial assets at fair value through other comprehensive income	Designated as financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Bills receivable	–	–	–	10,305,274	10,305,274
Trade receivables	–	–	–	112,138,537	112,138,537
Receivables at FVTOCI	2,654,263	–	–	–	2,654,263
Loans and advances to customers	–	–	–	2,730,000	2,730,000
Other receivables (excluding petty cash)	–	–	–	59,544,500	59,544,500
Other current assets	–	–	–	225,545	225,545
Long-term receivables	–	–	–	60,804,614	60,804,614
Cash and bank balances	–	–	–	156,887,177	156,887,177
Held-for-trading financial assets	–	–	3,587,646	–	3,587,646
Debt investments	–	–	–	41	41
Other equity instrument investments	–	10,038,609	–	–	10,038,609
Other non-current financial assets	–	–	1,643,494	–	1,643,494
Current portion of non-current assets	101,930	–	–	10,155,380	10,257,310
<b>Total</b>	<b>2,756,193</b>	<b>10,038,609</b>	<b>5,231,140</b>	<b>412,791,068</b>	<b>430,817,010</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 1. Financial instruments by category (Continued)

31 December 2019: (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	42,749,266	42,749,266
Due to customers	–	3,820,235	3,820,235
Bills payable	–	69,601,977	69,601,977
Trade payables	–	325,785,304	325,785,304
Other payables	–	70,116,812	70,116,812
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable, provisions and lease liabilities)	–	32,619,894	32,619,894
Other current liabilities	–	218,000	218,000
Long-term loans	–	87,936,038	87,936,038
Bonds payable	–	26,143,894	26,143,894
Long-term payables (excluding special payables)	–	8,463,975	8,463,975
Other non-current liabilities	244,414	171,250	415,664
Total	244,414	667,626,645	667,871,059

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 2. Transfer of financial assets

Transferred financial assets that are derecognised in their entirety but continuously involved

As at 31 December 2020, the Group had endorsed and discounted bank acceptance bills which are not yet due amounting to RMB3,870,101,000 (31 December 2019: RMB1,098,468,000). As at 31 December 2020, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills had been transferred. Therefore, the Group had derecognised the related bills receivable and trade payables that had been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equaled to the book value of the bills. The Group considered the fair value of continuing involvement to be not significant.

In 2020, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement and discount happens evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

In 2020, the trade receivables and long-term receivables that have been transferred but not derecognised in their entirety are stated in Note V. 5 and Note V. 12 respectively.

#### 3. Financial instrument risks

The Group's major financial instruments include loans, due to customers, bonds and convertible bonds, and other equity instruments, etc. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities arising from operation, such as cash and bank balances, bills receivable, trade receivables, receivables at FVTOCI, other receivables, long-term receivables, bills payable, trade payables, other payables and long-term payables.

The major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. The management will hold meetings at least four times a year to analyze and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

##### Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of trade receivables, contract assets and long-term receivables are monitored on an ongoing basis to ensure that the Group's exposure to credit loss is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. Besides, the Group reviews collections of financial assets at each balance sheet date to ensure sufficient provisions for estimated credit loss have been made for relevant financial assets.

Other financial assets of the Group include cash and bank balances, bills receivable, receivables at FVTOCI, other receivables, debt investments and loans and advances to customers. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. 3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

The Group adopts the provision matrix based on portfolio to assess the credit losses of trade receivables, except for trade receivables that are individually significant and credit-impaired. The Group's trade receivables involve a large number of customers. Aging information may reflect these customers' solvency in regard of such trade receivables. According to the credit risk characteristics of different types of customers, trade receivables are divided into several group. The Group calculates the historical actual loss rate of different aging periods based on historical data, taking into consideration of the forward-looking information like growth rate of GDP and CPI, and makes adjustments to estimate the provision rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period, the debtor's financial position and economic situation of the debtor's industry, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on ECL. For other financial assets, the Group calculates ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2020, the credit risk exposure and expected credit-impairment losses of trade receivables are disclosed as follows:

RMB'000

	Gross carrying amount		
	Not credit impaired	Credit impaired	Total
31 December 2020	126,876,469	7,086,982	133,963,451

	Impairment of credit losses		
	Not credit impaired	Credit impaired	Total
1 January 2020	3,218,363	3,394,656	6,613,019
Transferred to impairment of credit losses occurred	(47,509)	47,509	–
Provision for the year	2,246,822	1,023,513	3,270,335
Reversal for the year	(1,284,814)	(25,686)	(1,310,500)
Write-off for the year	–	(138,917)	(138,917)
Others	(173,775)	7,085	(166,690)
31 December 2020	3,959,087	4,308,160	8,267,247



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2020, there is no significant credit impaired contract asset in the Group. The Group measure the provision according to the lifetime amount of credit losses in the whole duration, based on the billing period, settlement overdue time, the financial status of the debtor and the economic situation of the industry which the debtor is located of different types of construction projects.

RMB'000

	1 January 2020	Provision for the year	Reversal for the year	Others	31 December 2020
Impairment losses on assets	5,370,948	1,167,295	(722,355)	(349,173)	5,466,715

As at 31 December 2020, the credit risk exposure and ECL of long-term receivables (including current portion of long-term receivables) generated from transactions scoped in ASBE No. 14 are disclosed as follows:

RMB'000

	Gross carrying amount		Total
	Not credit impaired	Credit impaired	
31 December 2020	36,572,303	1,059,281	37,631,584

	Impairment of credit losses		Total
	Not credit impaired	Credit impaired	
1 January 2020	192,316	376,828	569,144
Transferred to impairment of credit losses occurred	(4,394)	4,394	–
Provision for the year	53,989	4,500	58,489
Reversal for the year	(53,231)	–	(53,231)
Write-off for the year	–	(4,394)	(4,394)
Others	2,998	27,458	30,456
31 December 2020	191,678	408,786	600,464

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2020, the Group's contract assets in other non-current assets including retention receivables, land development receivables and other project receivables (includes retention receivables due within one year), are amounting to RMB72,083,217,000, with no credit impaired. The Group recognises loss provision amounting to RMB957,149,000 based on lifetime ECL.

As at 31 December 2020, external financial guarantees and mortgages for real estate development operations provided by the Group amounted to RMB2,792,705,000 and RMB23,737,531,000 respectively. Details of financial guarantee contracts are set out in Note XI. 3. Management of the Group assessed overdue status of relevant borrowings, financial position of relevant debtor, and economic condition in the debtor's industry. Management is of the view that relevant credit risk of such part of financial guarantee contract had not increased significantly since initial recognition. Therefore, loss allowance for the Group's financial guarantee contracts were not determined based on the amount of lifetime ECL, but measured at the amount of the future 12-month ECL of the above financial guarantee contracts. In 2020, the Group's assessment method and significant assumptions did not change. The Group had not recognised significant expected loss allowance for guarantees and mortgages based on management's assessment.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

##### Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, on 31 December 2020, the Group already had banking facilities from several PRC banks.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2020, the Group has 35.1% of loans and bonds payable that would expire within one year (As at 31 December 2019: 39.1%).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities and lease liabilities at the balance sheet date, based on the undiscounted contractual cash flows:

RMB'000

Item	31 December 2020					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term loans	-	50,570,799	-	-	-	50,570,799
Due to customers	4,815,608	-	-	-	-	4,815,608
Bills payable	-	84,290,956	-	-	-	84,290,956
Trade payables	-	349,327,324	-	-	-	349,327,324
Other payables	-	79,595,459	-	-	-	79,595,459
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable and provisions)	-	29,070,567	-	-	-	29,070,567
Other current liabilities	-	2,417,770	-	-	-	2,417,770
Long-term loans	-	5,061,449	30,064,604	42,934,060	69,067,620	147,127,733
Bonds payable	-	1,750,399	4,424,989	22,192,264	1,181,711	29,549,363
Long-term payables (excluding special payables)	-	-	7,527,533	5,916,536	710,766	14,154,835
Lease liabilities	-	-	1,461,890	1,293,221	235,191	2,990,302
Other non-current liabilities	-	-	85,250	-	-	85,250
Financial guarantees (Note XI. 3) (excluding the real estate mortgage guarantee)	2,792,705	-	-	-	-	2,792,705
<b>Total</b>	<b>7,608,313</b>	<b>602,084,723</b>	<b>43,564,266</b>	<b>72,336,081</b>	<b>71,195,288</b>	<b>796,788,671</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Liquidity risk (Continued)

RMB'000

Item	On demand	Within 1 year	31 December 2019			Total
			1 to 2 years	2 to 5 years	Over 5 years	
Short-term loans	-	43,605,808	-	-	-	43,605,808
Due to customers	3,820,235	-	-	-	-	3,820,235
Bills payable	-	69,601,977	-	-	-	69,601,977
Trade payables	-	325,785,304	-	-	-	325,785,304
Other payables	-	70,116,812	-	-	-	70,116,812
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable and provisions)	-	35,565,075	-	-	-	35,565,075
Other current liabilities	-	218,000	-	-	-	218,000
Long-term loans	-	4,294,424	20,353,652	36,785,148	59,863,157	121,296,381
Bonds payable	-	1,567,074	9,492,280	17,197,757	1,229,011	29,486,122
Long-term payables (excluding special payables)	-	-	5,480,992	2,794,898	266,642	8,542,532
Lease liabilities	-	-	1,605,408	1,547,326	360,868	3,513,602
Other non-current liabilities	-	-	156,000	15,250	-	171,250
Financial guarantees (Note XI. 3)(excluding the real estate mortgage guarantee)	3,236,731	-	-	-	-	3,236,731
<b>Total</b>	<b>7,056,966</b>	<b>550,754,474</b>	<b>37,088,332</b>	<b>58,340,379</b>	<b>61,719,678</b>	<b>714,959,829</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 31 December 2020, floating interest rate loans and fixed interest rate loans accounted for approximately 85.55% and 14.45% of the Group's borrowings respectively. Management would adjust the proportion of floating and fixed rate loans based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 0.25% (2019: 0.25%), with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB150,009,000 in 2019 (2019: RMB150,749,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2020 and the exposure to interest rate risk has been applied to those borrowings in existence at that date. The estimated 0.25 % (2019: 0.25%) of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year from now until the end of the next annual reporting period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk (Continued)

##### *Foreign currency risk*

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group had not entered into any hedging transactions as at 31 December 2020 in order to reduce the Group's exposure to foreign currency risk in this regard (31 December 2019: Nil).

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rates of the United States dollar, Euro and Algerian dinar, with all other variables held constant, of the Group's net profit and shareholder's equity net of tax.

2020:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	5%	(56,066)	(56,066)
Decrease in the United States dollar rate	(5%)	56,066	56,066
Increase in the Euro rate	3%	(88,192)	(88,192)
Decrease in the Euro rate	(3%)	88,192	88,192
Increase in the Algerian dinar rate	7%	60,676	60,676
Decrease in the Algerian dinar rate	(7%)	(60,676)	(60,676)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 3. Financial instrument risks (Continued)

Market risk (Continued)

*Foreign currency risk (Continued)*

2019:

Item	<i>RMB'000</i>		
	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	5%	29,535	29,535
Decrease in the United States dollar rate	(5%)	(29,535)	(29,535)
Increase in the Euro rate	3%	(11,027)	(11,027)
Decrease in the Euro rate	(3%)	11,027	11,027
Increase in the Algerian dinar rate	7%	63,799	63,799
Decrease in the Algerian dinar rate	(7%)	(63,799)	(63,799)

The sensitivity analysis above has been determined assuming that the changes in foreign exchange rates had occurred as at 31 December 2020 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year from now until the end of the next annual reporting period.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, due to customers, other current liabilities, bills payable, trade payables, other payables, bonds payable, lease liabilities, long-term payables (excluding special payables), current portion of non-current liabilities (excluding the current portion of long-term employee benefits payable and provisions) and other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the balance sheet date are listed as follows:

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### 4. Capital management (Continued)

RMB'000

Item	31 December 2020	31 December 2019
Short-term loans	<b>49,879,073</b>	42,749,266
Long-term loans	<b>111,018,145</b>	87,936,038
Due to customers	<b>4,815,608</b>	3,820,235
Bills payable	<b>84,290,956</b>	69,601,977
Trade payables	<b>349,327,324</b>	325,785,304
Other payables	<b>79,595,459</b>	70,116,812
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable and provisions)	<b>28,337,179</b>	34,540,843
Other current liabilities	<b>2,417,770</b>	218,000
Bonds payable	<b>26,111,854</b>	26,143,894
Long-term payables (excluding special payables)	<b>13,615,008</b>	8,463,975
Lease liabilities	<b>2,677,405</b>	3,160,980
Other non-current liabilities	<b>85,250</b>	415,664
Less: Cash and bank balances	<b>187,997,046</b>	156,887,177
Net debt	<b>564,173,985</b>	516,065,811
Attributable to shareholders' equity of the Company	<b>254,297,762</b>	209,959,674
Non-controlling interests	<b>59,341,328</b>	52,061,900
Total equity	<b>313,639,090</b>	262,021,574
Total equity and net debt	<b>877,813,075</b>	778,087,385
Gearing ratio	<b>64%</b>	66%

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IX. DISCLOSURE OF FAIR VALUE

#### 1. Assets and liabilities measured at fair value

RMB'000

31 December 2020	Quoted prices in active markets (Level 1)	Inputs of fair value measurement Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Continuous measurement of fair value</b>				
Receivables at FVTOCI	–	3,683,653	–	3,683,653
Held-for-trading financial assets	150,183	–	436,839	587,022
Other debt investments	–	1,003,745	–	1,003,745
Current portion of other debt investments	–	16,584	–	16,584
Other equity instrument investments	1,986,027	–	8,524,370	10,510,397
Other non-current financial assets	67,537	–	2,771,993	2,839,530
<b>Sum of assets under continuous measurement of fair value</b>	<b>2,203,747</b>	<b>4,703,982</b>	<b>11,733,202</b>	<b>18,640,931</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 1. Assets and liabilities measured at fair value (Continued)

RMB'000

31 December 2019	Quoted prices in active markets (Level 1)	Inputs of fair value measurement Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Continuous measurement of fair value</b>				
Receivables at FVTOCI	–	2,654,263	–	2,654,263
Held-for-trading financial assets	168,119	3,009,186	410,341	3,587,646
Current portion of other debt investments	–	101,930	–	101,930
Other equity instrument investments	1,969,717	–	8,068,892	10,038,609
Other non-current financial assets	59,733	–	1,583,761	1,643,494
<b>Sum of assets under continuous measurement of fair value</b>	<b>2,197,569</b>	<b>5,765,379</b>	<b>10,062,994</b>	<b>18,025,942</b>
Other non-current liabilities	–	–	244,414	244,414
<b>Sum of liabilities under continuous measurement of fair value</b>	<b>–</b>	<b>–</b>	<b>244,414</b>	<b>244,414</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 1. Assets and liabilities measured at fair value (Continued)

Quantitative information of fair value measurement at Level 2:

RMB'000

Item	Fair value as at 31 December 2020	Valuation technique(s)	Key input(s)
Receivables at FVTOCI	3,683,653	Discounted cash flows	Discount rates for bank acceptance bills in the same term
Other debt investments	1,003,745	Discounted cash flows	Market average rate of return with the category in the same term
Current portion of other debt investments	16,584	Discounted cash flows	Market average rate of return with the category in the same term
<b>Total</b>	<b>4,703,982</b>	–	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 1. Assets and liabilities measured at fair value (Continued)

Quantitative information of fair value measurement at Level 3:

*RMB'000*

Item	Fair value as at 31 December 2020	Valuation technique(s)	Significant unobservable input(s)
Held-for-trading financial assets	436,839	Discounted cash flows	Future cash flows discounted at rates that reflected the expected risk level
Other equity instrument investments	8,524,370	Market method	Discount rate for lack of market mobility
Other non-current financial assets – call options for unlisted entities	1,356,715	Binomial tree option pricing model for valuation	Unlisted entities' revenue volatility and unlisted equity investments' comparable entities' stock price volatility
Other non-current financial assets – others	1,415,278	Discounted cash flows	Future cash flows discounted at rates that reflected the expected risk level
<b>Sum of assets under continuous measurement of fair value</b>	<b>11,733,202</b>	–	–

Fair value of listed equity instruments is determined based on a quoted market price.

For the year of 2020, there was no transfer of fair value measurements between each level for both financial assets and financial liabilities.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### IX. DISCLOSURE OF FAIR VALUE (Continued)

#### 2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB'000

Item	Carrying amount		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Long-term loans	111,018,145	87,936,038	111,340,614	88,315,870
Bonds payable	26,111,854	26,143,894	26,443,445	26,695,561

*Note:* Fair value of long-term loans and bonds payable (excluding convertible bonds) is determined by discounted future cash flow method, with market yield of other financial instruments with similar contractual terms, credit risk and remaining period, which used as the discount rate. As at 31 December 2020, its own default risk of long-term and short-term loans was evaluated as insignificant.

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 1. Parent

RMB'000

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Railway Construction Corporation	Beijing	Construction and management	RMB9,000,000	51.13	51.13

#### 2. Subsidiaries

Please refer to Note XIV. 3(i) "Subsidiaries".

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate

Company name	Related party relationship
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Ningbo Jingwan Investment Management Co., Ltd.	Joint venture
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Joint venture
Changzhou China Railway Blue Flame Component Co., Ltd.	Joint venture
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
Chengdu China Railway Huafu Real Estate Co., Ltd.	Joint venture
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Joint venture
Chongqing Pinjinyue Real Estate Co., Ltd.	Joint venture
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Joint venture
Nanjing Jingrui Real Estate Investment Co., Ltd.	Joint venture
Deqing Jingsheng Real Estate Development Co., Ltd.	Joint venture
Ningbo Jinghai Investment Management Co., Ltd.	Joint venture
Changzhou Jingrui Real Estate Development Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Tianjin Wanhe Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Beijing Ruida Real Estate Co., Ltd.	Joint venture
Beijing Xinda Real Estate Co., Ltd.	Joint venture
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture
Guangzhou Xintie Xinjian Investment Co., Ltd.	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Sichuan Tianfu Airport Expressway Co., Ltd.	Joint venture
Yunnan Yulin Expressway Construction Co., Ltd.	Joint venture
Chongqing Tiefsa Shuanghe Expressway Co., Ltd.	Joint venture
Chongqing Tiefsa Jianxin Highway Co., Ltd.	Joint venture
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	Joint venture
Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.	Joint venture
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.	Joint venture
CRCC Shaanxi Highway Co., Ltd.	Joint venture
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	Joint venture
CRCC Shaanxi Meitai Expressway Co., Ltd.	Joint venture



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Lin'an Changxi Investment and Construction Management Co., Ltd.	Joint venture
Wuhan Tongtui Construction & Investment Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	Joint venture
Chongqing Jianlian New Real Estate Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	Joint venture
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture
Xixian New Area Xingchengrenju Real Estate Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Dalian Jingcheng Real Estate Co., Ltd.	Joint venture
Fuzhou Xincheng Real Estate Co., Ltd.	Joint venture
Guangzhou Suiyun Real Estate Co., Ltd.	Joint venture
Chongqing Yonglu Expressway Co., Ltd.	Joint venture
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	Joint venture
Changsha Yuchi River Area Development & Investment Co., Ltd.	Joint venture
Kunming Qiping Real Estate Co., Ltd.	Joint venture
Kunming Tiexin Construction Management Co., Ltd.	Joint venture
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	Joint venture
Hangzhou Genshan East Road Crossing Tunnel Management Co., Ltd.	Joint venture
Hohhot Jiantong Rail Engineering Co., Ltd.	Joint venture
Kunming Kunlun Shouzhi Real Estate Co., Ltd.	Joint venture
Chengdu Zhongwan Yixing Real Estate Co., Ltd.	Joint venture
Chengdu Chuangcheng Real Estate Co., Ltd.	Joint venture
Chengdu Lugang Real Estate Co., Ltd.	Joint venture
Chengdu Wuhou District Yale Real Estate Development Co., Ltd.	Joint venture
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Joint venture
Guangzhou City Longguang Junshen Real Estate Co., Ltd.	Joint venture
Guizhou Guijin Expressway Co., Ltd.	Joint venture
Jiangyin China Railway Construction Kunlun City Development Co., Ltd.	Joint venture
Wuhan Zhaorui Real Estate Co., Ltd.	Joint venture
Guizhou Zhongguang Wenchuang City Real Estate Co., Ltd.	Joint venture
Guangzhou Jingyue Bay Industry Development Co., Ltd.	Joint venture
Sichuan Suide Expressway Co., Ltd.	Joint venture
Shenyang Jiabai Real Estate Co., Ltd.	Joint venture
Jiangmen Jiangwan Nanguang Investment Development Co., Ltd.	Joint venture

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Hengyang Hengshan Science City Zhiyuan Development and Construction Co., Ltd.	Joint venture
Chongqing Yuxiang Fuxian Highway Co., Ltd.	Joint venture
Sichuan Chengmian Cangba Highway Co., Ltd.	Joint venture
ECUACORRIENTE S.A.	Associate
Jiashan Chengfa Construction & Development Co., Ltd.	Associate
Yunnan Kunchu Highway Investment & Development Co., Ltd.	Associate
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	Associate
Nanjing Daqiaobei Environmental Comprehensive Management Co., Ltd.	Associate
Jiayang Railway Construction Hexing Highway Investment Co., Ltd.	Associate
Jiangxi Wanshui Ecology Resource Development Co., Ltd.	Associate
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	Associate
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	Associate
Changde Yuanjiang Tunnel Co., Ltd.	Associate
Xingan Mengxingzhong Project Management Co., Ltd.	Associate
Ningxia Inter-City Railway Co., Ltd.	Associate
Yuxi China Railway Infrastructure Construction Co., Ltd.	Associate
Shaanxi Huangpu Highway Co., Ltd.	Associate
Guansu Gonghanglv Longzhang Expressway Management Co., Ltd.	Associate
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	Associate
Gansu Zhuzhong Railway Co., Ltd.	Associate
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.	Associate
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	Associate
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
Chengdu Urban Investment & Construction Technology Co., Ltd.	Associate
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	Associate
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	Associate
Guizhou China Railway Construction Engineering Investment Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	Associate
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Chongqing Yurong Highway Co., Ltd.	Associate
CRCC Gansu Zhangbian Highway Co., Ltd.	Associate
CRCC Xinjiang Jingxin Expressway Co., Ltd.	Associate
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
Kunming Metro Line 5 Construction & Operation Co., Ltd.	Associate
Jiaying Jingkai Real Estate Development Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Linyi New Phoenix Land Co., Ltd.	Associate
Guizhou Wengma Railway Limited Co., Ltd.	Associate
China Railway Construction and Investment Shanxi Expressway Co., Ltd.	Associate
Jining Zhongtie Shengtong Urban Construction Development Co., Ltd.	Associate
Yunnan Chuda Expressway Investment and Development Co., Ltd.	Associate
China Railway Construction Ningxia Highway Co. Ltd	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	Associate
Qingyuan Maglev Transportation Co., Ltd.	Associate
Xinjiang Taqia Highway Project Management Co., Ltd.	Associate
Hangzhou Xiashalu Tunnel Co., Ltd.	Associate
Gansu Dundang Highway Project Management Co., Ltd.	Associate
Jining CRCC Sihe Road Management Co., Ltd.	Associate
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	Associate
CRCC (Shandong) Deshang Highway Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	Associate
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	Associate
Hangzhou Beikong Jiandejiang Investment Co., Ltd.	Associate
CRCC (Shandong) Gaodong Highway Co., Ltd.	Associate
Wuhan Lvvin Green Lawn Engineering Co., Ltd.	Associate
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	Associate
Chongqing Tiefa Xiusong Highway Co., Ltd.	Associate
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.	Associate

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 3. Joint venture and associate (Continued)

Company name	Related party relationship
Hengda Real Estate (Shenzhen) Co., Ltd.	Associate
Kunming Sanqing Highway Co., Ltd.	Associate
Kunming Fuyi Highway Co., Ltd.	Associate
Guangde CRCC Blue Ocean Longxin Investment Center (Limited Partnership)	Associate
Sichuan Jintou Project Investment Co., Ltd.	Associate
Hangzhou Jingjiang Real Estate Development Co., Ltd.	Associate
Wuhan Qingfeng Construction & Investment Co., Ltd.	Associate
Guangzhou City Zengcheng District Shunxuan Real Estate Co., Ltd.	Associate
Dongfang Jin Yue Wan Infrastructure Investment Co., Ltd.	Associate
Hangqu Railway Co., Ltd.	Associate
Gansu Gonghanglv Lan-A Highway Management Co., Ltd.	Associate
Guangxi Liubin Expressway Construction and Development Co., Ltd.	Associate
Jinan Tieying Urban & Rural Construction Co., Ltd.	Associate
China Railway Construction and Investment Henan Xuchang City Development Co., Ltd.	Associate
China Railway Construction Investment Langfang Development and Construction Co., Ltd.	Associate
Railway Construction Development (Fan County) Fan Shui Ecological Environment Management Co., Ltd.	Associate
Liuzhou Zhongbei Construction Investment Management Co., Ltd.	Associate
Nanjing Yuanchen Real Estate Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
China Railway Construction Investment (Ningbo) Development and Construction Co., Ltd.	Associate
China Railway Construction Investment (Zhumadian) City Development Co., Ltd.	Associate
China Railway Construction Investment (Tongxiang) Construction Management Co., Ltd.	Associate
Lishui Jingcheng Development and Construction Co., Ltd.	Associate
China Railway Construction & Investment Xi'an City Development Co., Ltd.	Associate
Guangde CRCC Daqin Investment Partnership Enterprise (Limited Partnership)	Associate
Guangde CRCC Blue Ocean Fengjian Investment Center (Limited Partnership)	Associate
Guangde Railway Construction Chuangxin Investment Partnership (Limited Partnership)	Associate

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 4. Other related parties

Company name	Related party relationship
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
CRCC JinLi Asset Management Co., Ltd.	Fellow subsidiary

#### 5. Major related party transactions

		<i>RMB'000</i>	
Item		2020	2019
(1) Revenue from construction services	<i>Note 1</i>		
Yunnan Yulin Expressway Construction Co., Ltd.		5,385,440	5,844,740
Yunnan Kunchu Highway Investment & Development Co., Ltd.		4,229,079	2,530,372
CRCC Shaanxi Highway Co., Ltd.		3,690,913	4,066,442
Chongqing Tiefa Jianxin Highway Co., Ltd.		3,514,259	5,614,172
CRCC Xinjiang Jingxin Expressway Co., Ltd.		3,371,351	3,224,805
Chongqing Tiefa Shuanghe Expressway Co., Ltd.		3,351,071	2,712,472
Kunming Metro Line 5 Construction & Operation Co., Ltd.		2,571,084	1,325,518
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.		2,341,363	–
Sichuan Suide Expressway Co., Ltd.		1,816,559	198,950
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.		1,683,040	2,504,310
Gansu Dundang Highway Project Management Co., Ltd.		1,662,489	940,828
China Railway Construction Ningxia Highway Co. Ltd		1,574,321	–
Guizhou Wengma Railway Limited Co., Ltd.		1,515,168	285,399
Sichuan Tianfu Airport Expressway Co., Ltd.		1,483,213	3,562,508
CRCC Gansu Zhangbian Highway Co., Ltd.		1,470,328	1,008,206
Yunnan Chuda Expressway Investment and Development Co., Ltd.		1,448,861	–

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

		<i>RMB'000</i>	
Item		2020	2019
(1) Revenue from construction services (Continued)	<i>Note 1</i>		
Gansu Gonghanglv Longzhang Expressway Management Co., Ltd.		1,411,009	1,035,364
CRCC (Shandong) Gaodong Highway Co., Ltd.		1,329,805	2,189,445
China Railway Construction and Investment Shanxi Expressway Co., Ltd.		1,242,799	–
Jiashan Chengfa Construction & Development Co., Ltd.		1,038,382	554,111
Jining Zhongtie Shengtong Urban Construction Development Co., Ltd.		1,026,428	–
Hohhot Metro Line 2 Construction & Management Co., Ltd.		976,458	4,206,522
Guangxi Liubin Expressway Construction and Development Co., Ltd.		921,809	1,274
Guizhou China Railway Construction Engineering Investment Co., Ltd.		895,400	–
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.		767,311	731,531
Shaanxi Huangpu Highway Co., Ltd.		646,900	2,449,455
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.		572,330	742,613
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		356,580	513,492
Liuzhou Zhongbei Construction Investment Management Co., Ltd.		351,139	–
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		350,831	1,184,173
Chengdu China Railway Huafu Real Estate Co., Ltd.		348,091	498,904
Jiangyin China Railway Construction Kunlun City Development Co., Ltd.		343,842	–
Qingyuan Maglev Transportation Co., Ltd.		339,580	304,259
Changzhou Jingrui Real Estate Development Co., Ltd.		334,808	382,145
Gansu Zhuzhong Railway Co., Ltd.		307,516	129,314
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.		298,399	107,563
Jining CRCC Sihe Road Management Co., Ltd.		281,129	941,184
Jiangxi Wanshui Ecology Resource Development Co., Ltd.		267,673	586,357
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.		260,575	721,659
Jiayang Railway Construction Hexing Highway Investment Co., Ltd.		259,510	1,071,504

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

		<i>RMB'000</i>	
Item		2020	2019
(1)	Revenue from construction services (Continued) <i>Note 1</i>		
	Xingan Mengxingzhong Project Management Co., Ltd.	137,105	193,984
	Yuxi China Railway Infrastructure Construction Co., Ltd.	135,788	374,124
	China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	105,375	128,731
	Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	102,460	96,762
	Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	84,038	325,546
	Ningxia Inter-City Railway Co., Ltd.	78,563	527,612
	Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.	73,493	268,509
	Xi'an China Railway Jingmao Real Estate Co., Ltd.	65,317	274,942
	Tianjin China Railway Guancheng Real Estate Co., Ltd.	58,991	352,796
	Chongqing Monorail Transit Engineering Co., Ltd.	52,353	48,294
	Changde Yuanjiang Tunnel Co., Ltd.	48,148	438,748
	Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	40,762	216,971
	Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	35,762	95,339
	Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	31,208	156,210
	Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	22,630	9,748
	Hunan Maglev Transportation Development Co., Ltd.	8,645	15,131
	China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	4,017	43,168
	CRCC-HC-CR15G Joint Venture	1,263	2,105
	Chongqing Yurong Highway Co., Ltd.	–	4,592
	<b>Total</b>	<b>57,122,761</b>	<b>55,742,903</b>
(2)	Revenue from sales of goods <i>Note 2</i>		
	CRCC Financial Leasing Co., Ltd.	1,148,982	2,018,353
	Chongqing Tiefs Jianxin Highway Co., Ltd.	422,426	821,331
	Hohhot Jiantong Rail Engineering Co., Ltd.	52,226	–
	Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	7,428	8,812
	Chongqing Monorail Transit Engineering Co., Ltd.	3,866	–
	CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	–	120,683
	<b>Total</b>	<b>1,634,928</b>	<b>2,969,179</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

		<i>RMB'000</i>	
Item		2020	2019
(3) Other incomes	<i>Note 3</i>		
Hengda Real Estate (Shenzhen) Co., Ltd.		<b>194,733</b>	–
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		<b>187,367</b>	130,792
Chengdu China Railway Huafu Real Estate Co., Ltd.		<b>107,172</b>	141,810
Guangzhou Suiyun Real Estate Co., Ltd.		<b>98,378</b>	–
Guangzhou Xintie Xinjian Investment Co., Ltd.		<b>98,222</b>	24,452
China Railway Construction Corporation	<i>Note 4</i>	<b>97,736</b>	91,540
Beijing Xinda Real Estate Co., Ltd.		<b>97,440</b>	20,579
Ningbo Jinghai Investment Management Co., Ltd.		<b>79,156</b>	94,672
CRCC Real Estate Co., Ltd.		<b>71,966</b>	33,939
Tianjin Wanhe Real Estate Co., Ltd.		<b>64,853</b>	153,969
Jinan Tieying Urban and Rural Construction Co., Ltd.		<b>60,245</b>	–
Beijing Ruida Real Estate Co., Ltd.		<b>53,793</b>	69,286
Kunming Qiping Real Estate Co., Ltd.		<b>49,351</b>	49,196
China Railway Construction and Investment Henan Xuchang City Development Co., Ltd.		<b>39,861</b>	–
Changzhou Jingrui Real Estate Development Co., Ltd.		<b>38,422</b>	53,842
CRCC-Shandong Jinghu Highway Jile Co., Ltd.		<b>37,399</b>	26,056
Wuhan Zhaorui Real Estate Co., Ltd.		<b>36,024</b>	–
Nanjing Jingrui Real Estate Investment Co., Ltd.		<b>28,863</b>	118,604
Beijing Jiehai Real Estate Co., Ltd.		<b>21,161</b>	75,448
Beijing Liuzhuang Real Estate Co., Ltd.		<b>5,018</b>	32,369
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		<b>2,651</b>	642
Chengdu Tiecheng Real Estate Co., Ltd.		<b>521</b>	1,449
Guangzhou Baorui Real Estate Co., Ltd.		–	26,078
Guangzhou Jingyue Bay Industry Development Co., Ltd.		–	10,460
<b>Total</b>		<b>1,470,332</b>	1,155,183



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

		<i>RMB'000</i>	
Item		2020	2019
(4)	Purchase of goods or receipt of services <i>Note 5</i>		
	China Railway First Survey and Design Institution Group		
	Shandong Architecture Design Institute Co., Ltd.	61,796	61,233
	Chongqing Monorail Transit Engineering Co., Ltd.	38,239	–
	Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.	13,110	16,459
	Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	12,425	26,892
	Changzhou China Railway Blue Flame Component Co., Ltd.	3,751	142,314
	PetroChina & CRCC Petroleum Marketing Co., Ltd.	29	218
	CRCC JinLi Asset Management Co., Ltd.	–	20,618
	<b>Total</b>	<b>129,350</b>	<b>267,734</b>
(5)	Other expenses <i>Note 5</i>		
	Guangzhou Xintie Xinjian Investment Co., Ltd.	70,599	1,561
	China Railway Construction Corporation <i>Note 4</i>	44,871	49,776
	CRCC JinLi Asset Management Co., Ltd. <i>Note 4</i>	16,105	13,792
	CRCC Xinjiang Jingxin Expressway Co., Ltd.	7,474	210
	CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.	7,232	–
	CRCC Shaanxi Highway Co., Ltd.	5,050	2,492
	Jiayang Railway Construction Hexing Highway Investment Co., Ltd.	4,019	3,993
	CRCC Shaanxi Meitai Expressway Co., Ltd.	3,622	350
	Beijing Tongda Jingcheng Highway Co., Ltd. <i>Note 4</i>	3,075	3,881
	CRCC Real Estate Co., Ltd.	2,476	578
	CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	30	117
	Beijing Xinda Real Estate Co., Ltd.	5	558
	PetroChina & CRCC Petroleum Marketing Co., Ltd.	–	24
	<b>Total</b>	<b>164,558</b>	<b>77,332</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

##### (6) Related party leasing

As the lessee:

		<i>RMB'000</i>	
<b>Lessor</b>	<b>Leasing asset types</b>	<b>Amount recognised in the current year</b>	<b>Amount recognised in the prior year</b>
CRCC Financial Leasing Co., Ltd.	Machinery	1,914,446	1,305,238
China Railway Construction Corporation	Buildings	75,834	80,394
CRCC JinLi Asset Management Co., Ltd.	Buildings	25,974	28,500
<b>Total</b>	–	<b>2,016,254</b>	<b>1,414,132</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

(7) Guarantees granted to a related party

31 December 2020:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,189,555	17 March 2014	30 December 2023	No
Guizhou Wengma Railway Limited Co., Ltd.	659,076	31 March 2016	31 March 2039	No
CRCC-Tongguan Investment Co., Ltd.	585,284	13 June 2019	13 June 2024	No
ECUACORRIENTE S.A.	150,940	10 August 2020	9 July 2025	No
CRCC-Tongguan Investment Co., Ltd.	120,778	20 May 2015	20 November 2023	No
Chengdu Urban Investment & Construction Technology Co., Ltd.	15,000	28 April 2018	26 February 2023	No
Total	2,720,633	-	-	-

31 December 2019:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,702,960	17 March 2014	30 December 2023	No
Guizhou Wengma Railway Limited Co., Ltd.	646,800	31 March 2016	31 March 2039	No
CRCC-Tongguan Investment Co., Ltd.	387,179	13 June 2019	13 June 2024	No
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2025	No
CRCC-Tongguan Investment Co., Ltd.	172,192	20 May 2015	20 November 2023	No
Chengdu Urban Investment & Construction Technology Co., Ltd.	15,000	28 April 2018	26 February 2023	No
Total	3,119,131	-	-	-

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 5. Major related party transactions (Continued)

- (8) Key management's remuneration

	<i>RMB'000</i>	
<b>Item</b>	<b>2020</b>	2019
Key management's remuneration	<b>12,946</b>	18,704

*Note 1:* The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

*Note 2:* The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

*Note 3:* The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The other income from related parties was mainly interest income from loans receivable.

*Note 4:* The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

*Note 5:* The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties

RMB'000

		31 December 2020		31 December 2019	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Bills receivable</b>	<i>Note 1</i>				
CRCC Shaanxi Highway Co., Ltd.		1,120,000	1,120	220,000	220
Chongqing Tiefa Shuanghe Expressway Co., Ltd.		1,056,822	1,057	–	–
Shaanxi Huangpu Highway Co., Ltd.		200,000	200	200,529	200
CRCC Financial Leasing Co., Ltd.		–	–	138,000	276
<b>Total</b>		<b>2,376,822</b>	<b>2,377</b>	<b>558,529</b>	<b>696</b>
<b>Trade receivables</b>	<i>Note 1</i>				
Qingyuan Maglev Transportation Co., Ltd.		603,057	603	502,141	502
Chongqing Tiefa Jianxin Highway Co., Ltd.		599,565	1,813	114,481	558
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.		588,076	3,379	808,062	4,040
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		554,216	1,796	936,166	1,905
Hohhot Metro Line 2 Construction & Management Co., Ltd.		494,124	494	460,839	2,304
Shaanxi Huangpu Highway Co., Ltd.		444,267	445	132,683	133
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.		438,338	2,344	1,536,437	8,536
Gansu Gonghanglv Longzhang Expressway Management Co., Ltd.		393,634	394	71,890	72
Jiangyin China Railway Construction Kunlun City Development Co., Ltd.		366,655	1,833	–	–
Changzhou Jingrui Real Estate Development Co., Ltd.		262,160	11,504	195,394	1
Yuxi China Railway Infrastructure Construction Co., Ltd.		261,511	7,941	121,187	7,241
CRCC Xinjiang Jingxin Expressway Co., Ltd.		246,246	480	69,561	70
Guangxi Liubin Expressway Construction and Development Co., Ltd.		231,345	835	–	–
Liuzhou Zhongbei Construction Investment Management Co., Ltd.		202,785	1,014	–	–
Yunnan Kunchu Highway Investment & Development Co., Ltd.		161,085	175	55,069	138
CRCC Financial Leasing Co., Ltd.		147,478	2,417	223,799	3,228
Jianyang Railway Construction Hexing Highway Investment Co., Ltd.		118,742	594	320,001	320
Chengdu China Railway Huafu Real Estate Co., Ltd.		111,317	274	5,654	7

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

	Note 1	31 December 2020		31 December 2019	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Trade receivables (Continued)</b>					
Shijiazhuang Jiatai Pipeline Corridor Operation Co., Ltd.		99,753	208	105,944	208
Chongqing Monorail Transit Engineering Co., Ltd.		99,537	186	69,037	110
Jiangxi Wanshui Ecology Resource Development Co., Ltd.		86,501	113	17,846	18
CRCC Gansu Zhangbian Highway Co., Ltd.		57,012	58	182,495	182
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.		52,858	53	61,400	61
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.		52,808	53	61,179	61
Xi'an China Railway Jingmao Real Estate Co., Ltd.		44,835	225	3,461	3
Tianjin China Railway Yuhua Real Estate Co., Ltd.		26,194	29	57,288	57
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.		26,180	131	2,087	160
Gansu Zhuzhong Railway Co., Ltd.		18,653	19	6,679	3,606
Xingan Mengxingzhong Project Management Co., Ltd.		16,977	85	163,415	817
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		10,586	11	81,935	410
Lin'an Changxi Investment and Construction Management Co., Ltd.		9,866	49	25,145	25
CRCC (Shandong) Deshang Highway Co., Ltd.		8,812	33	36,408	39
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.		7,793	8	4,114	15
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		6,858	27	48,498	842
CRCC Shaanxi Highway Co., Ltd.		5,131	18	228,597	229
CRCC (Shandong) Gaodong Highway Co., Ltd.		4,162	13	53,547	54
Hunan Maglev Transportation Development Co., Ltd.		2,016	101	44,402	289
Chongqing Yurong Highway Co., Ltd.		1,287	1	2,243	2
Tianjin China Railway Guancheng Real Estate Co., Ltd.		7	7	246,821	311
Changde Yuanjiang Tunnel Co., Ltd.		-	-	83,519	84
<b>Total</b>		<b>6,862,427</b>	<b>39,763</b>	<b>7,139,424</b>	<b>36,638</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

		31 December 2020		31 December 2019	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Loans and advances to related parties</b>					
	<i>Note 3</i>				
	China Railway Construction Corporation	2,820,000	57,105	2,800,000	70,000
	Hangqiu Railway Co., Ltd.	10,000	250	–	–
<b>Total</b>		<b>2,830,000</b>	<b>57,355</b>	<b>2,800,000</b>	<b>70,000</b>
<b>Other receivables</b>					
	<i>Note 2</i>				
	Tianjin Wanhe Real Estate Co., Ltd.	2,879,247	2,879	3,009,661	3,007
	Beijing Xinda Real Estate Co., Ltd.	2,072,975	2,073	1,540,329	1,540
	Guangzhou Xintie Xinjian Investment Co., Ltd.	2,060,932	289	1,962,977	1,963
	Guizhou Zhongguang Wenchuang City Real Estate Co., Ltd.	1,721,574	1,722	–	–
	CRCC Real Estate Co., Ltd.	1,611,118	1,611	1,359,149	1,359
	Wuhan Zhaorui Real Estate Co., Ltd.	1,544,297	7,723	–	–
	China Railway Construction and Investment Henan Xuchang City Development Co., Ltd.	1,299,861	1,300	–	–
	Guangzhou City Longguang Junshen Real Estate Co., Ltd.	1,291,700	1,291	–	–
	Beijing Ruida Real Estate Co., Ltd.	1,207,616	1,208	1,176,251	1,176
	Lishui Jingcheng Development and Construction Co., Ltd.	1,066,790	1,067	–	–
	Guangzhou Suiyun Real Estate Co., Ltd.	1,035,713	1,036	1,081,433	1,081
	CRCC (Shandong) Gaodong Highway Co., Ltd.	1,020,160	1,020	733,628	734
	Nanjing Yuanchen Real Estate Co., Ltd.	947,080	947	–	–
	Foshan City Shunde District Shunhao Real Estate Co., Ltd.	940,766	941	871,498	871
	China Railway Construction Investment Langfang Development and Construction Co., Ltd.	730,814	731	–	–
	Jinan Tiejing Urban and Rural Construction Co., Ltd.	730,000	730	–	–
	Ningbo Jinghai Investment Management Co., Ltd.	636,694	637	1,250,378	1,250
	Chengdu Chuangcheng Real Estate Co., Ltd.	573,142	574	–	–
	Chengdu China Railway Huafu Real Estate Co., Ltd.	567,672	568	2,528,986	2,529
	Kunming Qiping Real Estate Co., Ltd.	560,971	561	686,471	686

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

		31 December 2020		31 December 2019	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Other receivables (Continued)</b>					
Shenyang Jiabai Real Estate Co., Ltd.	Note 2	560,114	560	-	-
Chengdu Lugang Real Estate Co., Ltd.	Note 2	542,858	542	-	-
China Railway Construction Investment (Zhumadian) City Development Co., Ltd.		505,764	506	-	-
Jiangmen Jiangwan Nanguang Investment Development Co., Ltd.		501,270	501	-	-
China Railway Construction & Investment Xi'an City Development Co., Ltd.		500,417	500	-	-
Xixian New Area Xingchengrenju Real Estate Co., Ltd.	Note 2	424,310	424	661,084	661
Beijing Liuzhuang Real Estate Co., Ltd.	Note 2	408,059	408	194,290	194
Guangzhou City Zengcheng District Shunxuan Real Estate Co., Ltd.	Note 2	378,971	379	881,787	882
Ningbo Jingwan Investment Management Co., Ltd.	Note 2	355,399	355	769,033	769
Deqing Jingsheng Real Estate Development Co., Ltd.	Note 2	347,802	348	394,115	394
CRCC Xinjiang Jingxin Expressway Co., Ltd.		299,162	299	736,749	737
Beijing Jiehai Real Estate Co., Ltd.	Note 2	284,881	285	361,155	361
CRCC Shaanxi Highway Co., Ltd.		284,713	285	44,825	45
Qingyuan Maglev Transportation Co., Ltd.		248,186	248	240,329	240
Fuzhou Xinchun Real Estate Co., Ltd.	Note 2	230,884	231	240,194	250
Chongqing Jianlian New Real Estate Co., Ltd.	Note 2	212,013	212	220,161	220
CRCC-Shandong Jinghu Highway Jile Co., Ltd.		182,291	183	740,253	740
Changzhou Jingrui Real Estate Development Co., Ltd.	Note 2	179,181	180	537,366	537
Nanjing Jingrui Real Estate Investment Co., Ltd.	Note 2	87,207	87	982,724	983
CRCC Gansu Zhangbian Highway Co., Ltd.		79,000	79	381,000	381
CRCC Financial Leasing Co., Ltd.		69,439	1,192	17,192	1,051
Chongqing Pinjinyue Real Estate Co., Ltd.	Note 2	60,415	60	123,305	123
Chongqing Tiefsa Jianxin Highway Co., Ltd.		20,229	82	14,448	57
Tianjin China Railway Yuhua Real Estate Co., Ltd.		10,902	11	1,500	2



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

	31 December 2020		31 December 2019	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Other receivables (Continued)</b>				
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	8,000	40	197,361	6,634
Chongqing Monorail Transit Engineering Co., Ltd.	6,479	7	6,469	6
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	4,083	4	4,083	4
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.	3,544	4	315,000	315
Yunnan Yulin Expressway Construction Co., Ltd.	265	–	263	–
Nanjing Daqiaobei Environmental Comprehensive Management Co., Ltd.	201	5	450,000	19,892
Jiaxing Jingkai Real Estate Development Co., Ltd. <i>Note 2</i>	86	–	28	–
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	15	15	15	1
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	–	–	1,048,535	1,048
Hangzhou Jingjiang Real Estate Development Co., Ltd. <i>Note 2</i>	–	–	756,140	756
CRCC-Tongguan Investment Co., Ltd.	–	–	565,680	566
Guangzhou Baorui Real Estate Co., Ltd. <i>Note 2</i>	–	–	58,732	59
Xinjiang Taqia Highway Project Management Co., Ltd.	–	–	56,000	280
Kunming Tiexin Construction Management Co., Ltd.	–	–	20,000	20
Chengdu Tiecheng Real Estate Co., Ltd. <i>Note 2</i>	–	–	391	–
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	–	–	233	–
<b>Total</b>	<b>31,295,262</b>	<b>36,940</b>	<b>27,221,201</b>	<b>54,404</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

		31 December 2020		31 December 2019	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
<b>Long-term receivables</b>					
Hengda Real Estate (Shenzhen) Co., Ltd.	Note 2	2,927,357	2,927	2,545,528	2,546
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Note 2	2,819,605	5,068	2,783,665	5,171
Changsha Yuchi River Area Development & Investment Co., Ltd.		748,646	819	235,124	235
CRCC-Tongguan Investment Co., Ltd.		584,137	584	-	-
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.		480,000	480	480,000	-
Yuxi China Railway Infrastructure Construction Co., Ltd.		355,927	356	337,959	1,690
Linyi New Phoenix Land Co., Ltd.	Note 2	300,000	300	-	-
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.		155,230	155	-	-
Hengyang Hengshan Science City Zhiyuan Development and Construction Co., Ltd.		118,912	119	-	-
CRCC Financial Leasing Co., Ltd.		51,970	260	-	-
Tianjin China Railway Guancheng Real Estate Co., Ltd.		47,843	48	83,300	-
Dongfang Jin Yue Wan Infrastructure Investment Co., Ltd.		11,800	12	-	-
Xuzhou Metro Line 2 Rail Transit Investment & Development Co., Ltd.		2,000	2	-	-
Railway Construction Development (Fan County) Fan Shui Ecological Environment Management Co., Ltd.		600	1	-	-
Chengdu Wuhou District Yale Real Estate Development Co., Ltd.		107	-	-	-
Changzhou Jingrui Real Estate Development Co., Ltd.	Note 2	-	-	134,417	-
CRCC Real Estate Co., Ltd.		-	-	61,130	61
Wuhan Qingfeng Construction & Investment Co., Ltd.		-	-	14,000	70
<b>Total</b>		<b>8,604,134</b>	<b>11,131</b>	<b>6,675,123</b>	<b>9,773</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

		<i>RMB'000</i>	
		31 December 2020	31 December 2019
<b>Bills payable</b>	<i>Note 1</i>		
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.		5,936	14,658
PetroChina & CRCC Petroleum Marketing Co., Ltd.		–	21,038
<b>Total</b>		<b>5,936</b>	35,696
<b>Trade payables</b>	<i>Note 1</i>		
Gansu Gonghanglv Lan-A Highway Management Co., Ltd.		59,746	–
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.		39,566	–
CRCC Financial Leasing Co., Ltd.		36,334	1,448
Changzhou China Railway Blue Flame Component Co., Ltd.		24,838	47,499
Wuhu China Railway Vossloh Cogifer Rail Co., Ltd.		5,377	2,990
PetroChina & CRCC Petroleum Marketing Co., Ltd.		2,300	2,559
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		–	19,271
Wuhan Lvyin Green Lawn Engineering Co., Ltd.		–	1,390
<b>Total</b>		<b>168,161</b>	75,157

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

	31 December 2020	31 December 2019
		<i>RMB'000</i>
<b>Contract liabilities</b>		
	<i>Note 4</i>	
Kunming Metro Line 5 Construction & Operation Co., Ltd.	656,090	712,107
Sichuan Chengmian Cangba Highway Co., Ltd.	477,108	–
Chongqing Yuxiang Fuxian Highway Co., Ltd.	622,750	–
Kunming Fuyi Highway Co., Ltd.	447,398	–
Kunming Sanqing Highway Co., Ltd.	432,635	–
Hangzhou Genshan East Road Crossing Tunnel Management Co., Ltd.	401,782	–
Guizhou Guijin Expressway Co., Ltd.	302,738	–
Sichuan Jintou Project Investment Co., Ltd.	270,039	400,232
Hangzhou Xiashalu Tunnel Co., Ltd.	214,736	164,821
Chongqing Tiefa Jianxin Highway Co., Ltd.	129,392	112,988
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	66,824	139,381
Wuhan Tongsui Construction & Investment Co., Ltd.	1,084	140,209
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	–	243,065
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	–	120,959
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	–	9,531
CRCC Shaanxi Highway Co., Ltd.	–	3,680
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	–	430
<b>Total</b>	<b>4,022,576</b>	<b>2,047,403</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

		<i>RMB'000</i>	
		31 December 2020	31 December 2019
<b>Other payables</b>	<i>Note 1</i>		
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.		919,362	361,422
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		615,554	307,038
Guangzhou Xintie Xinjian Investment Co., Ltd.		613,326	770,555
CRCC (Shandong) Deshang Highway Co., Ltd.		406,896	96,398
Chengdu Tiecheng Real Estate Co., Ltd.		343,106	41,308
Xi'an China Railway Jingmao Real Estate Co., Ltd.		334,447	204,532
Chengdu Zhongwan Yixing Real Estate Co., Ltd.		328,552	–
Kunming Kunlun Shouzhi Real Estate Co., Ltd.		314,595	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		306,446	451,051
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.		221,993	–
Hangzhou Jingke Real Estate Co., Ltd.		217,260	687,990
Guangzhou Hongxuan Real Estate Co., Ltd.		215,572	–
Shanghai Hongjun Real Estate Co., Ltd.		210,120	380,350
Hangzhou Jianshen Real Estate Co., Ltd.		210,000	240,000
Guangzhou Hongjia Real Estate Co., Ltd.		186,852	186,852
China Railway Construction Investment (Ningbo) Development and Construction Co., Ltd.		186,763	–
China Railway Construction Investment (Tongxiang) Construction Management Co., Ltd.		183,772	–
CRCC Financial Leasing Co., Ltd.		180,531	102,018
Guangzhou Baorui Real Estate Co., Ltd.		168,703	–
Dalian Wancheng Zhiguang Real Estate Co., Ltd.		145,648	169,905
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.		140,600	600
Nanjing Xincheng Guanghong Real Estate Co., Ltd.		136,800	136,800

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

*RMB'000*

	31 December 2020	31 December 2019
<b>Other payables (Continued)</b>		
CRCC Investment Shandong Xiaoqinghe Development Co., Ltd.	92,620	570,811
CRCC Gansu Zhangbian Highway Co., Ltd.	87,093	66,606
CRCC Shaanxi Highway Co., Ltd.	62,191	285,680
Guangzhou Jingye Real Estate Co., Ltd.	59,589	59,589
Kunming Fuyi Highway Co., Ltd.	49,236	2,330
CRCC JinLi Asset Management Co., Ltd.	48,189	10,706
Hangzhou Beikong Jiandejiang Investment Co., Ltd.	43,207	9,703
Hangzhou Jingping Real Estate Co., Ltd.	41,301	93,451
Dalian Jingcheng Real Estate Co., Ltd.	13,365	13,365
CRCC-HC-CR15G Joint Venture	10,461	11,211
Chongqing Tiefa Jianxin Highway Co., Ltd.	3,836	7,673
Chongqing Tiefa Xiusong Highway Co., Ltd.	3,621	137,880
Chongqing Yonglu Expressway Co., Ltd.	3,110	17,035
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	2,804	13,452
Kunming Sanqing Highway Co., Ltd.	1,818	858
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	455	25,400
Hangzhou Jingbin Real Estate Co., Ltd.	–	984,275
<b>Total</b>	<b>7,109,794</b>	<b>6,446,844</b>
<b>Advances to suppliers</b>		
CRCC Financial Leasing Co., Ltd.	97,558	37,766
<b>Total</b>	<b>97,558</b>	<b>37,766</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

RMB'000

	31 December 2020	31 December 2019
<b>Due to customers</b>		
	<i>Note 5</i>	
Guangzhou Xintie Xinjian Investment Co., Ltd.	3,343,611	1,726,348
CRCC JinLi Asset Management Co., Ltd.	804,557	780,654
CRCC Shaanxi Meitai Expressway Co., Ltd.	227,971	214,350
Beijing Tongda Jingcheng Highway Co., Ltd.	178,942	264,055
China Railway Construction Corporation Jianyang Railway Construction Hexing Highway Investment Co., Ltd.	139,055	183,512
	100,478	643,811
Beijing Xinda Real Estate Co., Ltd.	71	656
Ningbo Jingwan Investment Management Co., Ltd.	56	4,318
Qingyuan Maglev Transportation Co., Ltd.	40	2,274
Deqing Jingsheng Real Estate Development Co., Ltd.	12	11
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	12	92
PetroChina & CRCC Petroleum Marketing Co., Ltd.	3	63
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	–	86
Hangzhou Jingping Real Estate Co., Ltd.	–	5
<b>Total</b>	<b>4,794,808</b>	3,820,235
<b>Long-term loans (including current portion)</b>		
	<i>Note 6</i>	
China Railway Construction Corporation	843,066	818,066
<b>Total</b>	<b>843,066</b>	818,066
<b>Lease liabilities (including current portion)</b>		
CRCC Financial Leasing Co., Ltd.	2,598,337	3,177,632
China Railway Construction Corporation	104,291	62,144
<b>Total</b>	<b>2,702,628</b>	3,239,776

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### 6. Major amounts due from/to related parties (Continued)

*RMB'000*

	31 December 2020	31 December 2019
<b>Long-term payables (including current portion)</b>		
Guangde CRCC Daqin Investment Partnership Enterprise (Limited Partnership)	537,311	–
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	410,476	415,353
Guangde Railway Construction Chuangxin Investment Partnership (Limited Partnership)	396,653	–
Guangde CRCC Blue Ocean Longxin Investment Center (Limited Partnership)	187,314	168,935
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	180,600	–
Guangde CRCC Blue Ocean Fengjian Investment Center (Limited Partnership)	88,267	–
CRCC Financial Leasing Co., Ltd.	87,142	55,371
<b>Total</b>	<b>1,887,763</b>	639,659

*Note 1:* The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

*Note 2:* The amounts due from related parties were loans for cooperative development project from the Group's real estate development operation segments, with the interest rate agreed in the contracts.

*Note 3:* The amounts due from the Controlling Shareholder were borrowings from CRCC Finance Company Limited.

*Note 4:* The amounts were mainly advances from related parties and were interest-free.

*Note 5:* The amounts due to the Group's related parties were deposits in CRCC Finance Company Limited.

*Note 6:* The amounts were appropriations from the Ministry of Finance to the Controlling Shareholder and considered as the entrusted loans granted to the Group by the Controlling Shareholder. The interest rate of such entrusted loans was determined by the Loan Prime Rate published by National Interbank Funding Center.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XI. COMMITMENTS AND CONTINGENCIES

#### 1. Commitments

RMB'000

	31 December 2020	31 December 2019
<b>Contracted, but not provided for:</b>		
Capital commitments	1,184,137	248,917
Investment commitments	39,819,252	12,921,702
Other commitments	234,062	8,061,829
<b>Total</b>	<b>41,237,451</b>	21,232,448

#### 2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advices. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XI. COMMITMENTS AND CONTINGENCIES (Continued)

#### 3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<b>31 December 2020</b>	31 December 2019
<b>The Group</b>		
Associates	<b>2,720,633</b>	3,119,131
Other entities	<b>72,072</b>	117,600
Total	<b>2,792,705</b>	3,236,731

*RMB'000*

The above guarantees exclude guarantees in respect of the banking facilities other than mortgages. As at 31 December 2020, the Group's guarantees (excluding guarantees in respect of the banking facilities other than mortgages) amounted to RMB2,792,705,000 (31 December 2019: RMB3,236,731,000), the guarantees in respect of mortgages amounted to RMB23,737,531,000 (31 December 2019: RMB17,712,148,000). Until now, the guarantees rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages were granted to the purchasers of the Group's properties and secured by the mortgages.

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<b>31 December 2020</b>	31 December 2019
<b>The Company</b>		
Subsidiaries	<b>17,365,697</b>	19,294,048
Associates	<b>2,720,633</b>	3,119,131
Other entities	<b>72,072</b>	117,600
Total	<b>20,158,402</b>	22,530,779

*RMB'000*

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 31 December 2020 (31 December 2019: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XII. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Profit distribution

Pursuant to the resolution approved in the 57th session of the 4th board of directors meeting held on 29 to 30 March 2021, the Board of Directors proposed that cash dividends may be distributed to all shareholders by the Company at RMB 2.3 per 10 shares (i.e. cash dividend of RMB 0.23 per share). The cash dividend of RMB 3,123,295,000 is proposed to be distributed based on the issued shares of 13,579,541,500, and the above proposal is yet to be approved by the shareholders' general meeting.

### XIII. OTHER SIGNIFICANT EVENTS

#### 1. Segment reporting

Operating segments

For management purposes, the Group is organized into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- (3) The manufacturing operations segment engages in the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- (4) The real estate development operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises trade and logistics, finance and insurance and highway operation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Operating segments (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2020:							
Revenue from external customers	795,121,482	18,453,059	15,545,978	40,928,924	40,275,320	-	910,324,763
Inter-segment sales	18,212,521	7,164	2,503,268	-	36,349,249	(57,072,202)	-
<b>Total</b>	<b>813,334,003</b>	<b>18,460,223</b>	<b>18,049,246</b>	<b>40,928,924</b>	<b>76,624,569</b>	<b>(57,072,202)</b>	<b>910,324,763</b>
Share of profits/(losses) of joint ventures and associates	113,433	(15,081)	217,976	1,274,307	46,842	-	1,637,477
Impairment of credit losses and impairment losses on assets	(3,131,257)	(41,032)	(89,383)	(453,714)	(9,832)	-	(3,725,218)
Depreciation and amortisation	15,974,352	258,893	685,553	51,817	567,693	-	17,538,308
Profit before tax	16,254,700	3,047,224	2,300,528	5,875,028	3,837,719	175,353	31,490,552
Other disclosures:							
Increase in non-current assets other than long-term equity investments	16,755,203	195,491	934,937	322,184	12,639,059	-	30,846,874
31 December 2020							
Segment assets (Note 1)	864,395,899	26,546,024	38,903,871	232,729,444	360,576,334	(280,358,773)	1,242,792,799
Segment liabilities (Note 2)	652,940,756	12,737,287	21,570,137	195,104,114	321,098,656	(274,297,241)	929,153,709
Other disclosures:							
Long-term equity investments in joint ventures and associates	59,132,874	4,174,721	1,631,245	5,293,102	389,097	-	70,621,039

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Operating segments (Continued)

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2019:							
Revenue from external customers	713,557,663	17,946,952	16,379,287	41,297,403	41,270,852	-	830,452,157
Inter-segment sales	10,987,438	137,934	1,725,346	-	30,586,497	(43,437,215)	-
<b>Total</b>	<b>724,545,101</b>	<b>18,084,886</b>	<b>18,104,633</b>	<b>41,297,403</b>	<b>71,857,349</b>	<b>(43,437,215)</b>	<b>830,452,157</b>
Share of profits/(losses) of joint ventures and associates	283,551	3,990	234,559	1,842,471	31,909	-	2,396,480
Impairment of credit losses and impairment losses on assets	(3,318,489)	(70,113)	(211,595)	(304,371)	(1,106,590)	-	(5,011,158)
Depreciation and amortisation	16,280,562	272,645	686,238	47,570	482,676	-	17,769,691
Profit before tax	13,468,988	3,092,885	2,093,205	6,116,617	3,525,479	(270,524)	28,026,650
Other disclosures:							
Increase in non-current assets other than long-term equity investments	18,560,632	314,095	2,248,324	695,208	13,512,346	-	35,330,605
31 December 2019							
Segment assets ( <i>Note 1</i> )	736,429,418	21,561,806	35,075,481	196,510,375	323,441,841	(231,779,708)	1,081,239,213
Segment liabilities ( <i>Note 2</i> )	578,313,453	9,005,074	19,512,820	161,843,928	276,682,581	(226,140,217)	819,217,639
Other disclosures:							
Long-term equity investments in joint ventures and associates	40,565,019	1,436,692	1,353,113	5,062,294	1,227,516	-	49,644,634

*Note 1:* Segment assets do not include deferred tax assets of RMB6,423,173,000 (31 December 2019: RMB5,624,947,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB286,781,946,000 (31 December 2019: RMB237,404,655,000) are eliminated on consolidation.

*Note 2:* Segment liabilities do not include deferred tax liabilities of RMB1,378,201,000 (31 December 2019: RMB507,813,000) and corporate income tax payable of RMB2,639,368,000 (31 December 2019: RMB2,352,430,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB278,314,810,000 (31 December 2019: RMB229,000,460,000) are eliminated on consolidation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 1. Segment reporting (Continued)

Group information

*Geographical information*

Revenue from external customers

	2020	2019
Mainland China	<b>871,621,772</b>	794,857,463
Outside Mainland China	<b>38,702,991</b>	35,594,694
<b>Total</b>	<b>910,324,763</b>	830,452,157

RMB'000

Total non-current assets (*Note*)

	31 December 2020	31 December 2019
Mainland China	<b>209,410,632</b>	170,211,442
Outside Mainland China	<b>8,321,967</b>	7,278,087
<b>Total</b>	<b>217,732,599</b>	177,489,529

RMB'000

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

*Note:* Non-current assets consisted of investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, development expenditure, long-term prepaid expenses and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer in 2020 (2019: did not derive more than 10% of its total revenue from any single customer).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information

##### (i) Pension scheme contributions

*RMB'000*

Item	2020	2019
Pension scheme contributions (defined contribution plans)	5,541,112	6,478,621
Pension scheme costs (defined benefit plans)	8,090	12,800

As at 31 December 2020, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2019: Nil).

##### (ii) Directors' and supervisors' remuneration

*RMB'000*

Item	2020	2019
Salaries, housing welfare and other allowances and physical benefits	2,341	2,341
Performance bonus	3,333	4,583
Defined contribution plan	722	755
Total	6,396	7,679

Name and remuneration of independent non-executive directors for the current year are as follows:

*RMB'000*

Item	2020	2019
Independent Non-executive Directors		
Mr. WANG Huacheng	213	204
Mr. Patrick SUN	193	177
Mr. CHENG Wen	60	60
Ms. Amanda Xiao Qiang LU	159	142
Total	625	583

The fees of the above independent non-executive directors represent remuneration paid in respect of their services as directors of the Company. There was no other remuneration payable to the independent non-executive directors during the year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

##### (ii) Directors' and supervisors' remuneration (Continued)

Name and remuneration of directors and supervisors for the current year are as follows:

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
<b>2020</b>				
Executive director				
Mr. Wang Jianping ( <i>board chairman, Note 1</i> )	100	111	60	271
Mr. CHEN Fenjian ( <i>Note 2</i> )	193	517	81	791
Mr. ZHUANG Shangbiao ( <i>president</i> )	293	628	141	1,062
Mr. CHEN Dayang	260	576	131	967
Mr. LIU Ruchen	260	550	130	940
Sub-total	1,106	2,382	543	4,031
Non-executive director				
Mr. GE Fuxing ( <i>Note 3</i> )	10	–	–	10
Sub-total	10	–	–	10
Independent non-executive director				
Mr. WANG Huacheng	213	–	–	213
Mr. Patrick SUN	193	–	–	193
Mr. CHENG Wen	60	–	–	60
Ms. Amanda Xiao Qiang LU	159	–	–	159
Sub-total	625	–	–	625
Supervisor				
Mr. CAO Xirui	–	246	–	246
Mr. LIU Zhengchang	300	344	90	734
Mr. KANG Fuxiang	300	361	89	750
Sub-total	600	951	179	1730
Total	2,341	3,333	722	6,396



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2019				
Executive director				
Mr. CHEN Fenjian (board chairman)	260	580	119	959
Mr. ZHUANG Shangbiao (president)	260	1,257	119	1,636
Mr. CHEN Dayang	226	322	113	661
Mr. LIU Ruchen	226	1,105	113	1,444
Sub-total	972	3,264	464	4,700
Non-executive director				
Mr. GE Fuxing ( <i>Note 3</i> )	10	–	–	10
Subtotal	10	–	–	10
Independent non-executive director				
Mr. WANG Huacheng	204	–	–	204
Mr. Patrick SUN	177	–	–	177
Mr. CHENG Wen	60	–	–	60
Ms. Amanda Xiao Qiang LU	142	–	–	142
Sub-total	583	–	–	583
Supervisor				
Mr. CAO Xirui	197	677	98	972
Mr. LIU Zhengchang	289	319	98	706
Mr. KANG Fuxiang	290	323	95	708
Sub-total	776	1,319	291	2,386
Total	2,341	4,583	755	7,679

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

##### (ii) Directors' and supervisors' remuneration (Continued)

*Note 1:* On 19 October 2020, Mr. Wang Jianping was approved to assume as an executive director of the Company through voting at the third extraordinary general meeting of the Company in 2020. On the same day, Mr. Wang Jianping was elected as the board chairman of the Company at the 48th meeting of the 4th session of the Board of Directors of the Company.

*Note 2:* On 16 August 2020, Mr. Chen Fenjian, the board chairman, executive director, secretary of the Party Committee and chairman of the Nomination Committee of the Board of Directors of the Company, passed away.

*Note 3:* On 17 February 2020, Mr. GE Fuxing has ceased to hold his positions as a non-executive director, a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Strategy and Investment Committee of the Company in light of his age.

##### *Top 5 paid employees*

The analysis of top 5 paid employees of the Group is as follows:

	2020	2019
Employee that is neither a director nor a supervisor	5	5

Details of remuneration of the above employee that is neither a director nor a supervisor:

	2020	2019
Salaries, housing welfare and other allowances and physical benefits	1,898	1,207
Performance bonus	17,424	21,973
Defined contribution plan	487	1,015
<b>Total</b>	<b>19,809</b>	24,195

*RMB'000*

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 2. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

*Top 5 paid employees (Continued)*

Number of employee that is neither a director nor a supervisor of the following remuneration ranges is as follows:

Item	2020	2019
HKD2,500,000 to 3,000,000 (including 3,000,000)	–	–
HKD3,000,000 to 3,500,000 (including 3,500,000)	–	–
HKD3,500,000 to 4,000,000 (including 4,000,000)	1	–
HKD4,500,000 to 5,000,000 (including 5,000,000)	2	2
Over HKD5,000,000	2	3
Total	5	5

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Trade receivables

An aging analysis of trade receivables is listed as follows:

Aging	31 December 2020	31 December 2019
Within 1 year	3,526,860	4,222,844
1 to 2 years	721,222	744,711
2 to 3 years	385,651	282,233
Over 3 years	150,487	71,878
Subtotal	4,784,220	5,321,666
Less: Impairment of credit losses	171,270	133,775
Total	4,612,950	5,187,891

RMB'000

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 1. Trade receivables (Continued)

Trade receivables and impairment of credit losses by category are listed as follows:

RMB'000

Category	31 December 2020				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed by credit risk portfolio	4,784,220	100.00	171,270	3.58	4,612,950
Total	4,784,220	100.00	171,270	3.58	4,612,950

RMB'000

Category	Gross carrying amount		31 December 2019 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed by credit risk portfolio	5,321,666	100.00	133,775	2.51	5,187,891
Total	5,321,666	100.00	133,775	2.51	5,187,891

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 1. Trade receivables (Continued)

As at 31 December 2020, trade receivables whose impairment of credit losses were assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2020			
	Gross carrying amount		Impairment of credit losses	
	Amount	Percentage	Amount	Percentage
		%		%
Within 1 year	3,526,860	73.72	18,138	0.51
1 to 2 years	721,222	15.08	45,645	6.33
2 to 3 years	385,651	8.06	39,891	10.34
Over 3 years	150,487	3.14	67,596	44.92
Total	4,784,220	100.00	171,270	3.58

As at 31 December 2020, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	658,808	Within 1 year	13.77
Company 2	Joint venture	494,124	Within 1 year	10.33
Company 3	Third party	467,444	Within 1 year	9.77
Company 4	Third party	445,072	Within 2 years	9.30
Company 5	Joint venture	437,309	Within 1 year	9.14
Total	–	2,502,757	–	52.31

As at 31 December 2020 and 31 December 2019, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of trade receivables.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 2. Other receivables

An aging analysis of other receivables is listed as follows:

*RMB'000*

<b>Aging</b>	<b>31 December 2020</b>	31 December 2019
Within 1 year	<b>17,605,735</b>	23,522,815
1 to 2 years	<b>119,453</b>	1,001,822
2 to 3 years	<b>525,764</b>	1,013,222
Over 3 years	<b>177,095</b>	235,095
Subtotal	<b>18,428,047</b>	25,772,954
Less: Impairment of credit losses	<b>10,806</b>	5,809
Total	<b>18,417,241</b>	25,767,145

Provision for impairment of credit losses are as follows:

- (1) As at 31 December 2020, the Company did not have other receivables at phase II.
- (2) As at 31 December 2020, the Company did not have other receivables at phase III.

In 2020, no other receivables have been written off. (2019: Nil)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 2. Other receivables (Continued)

As at 31 December 2020, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	5,942,802	Within 2 years	32.25
Company 2	Subsidiary	3,000,000	Within 2 years	16.28
Company 3	Subsidiary	2,509,148	Within 2 years	13.62
Company 4	Subsidiary	2,149,246	Within 4 years	11.66
Company 5	Subsidiary	1,216,783	Within 1 year	6.60
Total	–	14,817,979	–	80.41

As at 31 December 2020 and 31 December 2019, no amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of trade receivables.

#### 3. Long-term equity investments

RMB'000

Item		31 December 2020	31 December 2019
Equity investment under cost method			
– Subsidiaries	(i)	102,169,338	96,644,338
Total		102,169,338	96,644,338

Note: All the long-term equity investments are investments in unlisted companies, except for CRCC High-Tech Equipment Corporation Limited.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries

RMB'000

Investee	Changes for the year			Carrying amount at 31 December 2020	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2020 (%)	Category
	Carrying amount at 31 December 2019	Transfer to/ Increase in investment	Decrease in investment			
China Civil Engineering Construction Corporation	2,946,507	-	-	2,946,507	100.00	Co., Ltd.
China Railway 11th Bureau Group Co., Ltd.	1,893,912	-	-	1,893,912	81.62	Co., Ltd.
China Railway 12th Bureau Group Co., Ltd.	1,957,277	-	-	1,957,277	100.00	Co., Ltd.
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	2,660,480	-	-	2,660,480	100.00	Co., Ltd.
China Railway 14th Bureau Group Co., Ltd.	2,130,105	-	-	2,130,105	100.00	Co., Ltd.
China Railway 15th Bureau Group Co., Ltd.	1,585,152	-	-	1,585,152	100.00	Co., Ltd.
China Railway 16th Bureau Group Co., Ltd.	1,482,412	-	-	1,482,412	100.00	Co., Ltd.
China Railway 17th Bureau Group Co., Ltd.	1,735,340	-	-	1,735,340	100.00	Co., Ltd.
China Railway 18th Bureau Group Co., Ltd.	1,103,234	-	-	1,103,234	100.00	Co., Ltd.
China Railway 19th Bureau Group Co., Ltd.	3,954,638	-	-	3,954,638	100.00	Co., Ltd.
China Railway 20th Bureau Group Co., Ltd.	1,615,144	-	-	1,615,144	100.00	Co., Ltd.
China Railway 21st Bureau Group Co., Ltd.	1,557,251	-	-	1,557,251	100.00	Co., Ltd.
China Railway 22nd Bureau Group Co., Ltd.	1,295,286	-	-	1,295,286	100.00	Co., Ltd.
China Railway 23rd Bureau Group Co., Ltd.	1,545,004	-	-	1,545,004	100.00	Co., Ltd.
China Railway 24th Bureau Group Co., Ltd.	1,346,917	-	-	1,346,917	100.00	Co., Ltd.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries (Continued)

Investee	Changes for the year			Carrying amount at 31 December 2020	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2020 (%)	Category
	Carrying amount at 31 December 2019	Transfer to/ Increase in investment	Decrease in investment			
China Railway 25th Bureau Group Co., Ltd.	1,348,597	-	-	1,348,597	100.00	Co., Ltd.
China Railway Construction Group Co., Ltd.	2,868,346	-	-	2,868,346	85.64	Co., Ltd.
China Railway Construction Electrification Bureau Group Co., Ltd.	1,105,530	-	-	1,105,530	100.00	Co., Ltd.
China Railway Construction Real Estate Group Co., Ltd.	7,233,191	-	-	7,233,191	100.00	Co., Ltd.
China Railway First Survey and Design Institute Group Co., Ltd.	623,730	-	-	623,730	100.00	Co., Ltd.
China Railway SIYUAN Survey and Design Group Co., Ltd.	1,035,309	12,500	-	1,047,809	100.00	Co., Ltd.
China Railway Fifth Survey and Design Institute Group Co., Ltd.	318,196	-	-	318,196	100.00	Co., Ltd.
China Railway Shanghai Design Institute Group Co., Ltd.	267,624	-	-	267,624	100.00	Co., Ltd.
China Railway Material Group Co., Ltd.	3,314,805	-	-	3,314,805	100.00	Co., Ltd.
CRCC High-Tech Equipment Corporation Limited	1,714,797	-	-	1,714,797	63.70	Co., Ltd.
China Railway Construction Heavy Industry Corporation Limited	4,028,004	-	-	4,028,004	99.50	Co., Ltd.
Chenghe Insurance Brokers Company Limited (Note 1)	113,290	-	113,290	-	-	Co., Ltd.
China Railway Construction (Beijing) Business Management Co., Ltd.	28,313	-	-	28,313	100.00	Co., Ltd.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries (Continued)

Investee	Changes for the year			Carrying amount at 31 December 2020	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2020 (%)	Category
	Carrying amount at 31 December 2019	Transfer to/ Increase in investment	Decrease in investment			
China Railway Construction Investment Group Co., Ltd.	10,538,793	-	-	10,538,793	87.34	Co., Ltd.
CRCC Harbour and Channel Engineering Bureau Group Co., Ltd.	1,385,891	-	-	1,385,891	100.00	Co., Ltd.
CRCC Finance Company Limited	8,460,000	-	-	8,460,000	94.00	Co., Ltd.
China Railway Construction Corporation (International) Limited	3,000,102	12,500	-	3,012,602	100.00	Co., Ltd.
China Railway Construction Asset Management Co., Ltd. (Note 1)	1,285,686	-	1,285,686	-	-	Co., Ltd.
China Railway Urban Construction Group Co., Ltd.	2,000,000	-	-	2,000,000	100.00	Co., Ltd.
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	2,000,000	-	-	2,000,000	98.04	Co., Ltd.
CRCC Kunlun Investment Group Co., Ltd.	3,600,000	-	-	3,600,000	70.77	Co., Ltd.
CRCC Huabei Investment & Development Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
CRCC Southern Construction and Investment Co., Ltd.	1,300,000	-	-	1,300,000	100.00	Co., Ltd.
CRCC Chongqing Investment Group Co., Ltd.	3,000,000	-	-	3,000,000	100.00	Co., Ltd.
China Railway Maglev Transportation Investment Construction Co., Ltd.	500,000	-	-	500,000	50.00	Co., Ltd.
China Railway Construction South China Construction Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 3. Long-term equity investments (Continued)

##### (i) Subsidiaries (Continued)

Investee	Changes for the year			Carrying amount at 31 December 2020	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2020 (%)	Category
	Carrying amount at 31 December 2019	Transfer to/ Increase in investment	Decrease in investment			
China Railway Construction Northwest Investment & Construction Co., Ltd.	1,000,000	-	-	1,000,000	100.00	Co., Ltd.
CRCC Urban Investment & Construction Co., Ltd.	1,000,000	1,000,000	-	2,000,000	100.00	Co., Ltd.
CRCC Cyber Information Technology Co., Ltd.	101,161	-	-	101,161	100.00	Co., Ltd.
CRCC East Investment & Construction Co., Ltd.	1,000,000	1,000,000	-	2,000,000	100.00	Co., Ltd.
CRCC International Investment Co., Ltd.	500,000	1,000,000	-	1,500,000	50.00	Co., Ltd.
CRCC Development Group Co., Ltd.	600,000	-	-	600,000	100.00	Co., Ltd.
CRCC North Investment & Construction Co., Ltd.	20,000	-	-	20,000	100.00	Co., Ltd.
CRCC Yellow River Investment & Construction Co., Ltd.	310,000	500,000	-	810,000	100.00	Co., Ltd.
CRCC Investment Funds Management Co., Ltd. (Note 1)	234,314	-	234,314	-	-	Co., Ltd.
CRCC Capital Holdings Group Co., Ltd. (Note 1)	-	3,633,290	-	3,633,290	100.00	Co., Ltd.
<b>Total</b>	<b>96,644,338</b>	<b>7,158,290</b>	<b>1,633,290</b>	<b>102,169,338</b>	<b>-</b>	<b>-</b>

Note 1: In 2020, the Company used its shares in China Railway Construction Asset Management Co., Ltd., Chenghe Insurance Brokers Company Limited and CRCC Investment Funds Management Co., Ltd. and cash capital increase to reform and establish CRCC Capital Holdings Group Co., Ltd.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 4. Other payables

Other payables are disclosed by category:

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Payables for advances	21,063,994	21,978,284
Dividends payable	557,800	414,915
Guarantees and deposits	80,709	85,846
Others	407,043	881,493
<b>Total</b>	<b>22,109,546</b>	23,360,538

#### 5. Long-term loans

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Credit loans	2,632,066	3,415,448
<b>Total</b>	<b>2,632,066</b>	3,415,448

The maturity profile of the long-term loans as at the balance sheet date is listed as follows:

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Within one year or paid on demand	2,189,025	3,872,457
In the second year (inclusive)	623,502	1,088,946
In the third year (inclusive)	391,564	623,502
Over three years	1,617,000	1,703,000
<b>Total</b>	<b>4,821,091</b>	7,287,905

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 6. Revenue and cost of sales

Revenue is presented as follows:

	<i>RMB'000</i>	
Item	2020	2019
Revenue from principal operations	15,550,479	16,468,822
Other operating revenue	930,599	896,785
Total	16,481,078	17,365,607

Operating cost is presented as follows:

Item	2020	2019
Operating cost	16,158,319	16,248,993

#### 7. Finance costs

	<i>RMB'000</i>	
Item	2020	2019
Interest expenses	1,292,984	2,543,016
Less: Interest income	3,254,489	2,662,929
Exchange (gains)/losses	(772,252)	89,774
Bank charges and others	10,895	16,173
Total	(2,722,862)	(13,966)

#### 8. Investment income

	<i>RMB'000</i>	
Item	2020	2019
Share of net profits/(losses) of the joint ventures	–	(136)
Investment income received from long-term equity investments under cost method	12,473,199	12,896,826
Others	13,212	16,819
Total	12,486,411	12,913,509

For the year ended 31 December 2020, the investment income mentioned above was composed of investment income of RMB51,941,000 (2019: RMB65,230,000) from listed companies and RMB12,434,470,000 from unlisted companies (2019: RMB12,848,279,000).

As at 31 December 2020, the remittance of the Company's investment income was not subject to significant restriction.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 9. Supplementary information to the statement of cash flows

##### (1) Supplementary information to the statement of cash flows

	<i>RMB'000</i>	
<b>Item</b>	<b>2020</b>	2019
Reconciliation of net profit to cash flows from operating activities:		
Net profit	<b>15,260,631</b>	13,836,254
Plus: Impairment of credit losses	<b>39,210</b>	116,286
Impairment losses on assets	<b>6,141</b>	–
Depreciation of fixed assets	<b>12,664</b>	11,636
Amortisation of intangible assets	<b>7,002</b>	4,578
Amortisation of long-term prepayments	–	760
Depreciation of right-of-use assets	<b>31,799</b>	30,985
Gains from disposal of fixed assets, intangible assets and other long-term assets	<b>(8)</b>	–
Losses on retirement of fixes assets	<b>2,190</b>	724
Gains from changes in fair value	<b>(273,835)</b>	(624,828)
Finance costs	<b>520,732</b>	2,633,356
Investment income	<b>(12,486,411)</b>	(12,913,509)
Decrease in deferred tax assets	<b>705</b>	5,685
Increase in deferred tax liabilities	<b>7,355</b>	151,239
Increase in inventories	<b>(1,293)</b>	–
(Increase) Decrease in contract assets	<b>(1,288,806)</b>	367,118
Decrease (Increase) in operating receivables	<b>896,337</b>	(8,111,206)
Increase in operating payables	<b>74,173</b>	1,961,273
Net cash flows generated from operating activities	<b>2,808,586</b>	(2,529,649)

##### (2) Cash and cash equivalents

	<i>RMB'000</i>	
<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Cash	<b>29,808,391</b>	15,221,695
Including: Cash on hand	<b>3</b>	11
Cash with banks/financial institutions without restrictions	<b>29,808,388</b>	15,221,684
Closing balance of cash and cash equivalents	<b>29,808,391</b>	15,221,695

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transactions

(1) Significant transactions between the Company and its related parties

RMB'000

Item	2020	2019
(1) Revenue from other related party transactions Subsidiaries	<b>3,988,040</b>	3,467,854
Total	<b>3,988,040</b>	3,467,854
(2) Purchase of goods and receipt of services Subsidiaries	<b>15,906,550</b>	16,086,661
Total	<b>15,906,550</b>	16,086,661
(3) Other expenses Subsidiaries	<b>724,351</b>	907,637
Other related parties	<b>37,730</b>	37,715
Total	<b>762,081</b>	945,352

## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transactions (Continued)

(2) Balance due to/from related parties

RMB'000

Item	31 December 2020		31 December 2019	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Impairment of credit losses
Other receivables				
Subsidiaries	18,366,395	–	25,448,504	–
Other related parties	9	–	267,710	–
<b>Total</b>	<b>18,366,404</b>	<b>–</b>	<b>25,716,214</b>	<b>–</b>
Advances to suppliers				
Subsidiaries	146,206	–	92,657	–
<b>Total</b>	<b>146,206</b>	<b>–</b>	<b>92,657</b>	<b>–</b>
Cash and bank balances				
Subsidiaries	25,385,896	–	13,224,008	–
<b>Total</b>	<b>25,385,896</b>	<b>–</b>	<b>13,224,008</b>	<b>–</b>
Long-term receivables				
Subsidiaries	36,883,640	–	23,776,000	–
<b>Total</b>	<b>36,883,640</b>	<b>–</b>	<b>23,776,000</b>	<b>–</b>
Current portion of non-current assets				
Subsidiaries	7,086,000	–	8,401,000	–
<b>Total</b>	<b>7,086,000</b>	<b>–</b>	<b>8,401,000</b>	<b>–</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2020

### XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### 10. Related party transactions (Continued)

(2) Balance due to/from related parties (Continued)

*RMB'000*

<b>Item</b>	<b>31 December 2020</b>	31 December 2019
Trade payables		
Subsidiaries	<b>8,227,421</b>	6,425,418
<b>Total</b>	<b>8,227,421</b>	6,425,418
Other payables		
Subsidiaries	<b>21,249,371</b>	22,036,346
Other related parties	<b>55,680</b>	–
<b>Total</b>	<b>21,305,051</b>	22,036,346
Long-term loans		
Other related parties	<b>843,066</b>	537,502
<b>Total</b>	<b>843,066</b>	537,502
Non-current liabilities due within one year		
Subsidiaries	<b>532,634</b>	3,581,065
Other related parties	<b>33,769</b>	280,564
<b>Total</b>	<b>566,403</b>	3,861,629
Long-term payables		
Subsidiaries	<b>1,997,110</b>	2,391,892
<b>Total</b>	<b>1,997,110</b>	2,391,892

**REGISTERED OFFICE AND PRINCIPAL PLACE  
OF BUSINESS OF THE ISSUER AND THE GUARANTOR**

***Registered Office of the Issuer***

23/F, Railway Plaza  
39 Chatham Road South  
Tsim Sha Tsui, Kowloon  
Hong Kong

***Principal Place of Business of the Issuer***

23/F, Railway Plaza  
39 Chatham Road South  
Tsim Sha Tsui, Kowloon  
Hong Kong

***Registered Office of the Guarantor***

East No. 40 Fuxing Road  
Haidian District  
Beijing 100855  
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