中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

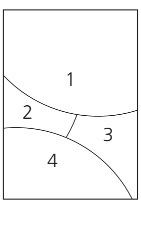
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 390

ANNUAL REPORT 2020

Zhangjiajie Grand Canyon Glass Bridge

Cover Legend



1. The Dadu River Bridge on the Sichuan-Tibet Railway (Rendering)
2. Yinchuan-Xi'an High-Speed Railway
3. Xiongan Railway Station
4. National Ski Jumping Center for the 2022 Winter Olympics in Beijing

CONTENTS

Shenyang Fourth Ring Expressway (Won Luban Award)

COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction group in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 50th on the 2020 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining.

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

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

FINANCIAL SUMMARY

Summary of Consolidated Income Statement

	For the year ended 31 December					Change 2020 vs
	2020	2019	2018	2017	2016	**2019**
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**876,310**	762,084	646,914	611,095	559,223	15.0
Survey, Design and Consulting Services	**17,321**	17,031	15,095	13,761	12,312	1.7
Engineering Equipment and Component Manufacturing	**29,793**	24,322	20,787	18,521	17,063	22.5
Property Development	**49,763**	43,662	43,991	30,951	32,976	14.0
Other Businesses	**74,183**	70,402	67,730	53,074	42,671	5.4
Inter-segment Eliminations and Adjustments	**(72,638)**	(66,658)	(54,134)	(38,629)	(31,389)	
Total	**974,732**	850,843	740,383	688,773	632,856	14.6
Gross Profit	**90,352**	79,864	71,658	62,729	49,789	13.1
Profit before Income Tax	**35,612**	33,187	24,945	20,828	18,772	7.3
Profit for the Year	**27,250**	25,379	17,436	14,204	12,703	7.4
Profit for the Year attributable to Owners of the Company	**25,188**	23,678	17,198	16,067	12,509	6.4
Basic Earnings per Share *(RMB)*	**0.963**	0.950	0.718	0.669	0.517	1.4

FINANCIAL SUMMARY

Summary of Consolidated Balance Sheet

	As at 31 December					Change 2020 vs
	2020	2019	2018	2017	2016	**2019**
			RMB million			*(%)*
Assets						
Current Assets	**742,107**	709,770	652,040	641,668	595,147	4.6
Non-current Assets	**457,870**	346,271	290,473	202,254	159,198	32.2
Total Assets	**1,199,977**	1,056,041	942,513	843,992	754,345	13.6
Liabilities						
Current Liabilities	**705,145**	676,034	622,475	579,303	506,603	4.3
Non-current Liabilities	**181,786**	134,679	98,057	95,061	98,746	35.0
Total Liabilities	**886,931**	810,713	720,532	674,364	605,349	9.4
Total Equity	**313,046**	245,328	221,981	169,558	148,996	27.6
Total Equity and Liabilities	**1,199,977**	1,056,041	942,513	843,992	754,345	13.6

CHAIRMAN'S REPORT

CHEN Yun

Chairman, Executive Director and
Secretary to the CPC Committee

Dear shareholders and investors,

Great achievements are the result of sustained efforts. 2020 has been a year like no other. Bearing in mind the two major landscapes and national interests, we, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, took the initiative in promoting the fight against the COVID-19 pandemic and being a pioneer in operations. Against major headwinds, we are a strong champion of high-quality development, contributing to stable economic growth. We won the trust of SASAC, the capital market and staff by announcing our first-ever ranking among the top 50 of the Fortune Global 500, demonstrating our prowess.

CHAIRMAN'S REPORT

This year, we stayed true to our original intention and worked hard with our mission firmly in mind. In the face of the pandemic, we embraced challenges. We supported the construction of 46 hospitals such as Wuhan Huoshenshan Hospital, Wuhan Leishenshan Hospital. Furthermore, we invested in and constructed the pandemic emergency response project, Camp 1 of the "home of constructors in east Rongcheng County, Xiongan New Area". Focusing on the "6+6" initiative (i.e. stability in employment, finance, foreign trade, foreign capital, investment and expectation, and supporting employment, people's livelihoods, being a main market player, achieving food and energy safety, stable industrial chain supply and community-level operation) and "two struggles", we conducted campaigns featuring "100 days of hard work" and "combating four seasons to achieve goals" to fight the pandemic for growth. As a result and as scheduled, we promoted the resumption of work and production of nearly 5,000 construction projects, creating more than 1 million jobs. The Company's major economic indicators were on the rise, hitting a record high level. We, committed to the development philosophy with people at the core, engaged in targeted poverty reduction efforts with fruitful results. Both the "the smart terraced fungus-farming project" in Jinmi village, Zhashui County, Shaanxi Province, and the poverty relief efforts in Shazhou village, Rucheng County, Hunan Province were commended by General Secretary Xi Jinping. The Company received honors for "National Advanced Collective in Poverty Relief" and "National Advanced Individual in Fighting the COVID-19", which fully reflected our responsibilities.

This year, we shouldered the responsibilities as a major national force. Following significant decisions and deployments made by the central government, we stepped forward to serve the national strategies as a pioneer for the "China Railway for China Construction". Specifically, we were involved in city cluster construction in the Beijing – Tianjin – Hebei region, the Yangtze River Delta, the Pearl River Delta, Xiongan New Area, Guangdong – Hong Kong – Macao Greater Bay Area and Chengdu – Chongqing double city economic circle. We filled infrastructure gaps, contributing to such strategies as a stronger China through transport, rural revitalization and the Belt and Road Initiative. Furthermore, we have made great progress in major projects at home and abroad such as the Sichuan – Tibet Railway, Beijing – Xiongan Expressway, Chengdu – Kunming Railway, and China – Laos Railway, Jakarta – Bandung High – speed Railway, Budapest – Belgrade Railway, and Bangladesh Padma Bridge, and completed super projects such as the Beijing – Xiongan Intercity Railway, Pingtan Strait Highway Bridge, and Dazhu Mountain Tunnel. The completed Shanghai – Jiangsu Yangtze River Highway Bridge and the avenues currently under construction for the Winter Olympics featuring "three competition zones and one Olympic village" were recognized and hailed by General Secretary Xi Jinping.

This year, we empowered China Railway's development through reform and innovation. We, committed to the "Party's Governance over Officials and State-owned Enterprise Reform" initiative, were a strong champion of the important guidance of the "three transformations" mentioned by General Secretary Xi Jinping. To that end, we cemented our foundations and kept working hard with innovative thinking. Specifically, we improved the enterprise legal person system and promoted efforts to modernize the corporate system with Chinese characteristics, including rolling-out mixed-ownership reforms and carrying out comprehensive reforms through the "two hundred" program and an organization reform of the headquarters. We restructured and established China Tiegong Investment and Construction Group Co., Ltd., China Overseas Engineering Co.,Ltd. and China Railway Cloud Network Information Technology Co., Ltd., acquired China Railway Prefabricated Construction Co., Ltd. ("**China Railway Prefabricated Construction**"), China Railway Changjiang Transport Design Group Co., Ltd. ("**China Railway Changjiang Institute**"), China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd. ("**China Railway Water Conservancy Institute**"), and made successful spin-off listing of China Railway High-Speed Electrification Equipment Corporation Limited ("**CRHEEC**") (873023). Making fresh breakthroughs in technological innovation, we won the China Industry Award and the golden prize of the China Excellent Industry Design Award for the first time, with the sales volume of shield tunneling machines ranking first for the fourth year running. Furthermore, we ranked first for the third year in a row among central government-owned architecture enterprises in the number of National Technology Awards. We are on the track to top all past "China records" and "China name cards" represented by Chinese roads, bridges, high-speed railways and shield tunneling machines.

CHAIRMAN'S REPORT

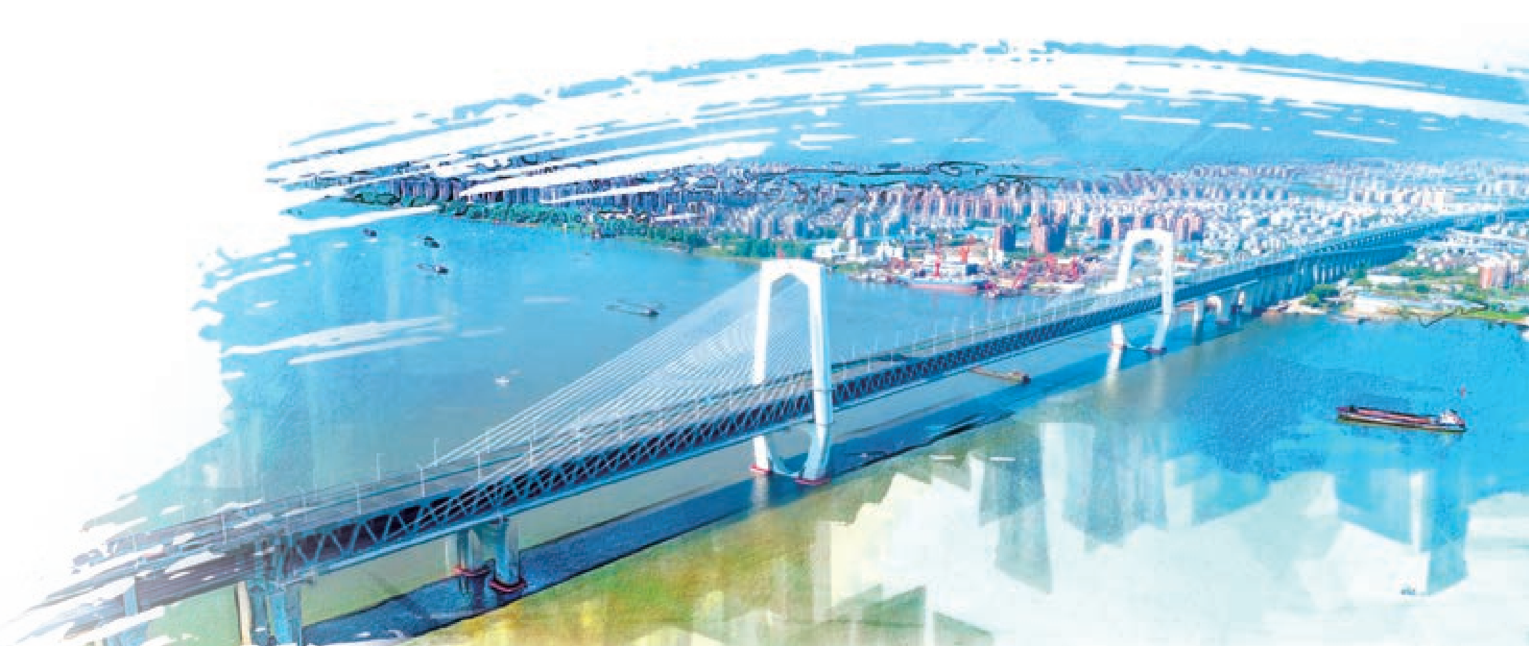
This year, China Railway was in full bloom with a focus on future development. We will review actions by focusing on strategic guidance. Specifically, we analyzed the general picture and are fully aware of the risks and challenges facing us. This helped acquaint us with market rules so that we could better position China Railway and work out a development blueprint during the "14th Five-Year Plan" period. Committed to market orientation, we cast an eye on the long-term resource allocation by having in place modern production models and production relations that thrive amid intense market competition. Meanwhile, we adhered to high-quality development by reshaping the corporate culture system, deepening efforts in corporate work styles, and launching improvements in quality and efficiency. This would help improve construction, operation development, cost management, streamlining, assets management and assets operation, laying a solid foundation for our mission in the "14th Five-Year Plan" period.

You reap what you sow. 2021 will be a year of unique importance in China's modernization drive and marks the first year of the "14th Five-Year Plan" period, in which China Railway will embark on a new journey. China Railway, under the leadership of the CPC Central Committee with Xi Jinping at the core, will stay committed to the corporate spirit "Striving for Excellence" and take this fresh development stage into full consideration by following an innovative development philosophy and following new development patterns. We will join each other to make a success of the beginning of the "14th Five-Year Plan" period and serve our country, dedicate ourselves to society and repay our shareholders and staff with high-quality development.

Here, I would like to express my sincere appreciation to the shareholders who have supported the Company's reform and all walks of life who have shown care to the Company's development, as well as all the staff who have a shared future with the Company.

Chen Yun
Chairman

Beijing, China
30 March 2021



CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Changes in Share Capital

1. Changes in Shares

(1) Changes in shares

During the Reporting Period, there have been no changes in respect of the total number of shares and the share equity structure of the Company.

(2) Explanation on changes in shares

Not applicable

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

Not applicable

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

Not applicable

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Increase in the number of shares with selling restrictions during the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date of releasing selling restrictions
China Reform Holdings Corporation Ltd.	387,050,131	387,050,131	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
China Great Wall Asset Management Co., Ltd.	372,192,507	372,192,507	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
China Orient Asset Management Co., Ltd.	223,271,744	223,271,744	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
China Structural Reform Fund Corporation Limited	223,296,399	223,296,399	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
Suida (Jiaxing) Investment Partnership (LLP)	178,138,508	178,138,508	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
BOC Financial Asset Investment Co., Ltd.	119,095,464	119,095,464	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
China Cinda Asset Management Co., Ltd.	74,715,953	74,715,953	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
ICBC Financial Asset Investment Co., Ltd.	74,433,517	74,433,517	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
BOCOM Financial Asset Investment Co., Ltd.	74,433,517	74,433,517	0	0	Selling restrictions imposed by non-public issuance of A shares	2020.9.21
Total	**1,726,627,740**	**1,726,627,740**	**0**	**0**		

II. Information of Shareholders and Ultimate Controller

1. Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period	571,235
Total number of shareholders of ordinary shares at the end of the month preceding the date of the annual report	572,148
Total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0
Total number of shareholders of preference shares with reinstated voting rights at the end of the month preceding the date of the annual report	0

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

Unit: Shares

Shareholdings of the top ten shareholders

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage	Number of shares with selling restriction	Number of pledged or frozen shares		Nature of shareholder
				(%)		Conditions of share	Number	
1	China Railway Engineering Group Company Limited ("**CREC**") *(Note 1)*	0	11,598,764,390	47.21	0	Nil	0	State-owned legal person
2	HKSCC Nominees Limited *(Note 2)*	-47,000	4,008,792,799	16.32	0	Nil	0	Other
3	China Securities Finance Corporation Limited	0	683,615,678	2.78	0	Nil	0	State-owned legal person
4	China Reform Holdings Corporation Ltd.	0	387,050,131	1.58	0	Nil	0	State-owned legal person
5	China Great Wall Asset Management Co., Ltd.	0	372,192,507	1.51	0	Nil	0	State-owned legal person
6	Hong Kong Securities Clearing Company Limited *(Note 3)*	94,638,904	305,635,916	1.24	0	Nil	0	Other
7	Central Huijin Asset Management Ltd.	0	235,455,300	0.96	0	Nil	0	State-owned legal person
8	China Orient Asset Management Co., Ltd.	0	223,271,744	0.91	0	Nil	0	State-owned legal person
9	China Structural Reform Fund Corporation Limited	-1,672,500	221,623,899	0.90	0	Nil	0	State-owned legal person
10	ABC Capital Management Co., Ltd. – Suida (Jiaxing) Investment Partnership (LLP)	0	178,138,508	0.72	0	Nil	0	Other

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

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Unit: Shares

Shareholdings of the top ten shareholders without selling restrictions

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares: Type	Type and number of shares: Number
1	CREC *(Note 1)*	11,434,370,390	RMB-denominated ordinary shares	11,434,370,390
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 2)*	4,008,792,799	Overseas listed foreign shares	4,008,792,799
3	China Securities Finance Corporation Limited	683,615,678	RMB-denominated ordinary shares	683,615,678
4	China Reform Holdings Corporation Ltd.	387,050,131	RMB-denominated ordinary shares	387,050,131
5	China Great Wall Asset Management Co., Ltd.	372,192,507	RMB-denominated ordinary shares	372,192,507
6	Hong Kong Securities Clearing Company Limited *(Note 3)*	305,635,916	RMB-denominated ordinary shares	305,635,916
7	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
8	China Orient Asset Management Co., Ltd.	223,271,744	RMB-denominated ordinary shares	223,271,744
9	China Structural Reform Fund Corporation Limited	221,623,899	RMB-denominated ordinary shares	221,623,899
10	China Securities Finance Corporation Limited	178,138,508	RMB-denominated ordinary shares	178,138,508

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

Note 1: CREC held 11,598,764,390 shares of the Company (including 11,434,370,390 A shares and 164,394,000 H shares).

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

Note 3: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its various clients.

Note 4: The data shown in the table is based on the register of members of the Company as at 31 December 2020.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Not applicable

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

Not applicable

III. Information on Controlling Shareholder and Ultimate Controller

1. Details of Controlling Shareholder

(1) Legal person

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

(2) Natural person

Not applicable

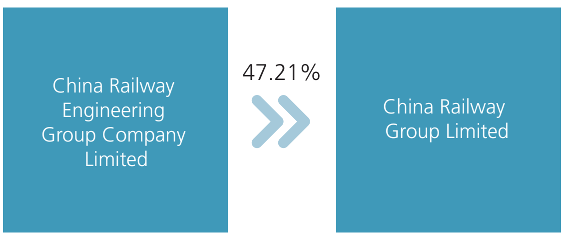
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. Details of Ultimate Controller

(1) Legal person

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

(2) Natural person

Not applicable

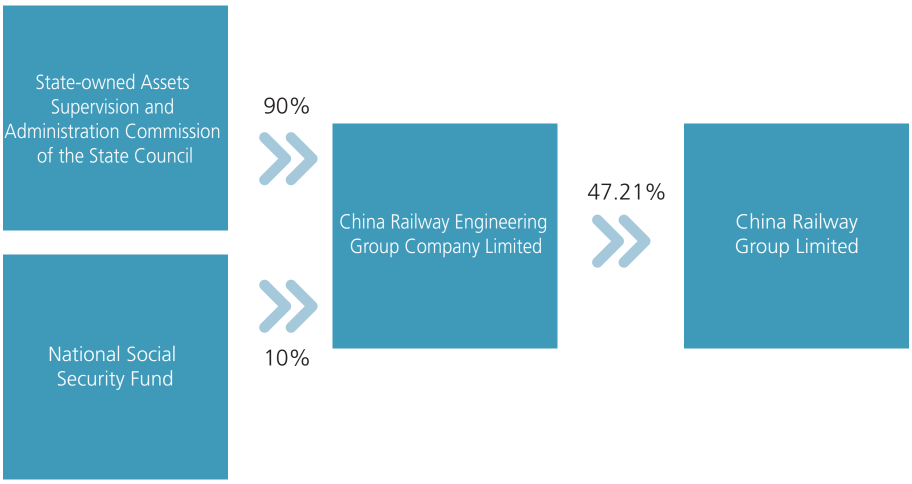
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



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

Not applicable

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

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

V. Information on the Restrictions on Reduction of Shareholdings

Not applicable

BUSINESS OVERVIEW

CHEN Wenjian

Executive Director, President and
Deputy Secretary to the CPC Committee

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

BUSINESS OVERVIEW

I. Industry Development Overview

1. Infrastructure construction

Domestically, since the first quarter of 2020 when the country actively promoted the pandemic prevention and control and resumed work and production, the infrastructure construction industry has gradually returned to normal. As the country has intensified counter-cyclical adjustments, the growth rate of infrastructure investment has gradually picked up and presented a steady rise overall. In 2020, investments in fixed assets across the country grew steadily, with infrastructure (excluding electricity) investment having a year-on-year increase of 0.9%. The investment in certain weak areas was strengthened and the investment growth in the eastern, northeastern and western regions was sped up. Throughout the year, investments in fixed assets of national transportation were about RMB3.48 trillion, representing a year-on-year increase of 7.1%, and the investment scale remained high. In terms of railways, the scale of investment in fixed assets in railways during the period of 13th Five-year Plan was relatively stable, basically maintaining at around RMB800 billion per year. In 2020, investment projects of RMB781.9 billion were completed, new railway lines with a total length of 4,933 kilometers were put into operation, and the length of railways in operation nationwide reached over 146,000 kilometers (among which, the length of high-speed railways reached 38,000 kilometers) as of the end of 2020. In terms of roads and waterways, since 2017, China's fixed asset investment in roads and waterways has been running at a high level, basically around RMB2.3 trillion per year and reached RMB2.59 trillion in 2020. The State steadily implemented the National Highway Network Plan 2020-2030 in highway construction, and gradually improved the network system of national integrated three-dimensional transportation through investment policy guidance. In respect of urban rail transit, steady progress was made in urban rail transit projects nationwide in 2020, with a total length of 1,240.3 kilometers of 39 new lines put into operation, hitting a record new high. As of the end of 2020, a total of 7,545.5 kilometers of 233 urban rail transit lines were in operation in 44 cities across Mainland China. As regards the PPP business, during the "13th Five-Year Plan" period, PPP has experienced rapid development due to large-scale promotion and undergone shrinkage due to strict supervision. With the gradual stabilization of the regulatory environment and the continuous regulation and improvement to the PPP model by various national ministries and commissions, the PPP model has become one of the normalized tools for government infrastructure investment and financing and has also provided support for other innovative models of the government's investment and financing system. As of 31 December 2020, the Ministry of Finance had a total of 13,298 PPP projects with a total investment of RMB19.17 trillion, of which 9,928 projects were in the database with an investment of RMB15.21 trillion, and 3,370 projects were in the reserve list with an investment of RMB3.96 trillion.

Internationally, during the "13th Five-Year Plan" period, steady and sound progress was made in the cooperation in external infrastructure investments, with continuous expansion in scale, continuous optimization of structure, and continuous improvement of benefits. The cooperation has played an active role in pursuing the Belt and Road Initiative with quality, boosting the economic and social development of the host country, deepening the economic and trade relations between our country and related countries, and promoting the construction of an open world economy. In 2020, the global spread of COVID-19 has brought certain challenges to the overseas production and operation of Chinese construction enterprises. Some international contracted projects were in a state of suspension, and the advancement of tracked overseas projects were forced to delay. The progress of resumption of work and production still depends on the local pandemic control, which to a certain extent, tests the ability of Chinese construction enterprises to identify, handle, and manage risks. In view of the data of countries along the Belt and Road throughout the year, the value of contracts of overseas business and the completed turnover indicators both showed a downward trend. The amount of new contracting projects from 61 countries along the Belt and Road decreased by 8.7% year on year to US$141.46 billion, representing 55.4% of the amount of new contracting projects of China from all foreign countries for the same period. The turnover decreased by 7% year on year to US$91.12 billion, representing 58.4% of the total amount of turnover of completed contracting projects from all foreign countries for the same period. From the perspective of national policies, China will continue to promote the construction of the Belt and Road Initiative and expand trade and investment cooperation with countries along the Belt and Road. As the pandemic eases, infrastructure as a key investment direction will continue to play an important role in the construction of the Belt and Road Initiative.

2. Survey, design and consulting services business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. The survey, design and consulting services business has a leading position in project construction, and is an important link for improving the investment benefits and social and environmental benefits of construction projects. At this stage, the industry development focuses on strengthening areas of weakness in the infrastructure, renovating old urban areas, and improving the living environment and people's quality of life; practicing the concept of "lucid waters and lush mountains are invaluable assets", infiltrating the design concept of energy conservation and environmental protection, and promoting ecological environment construction; arranging the regional coordinated development strategies, strengthening the construction of new infrastructures, paying more attention to digitalization and intelligence, and facilitating the application of BIM technology. In 2020, the COVID-19 brought a greater negative impact on the engineering survey and design industry. With the prevention and control of the pandemic and the resumption of work and production, marked achievements were made in the overall recovery of the survey and design industry. Under the background of top-level strategic layouts including the country's establishment of a new "dual-cycle" development pattern and acceleration of the construction of "Two New and One Major" (new infrastructure and new urbanization as well as major projects) (兩新一重), the industry as a whole has entered the deepening stage of supply-side structural reform, and the main path of reform and development has been actively involved in the national strategy, matching market demand, and upgrading the quality of products and services. The entire industry has moved from a stage of rapid growth to one of mature development and has maintained a benign development trend amid continuous transformation and transition. With the acceleration of the process of marketalization, the reform of the engineering construction organization model, the reform of qualification management and the development of Internet technologies, the form of competition among peers and across industries will embrace qualitative changes. The "14th Five-Year Plan" will become a very important watershed in the survey and design industry. A number of enterprises will emerge with pioneering advantages in specialized products, distinctive brands, platform-based development, intensive management, intelligent BIM technology application, whole-process engineering consulting services, EPC, digital transformation and other aspects.

BUSINESS OVERVIEW

3. Engineering equipment and component manufacturing business

During the "13th Five-Year Plan" period, the investments in the fixed assets of railways remained relatively high, and investments in roads, urban rail transit, water conservancy, and underground space development grew steadily. As far as policies are concerned, with the gradual implementation of the "14th Five-Year Plan", the construction of traditional and new infrastructure is carried out simultaneously. With further promoting the joint pursuit of the Belt and Road Initiative, it is expected that in 2021 and a period in the future, there will be more ample space for railways, highways, urban rail, municipal roads, underground pipe corridors and underground space. As a leading enterprise engaged in high-end equipment manufacturing in the field of infrastructure construction, the tunnel boring machines, special equipment for tunnel mechanization, construction machinery, and products for turnouts and steel bridges developed by the Company will be used more widely. The successive release of the Action Plan for Promoting the Production and Application of Green Building Materials and the Guiding Opinions on Vigorously Developing Prefabricated Construction has provided strong policy support for the development of prefabricated construction. With the increasing application of prefabricated construction, municipal bridge steel structure and other products with the characteristics of "green, environmental friendly and circular economy", the market demand will further expand. Looking forward, the industrialization of new-type buildings represented by prefabricated buildings will become the trend of reform of construction methods, as it is an emerging industry that leads the development of the construction industry. It will push forward the green development and high-quality development of urban and rural construction, and drive the overall transformation and upgrading of the construction industry. However, the intensified competition in the industry will bring about some new changes in the market environment. To a certain extent, it has brought uncertain effects on the demand for tunnel construction equipment, turnout products for urban rail transit and electric equipment products in the future. Throughout the year of 2020, the added value of large-scale industries recorded a year-on-year increase of 2.8%, in which the added value of high-tech manufacturing industry and equipment manufacturing industry increased by 7.1% and 6.6% year on year respectively.

4. Real estate development business

In 2020, the Party Central Committee and the State Council adhered to the general position that houses are for living in and not for speculative investment and always stated that real estate should not be used as a means to stimulate the economy in the short term. They strictly controlled the "three red lines" of the assets-to-liabilities ratio after excluding receipts in advance, net gearing ratio, and cash-to-current borrowings, and actively stabilized land prices, housing prices and expectations, to ensure the stable and healthy development of the real estate market. With respect to land market transaction, the turnover of the national land market remained stable, and the transaction amount of the national land market increased markedly. According to the National Bureau of Statistics, the land purchased by real estate developers totaled 255.36 million square meters, representing a year-on-year decrease of 1.1%. The land transaction price was RMB1.7269 trillion, representing a year-on-year increase of 17.4%. With respect to the turnover of commodity housing market, the overall turnover of the year remained stable, the residential transaction area increased slightly, and the office and commercial housing transaction area continuously shrank. China's investment in real estate development totaled RMB14.1443 trillion in the year, representing a year-on-year increase of 7.0%, of which the investment in residential housing was RMB10.4446 trillion. The sales area of commodity housing was 1,760.86 million square meters, representing a year-on-year increase of 2.6%, of which the sales area of residential housing increased by 3.2%, the sales area of office buildings decreased by 10.4% and the sales area of commercial housing decreased by 8.7%. The sales amount of commodity housing was RMB17.3613 trillion, representing a year-on-year increase of 8.7%. As to the competitive landscape of real estate enterprises, data showed that the sales performance of real estate enterprises across the country gradually picked up in the second half of the year, but the sales performance was differentiated and the sales of branded real estate enterprises grew sharply during the year.

5. Other businesses

Mining development business

At the beginning of 2020 when the COVID-19 broke out worldwide, market panic rose sharply and the sale of various assets in big quantities surged sharply, causing the price of commodities to fall all the way down. In the second half of 2020, various countries continued to intensify their economic stimulus policies to alleviate the impact of the pandemic. As a result, the economy slowly restarted, the price of mineral products fluctuated upward, and the mining industry economics showed an uptrend. Additionally, as the Federal Reserve introduced the unlimited loose policy, commodity prices rebounded strongly and went steadily upwards, and the price of most commodities returned to before the pandemic and even hit a record high. However, due to the complicated world political and economic situation and the spread of protectionism and unilateralism, international trade frictions will bring a sustained impact on the economy in the future.

Financial business

In 2020, affected by the global pandemic, the world economy suffered a severe recession, the loop of industry chain and supply chain was blocked, international trade and investment were reduced, and the market of commodities was volatile. Domestic consumption, investment, and exports declined; employment pressure increased significantly; enterprises, especially private enterprises, small and medium-sized enterprises faced more difficulties. The government continued to implement proactive fiscal policies and prudent monetary policies, introduced a series of financial and monetary policies, accelerated the issuance and use of special local government bonds, issued special anti-pandemic treasury bonds, reduced taxes and fees, optimized the supervision of equity asset allocation of insurance companies, and promoted finance infrastructure interconnection. After the economy began to recover steadily, the country shifted its focus to the prevention of risks at the policy level. The central government repeatedly mentioned putting an end to the phenomena of "idle funds arbitrage" and "fishing in troubled waters". The central bank also started to tighten marginal liquidity to ensure the overall stability of our country's financial operations.

II. Business Development Overview

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

In 2020, the Group earnestly implemented the three-year special action plan for deepening the reform of state-owned enterprises, took actions to enhance management to align with world-class standards, adhered to market-driven and problem-orientated approaches, and continued to promote reform in depth. First, the Company optimized and improved the corporate governance system, followed the organic unity of party leadership and perfect corporate governance, and ensured that the corporate governance structure was scientific and reasonable. The construction of the corporate governance system with the Articles of Association as the guiding principle was more complete. The corporate governance mechanism characterized by "statutory and transparent powers and responsibilities, coordinated operation, and effective checks and balances" was more mature, and decision implementation and supervision were more effective. Second, the Company deepened organizational reforms, optimized management and operating systems, systematically promoted "streamlining and improvement", and established a management innovation platform, to push forward the modernization of governance systems and capabilities and enhance governance efficiency. The Company steadily promoted the mixed-ownership reform and "double hundred action". China Railway Major Bridge Design Institute and China Railway Engineering Equipment were selected as "Demonstration Enterprises in Science and Technology Reform", to develop into pacesetters and keep fully motivated to go forward. Third, the Company promoted business structure reform, and optimized the professional layout of water environmental protection, design consulting, industrial manufacturing and other businesses. The Company integrated the resources of China Railway Prefabricated Construction, China Railway Changjiang Institute and China Railway Water Conservancy Institute, to complement their respective industrial advantages, enhance comprehensive strength and focus on the development of the main business centering on high-quality resources.

In 2020, by giving leading position to market operations, the Group deepened the reform of the system and mechanism, achieved notable results in regional operations and three-dimensional operations, and accumulated the momentum of growth for orders in hand. First, the Company deepened the reform of the market-oriented operation mechanism, insisted in the combination of performance orientation and long-term development, concentrated on grasping market opportunities, continued to exert efforts in high-end operations and investment stimulation, and achieved outstanding results in the collaboration of major projects. Second, by actively getting involved in the national strategy of serving the country, the Company was brave to undertake the mission of shoring up weak spots in infrastructure, building a strong transportation country and pursuing the Belt and Road Initiative. While consolidating traditional fields, the Company vigorously expanded emerging markets, made breakthroughs in urban complex development, underground pipe corridor, sponge city, water conservancy, environmental protection and new infrastructure construction, and fostered new growth poles. Third, the Company proactively promoted the reform of the system of overseas operations, gave prominence to overseas "Double Priorities" development strategy, created a new development matrix of "one main body with two wings and multiple drivers", built an overseas operation and management system of "region + country + project", overcame the grim overseas pandemic situation, and pressed ahead with overseas operations under pressure. Fourth, the Company gradually strengthened the allocation of operating elements and dramatically improved the reserve of qualifications and resources. The Company obtained 75 qualifications of special grade and 267 survey and design qualifications. The number of various professional and vocational qualification certificates maintained a moderate growth, with constant improvements to the structure.

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The Group was always in the firm belief that innovation is the first driving force for development and cost reduction and efficiency improvement were the source of sustainable development. In 2020, by means of broadening income source and reducing expenditure, the Company ensured that its development was in a high-quality and healthy state. First, the Company enhanced the driving force for cost reduction and efficiency improvement. The two-pronged approach of macro- and micro-cost management was effective in dealing with the pandemic. The advantages of centralized funds and centralized procurement of materials continued to be exploited to the full, solid outcomes were achieved in cost management, and economic operations were stable and controllable. Meanwhile, the Company actively expanded high-quality financing channels, held debt scale and debt ratio under strict control, and pushed forward equity financing and asset securitization in an orderly fashion. The Company continued to improve financial indicators such as financing cost, asset-liability ratio and cash flow, and guarded against and defused risks in an all-round way, to ensure sustained improvement to economic quality. Second, the Company enhanced the traction of innovation and efficiency. On the one hand, the Company attached importance to management innovation and developed soft power, and promoted innovations in the management and control model with the transformation of "management capital". The Company promoted innovations in the business model with the linkage of the entire industry chain as well as systemic innovations in the operation model, production organization model, financing model, and information management model, etc. The Company fully tapped into its own potential while pursuing management benefits. On the other hand, the Company focused on scientific and technological innovations and enhanced hard power. The Company earnestly implemented the "Three Transformations", established a research institute for high-quality development, built a number of scientific and technological innovation centers, and systematically promoted the tackling of problems in key technologies. The Company steadily improved its strength of scientific and technological innovation. During the year, the Company won 14 Zhan Tianyou Awards, ranking first among central state-owned construction enterprises, and won 7 National Science and Technology Awards. The Company ranked first among state-owned construction enterprises for three years in a row in terms of the total number of awards.

In 2020, the Group's production and operation maintained a good momentum. It honored the promise of benefiting society and rewarding shareholders and demonstrated the responsibilities that a central enterprise in a great power should undertake. First, the Company considered safety development as a matter of primary importance. It solidly advanced the three-year special rectification action for safe production, and established a dual prevention mechanism for hierarchical risk control and hidden danger elimination. It made smooth progress in the construction of domestic and foreign projects, and achieved overall stability of safe production throughout the year. Second, there were multiple highlights in project construction. The Company completed a multitude of major projects widely praised at home and abroad. Throughout the year, the Company won 12 Luban Awards, the International Bridge Conference (IBC) Award, and the ITA "Tackling Toughness and Overcoming Difficulties" award (the highest honor of the international tunnel industry). The projects continued to burnish the image of Chinese roads, bridges, tunnels, high-speed railways and shield tunneling machines. Third, the Company actively fulfilled social responsibilities. The Company bravely shouldered heavy responsibilities in the fight against the pandemic and supported the completion of a great number of pandemic prevention and control projects of emergency and dangerous tasks, such as the building of Huoshenshan Hospital and Leishenshan Hospital. The Company undertook the responsibilities that a central enterprise should undertake in poverty alleviation. It took targeted measures according to local conditions, established a long-term assistance mechanism, and achieved sustained income generation, to serve the interests of people there. As a result, three designated poverty-stricken counties receiving assistance from the Company were lifted out of poverty ahead of schedule. Upholding the concept of green development in terms of energy conservation and environmental protection, the Company threw itself into the fight against pollution prevention and control, and strengthened the application of energy-saving and low-carbon technologies. The Company remarkably strengthened ecological environmental protection, energy conservation and emission reduction, and achieved a marked fall in comprehensive energy consumption.

As a responsible listed company, the Group insists on strengthening the enterprise, rewarding shareholders and benefiting society, attaches importance to shareholder returns, strives to enhance market recognition and boost investment confidence. In 2020, the Group entered the top 50 of Global 500 for the first time and ranked 2nd among the world's largest contractors in the Engineering News-Record. It has been assessed as an A-type enterprise by SASAC for seven consecutive years in performance appraisal of central enterprises. It has been assessed as an A-type (outstanding) listed enterprise by the Shanghai Stock Exchange for seven consecutive years in the evaluation of information disclosure of listed companies. In terms of environmental protection, social responsibility and corporate governance (ESG), the Group's MSCI ESG rating was elevated to BB, which enhanced the Group's image in domestic and foreign capital markets.

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In 2020, the amount of new contracts of the Group was RMB2.60566 trillion, representing a year-on-year increase of 20.4%. In particular, the amount of new contracts of domestic business was RMB2.46940 trillion, representing a year-on-year increase of 21.2%; the amount of new contracts of overseas business was RMB136.26 billion, representing a year-on-year increase of 6.8%. As of the end of the reporting period, the amount of contract backlog of the Group was RMB3.72597 trillion, with an increase of 10.9% as compared with the end of 2019. The amount of new contracts and of contract backlog by business segment as of the end of the year is set out as below:

Unit: 100 million Currency: RMB

Amount of New Contracts			
Business segment	2020	2019	Year-on-year increase/ decrease
Infrastructure construction	**21,829.2**	17,946.3	21.6%
Including: Railway	**3,553.8**	3,112.4	14.2%
Highway	**4,097.6**	3,090.6	32.6%
Municipal works and others	**14,177.8**	11,743.2	20.7%
Among which: Urban rail transit	**1,660.4**	2,014.0	-17.6%
Municipal works	**4,459.1**	4,644.9	-4.0%
Housing construction	**6,106**	4,360.3	40.0%
Survey, design and consulting services	**258.6**	288.1	-10.2%
Engineering equipment and component manufacturing	**542.8**	420.9	29.0%
Property development	**685.6**	696.8	-1.6%
Other businesses	**2,740.4**	2,296.6	19.3%
Total	**26,056.6**	21,648.7	20.4%

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Unit: 100 million Currency: RMB

Amount of Contract Backlog			
Business segment	End of 2020	End of 2019	Year-on-year increase/ decrease
Infrastructure construction	**34,939.3**	31,641.8	10.4%
Including: Railway	**6,364.7**	6,179.5	3.0%
Highway	**6,880.2**	5,620.0	22.4%
Municipal works and others	**21,694.4**	19,842.3	9.3%
Among which: Urban rail transit	**4,460.5**	5,009.9	-11.0%
Survey, design and consulting services	**559.0**	546.0	2.4%
Engineering equipment and component manufacturing	**713.5**	541.6	31.7%
Other businesses	**1,047.9**	882.6	18.7%
Total	**37,259.7**	33,612.0	10.9%

1. Infrastructure construction

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

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In 2020, the amount of the Group's new contracts of infrastructure construction business was RMB2.18292 trillion, representing a year-on-year increase of 21.6%. As at the end of 2020, the amount of the Group's contract backlog of infrastructure construction business was RMB3.49393 trillion, representing an increase of 10.4% from the end of 2019. **From a business segment perspective:** ① **In respect of railway construction business**, benefiting from the steady progress in the tendering for domestic large and medium-sized railway projects such as the Sichuan-Tibet Railway, the amount of new contracts in the Group's railway business maintained a steady growth and amounted to RMB355.38 billion, representing a year-on-year increase of 14.2%; the amount of contract backlog amounted to RMB636.47 billion, representing a year-on-year increase of 3.0%. The Group's market share in domestic large and medium-sized railway construction reached 57.3% in 2020, maintaining the first place in China. ② **In respect of the highway construction business**, benefiting from the steady growth of domestic expressway network construction and the Company's increased efforts to participate in expressway construction through investment models, the amount of new contracts in the Group's highway business increased substantially and amounted to RMB409.76 billion, representing a year-on-year increase of 32.6%; the amount of contract backlog amounted to RMB688.02 billion, representing a year-on-year increase of 22.4%. ③ **In respect of municipal works and other businesses**, with the promotion of urban clusters, urban circles and urbanization in China as well as the intensified development of the Group's urban construction market, the amount of new contracts in the housing construction business increased substantially, spurring a steady growth in new contracts for municipal works and other businesses. The amount of new contracts in the year amounted to RMB1.41778 trillion, representing a year-on-year increase of 20.7%; the amount of contract backlog amounted to RMB2.16944 trillion, representing a year-on-year increase of 9.3%. Among them, the new contracts for municipal works business reached RMB445.91 billion, representing a year-on-year decrease of 4.0%; new contracts for the housing construction business amounted to RMB610.6 billion, representing a year-on-year increase of 40.0%; and the new contracts for urban rail transit business totaled RMB166.04 billion, representing a year-on-year decrease of 17.6%. **From a business model perspective:** In 2020, the amount of new contracts for infrastructure construction obtained by the Group through the construction contracting mode was RMB1.75313 trillion, representing a year-on-year increase of 24.3%. The amount of new contracts for infrastructure construction obtained through investment mode reached RMB429.79 billion, representing a year-on-year increase of 11.8%. The amount of contract backlog of infrastructure investment business was RMB746.2 billion, representing a year-on-year increase of 26%.

During the reporting period, key projects under construction and investment projects contracted or participated in by the Group progressed smoothly. The century project that the Group participated in the construction – the Sichuan-Tibet Railway whose early construction commenced officially during the year; China's first and the world's longest cross-strait combined bridge – the Pingtan Straits Rail-cum-Road Bridge designed and constructed by the Group, and the intelligent railway – the Beijing-Xiong'an Intercity Railway that the Group participated in the construction, were opened to traffic and selected as the "top 10 super projects of central enterprises"; the most difficult tunnel to bore – the Dazhushan Tunnel was successfully bored; the Winter Olympics stadium of "Three Ski Resorts and One Village" was progressing smoothly; the China-Laos Railway, Jakarta-Bandung High-Speed Railway, Bangladesh Padma Bridge and other overseas projects were pushed forward in an orderly way; the Yangtze River Sanqiao Highway Bridge in Wuhu, Anhui, the world's first high and low tower cable-stayed bridge for railway and highway that the Group participated in the construction, was officially opened to traffic; and a wide array of key projects, such as the Shuangliao-Taonan Expressway, the Shangqiu-Hefei-Hangzhou High-speed Railway, the Shanghai-Suzhou-Nantong Yangtze River Bridge and Xi'an Metro Line 9 were opened to traffic on schedule. Five bridges including Wuhan Yangsigang Yangtze River Bridge won the International Bridge Conference (IBC) Award, and the Yujingshan Tunnel of the Chengdu-Guiyang High-speed Railway won the 2020 ITA "Tackling Toughness and Overcoming Difficulties" award (the highest honor of the international tunnel industry).

2. Survey, design and consulting services Business

As a backbone enterprise in China's survey and design industry, the Group has played an important leading role in the field of engineering construction, especially in assisting in the formulation of construction codes and quality acceptance standards of the railway industry. On the list of ENR 2020 Top 150 Global Design Firms and on the list of ENR 2020 Top 225 International Design Firms, the Group ranked 16th and 122nd respectively.

In 2020, the amount of new contracts of the Group's survey, design and consulting services business was RMB25.86 billion, representing a year-on-year decrease of 10.2%, which was mainly attributable to the year-on-year decrease in the international business. As of the end of 2020, the value of the Group's contract backlog of survey, design and consulting services business was RMB55.9 billion, representing an increase of 2.4% from the end of 2019.

During the reporting period, as the overall design unit of the Ya'an-Linzhi section of the Sichuan-Tibet Railway, the Group was responsible for the survey and design of the Ya'an-Changdu section, the research report was approved by the National Development and Reform Commission, and the construction of the early commencement segment was commenced on schedule during the year. The feasible evaluation of the construction drawing of the Chengdu-Chongqing High-speed Railway that the Group participated in the design was completed, the initial design of the Chengdu-Dazhou-Wanzhou Railway was completed, and the design of the Xi'an-Kunming High-speed Railway was progressing in an orderly manner.

3. Engineering equipment and component manufacturing business

The Group has a leading position in the field of high-end equipment manufacturing related to transportation infrastructure such as railways, highways, urban rail transit and underground engineering in the country and even the world. It has outstanding competitiveness in scientific and technological innovation strength, core technology advantages, production and manufacturing level, brand awareness and other aspects. The Group is the world's largest shield/TBM R&D manufacturer in terms of sales volume, the world's largest steel structure manufacturer of turnouts and bridges, the largest railway construction equipment manufacturer in China, and the world's leading manufacturer of infrastructure construction service equipment. For the domestic market, the Group maintained an approximate market share of 55% in the high-speed turnout market that requires high technical requirements (speed over 250km/h), a market share of more than 50% in the heavy-haul turnout market, a market share of 60%-70% in the turnout market of urban rail transit business, a market share of more than 60% in the large steel structure bridge market, a market share of more than 60% in the catenary parts market of high-speed railway, and a market share of approximate 50% in the power supply products market of urban rail transit business. China Railway Hi-Tech Industry Co., Ltd. ("**CRHIC**") (600528.SH), a controlling subsidiary of the Group, has the most complete products in the field of railway infrastructure equipment in our country and is the only industrial enterprise in A share market that mainly engages in high-end equipment for rail transit and underground excavation. CRHEEC (873023) is an important supplier engaging in the R&D, production and system integration of domestic electrified catenary components and power supply equipment for urban rail transit. China Railway Prefabricated Construction (300374.SZ) is a supplier with rich product structure and integrated service capabilities of prefabricated buildings in the domestic prefabricated building component industry and a provider of complete sets of prefabricated building solutions.

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In 2020, the amount of new contracts for the engineering equipment and component manufacturing business of the Group was RMB54.28 billion, representing a year-on-year increase of 29.0%, of which the amount of new contracts of domestic business was RMB51.43 billion and that of new contracts of overseas business was RMB2.85 billion. This was mainly attributable to the rapid growth of special equipment for tunnel construction. The performance in the new bridge laying equipment, transportation equipment, steel structure and other businesses continued to improve, and the Group won large orders for various projects, including water resources of the Pearl River Delta, the Singaporean Cross Island Line and the Georgian Highway Tunnel. As of the end of 2020, the value of the Group's contract backlog of engineering equipment and component manufacturing business was RMB71.35 billion, representing an increase of 31.7% from the end of 2019. In 2020, the Group produced and sold 241 tunnel construction devices (of which 124 were new shield tunneling machines/new TBM machines and 79 were re-manufactured), representing a year-on-year increase of 13.8% in new machines.

During the reporting period, the Group solved the technical bottleneck that restricted the Group's industrial development, by accelerating the market layout, seeking key breakthroughs, and focusing on the aspects of bridge industrialization, technical progress in turnouts, and localization of construction machinery and key components of tunneling equipment. The Group strengthened the development and coverage of the domestic market, and the amount of new contracts in steel structure, turnout, construction machinery, tunnel construction equipment and other major sectors grew by more than 10%. The Group won the bidding for a batch of key projects, including the manufacturing and installation of bridge steel structures of the Wuhu-Huangshan Expressway.

4. Property development business

The Group is one of 16 central enterprises that SASAC has identified as taking the property development as the main business. The Group's property development business complied with the national policy guidance and adhered to the new development concept. Tailoring to the market demand, the Company took the multiple-dimension "special real estate+" path of ensuring projects under construction, selling quickly, reducing cost and improving efficiency. The Group marched towards the areas of culture tourism, industrial real estate and TOD, and worked to realize the transformation from traditional commercial real estate development to the integrated, multi-format, multi-industry, multi-functional development model. This aimed to help the Group build core competitiveness in real estate development with China Railway's characteristics.

In 2020, the Group had a total of 195 secondary real estate development projects located in more than 50 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, and Hangzhou. During the reporting period, the sales amount of the Group's real estate development business was RMB68.56 billion, representing a year-on-year decrease of 1.6%. The decrease was mainly attributable to the impact of the COVID-19 and the price-cap policy of local governments.The sales area was 5.254 million square meters, representing a year-on-year increase of 4.5%; the area of which construction was commenced was 4.907 million square meters, representing a year-on-year decrease of 39.2%; and the area of which construction was completed was 6.817 million square meters, representing a year-on-year increase of 116.4%. As of the end of 2020, the Group's property projects under construction covered an area of 46.99 million square meters, and the land reserve area to be developed was 16.009 million square meters. During the reporting period, the Group achieved encouraging sales results in first-tier cities and second-tier cities.

5. Other businesses

Mining development business

In the process of infrastructure construction at home and abroad, the Group has obtained a number of mineral resources projects through acquisitions and mergers based on "fiscalization of resources" and "exchange of resources for projects". China Railway Resources Group Co., Ltd., the Company's wholly-owned subsidiary, is responsible for the development business of mineral resources. The Group's mining business is mainly based on the management and development of mining entities. Currently, it wholly owns, controls or holds shares to invest in construction of 5 modern mines at home and abroad, including Luming Molybdenum Mine, Heilongjiang; Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S, Congo; MKM Copper-Cobalt Mine; SICOMINES Copper-Cobalt Mine; and Wulan Lead and Zinc Mine, Mongolia. The main mineral products produced and sold include concentrate of varieties involving copper, cobalt, molybdenum, lead, zinc and others, copper cathode and cobalt hydroxide. In 2020, the prices of the Group's main mineral products including copper, cobalt, molybdenum, lead and zinc were falling first and then rising on the whole, of which the price of copper increased from the average annual price of copper in 2019, whereas the prices of molybdenum, cobalt, lead and zinc fell to varying degrees from the average annual price in 2019. As of the end of the reporting period, the above mines' retained resources/reserves mainly include copper of approximately 8,440,000 tons, cobalt of approximately 640,000 tons, and molybdenum of approximately 660,000 tons. In particular, the retained reserves of copper, cobalt and molybdenum are in the leading position in the same industry in China, and the mines' production capacity for copper and molybdenum has been at the forefront in the same industry in China.

Financial business

The financial business of the Group has always followed the principle of developing business around the main business, and formed a strategic synergy with the main businesses. At present, the Group mainly involves trust, fund, factoring, insurance brokerage, and financial leasing business, and has built a multi-level, wide-covered and differentiated "finance, quasi-finance" institutional service system represented by China Railway Trust Co., Ltd. ("**China Railway Trust**"), China Railway Finance Co., Ltd., and China Railway Capital Co., Ltd. The three financial enterprises have adhered to the concept of serving the value of the main business, satisfying the needs of the market and organically integrating the development of the corporate strategy, and formulated strategic implementation approaches and resource allocation plans based on maximizing the value of the main business, so as to generate synergy and maximize the benefit of the Group. As an important trust business platform of the Group, China Railway Trust enjoyed a good reputation in the industry, and its rating by the China Banking and Insurance Regulatory Commission and China Trustee Association has been kept at the forefront of the industry.

Merchandise trading business

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

Infrastructure operation business

The Group obtains concessions rights for operating rail transit, expressway, water utilities and other projects through investment and construction, and obtains operating income by providing operation and management services for government payments and viability gap funding, or charging users in accordance with relevant standards. The infrastructure projects operated by the Group include rail transit, expressway, water supplies, municipal roads, industrial parks and underground pipe corridors, with the operating period ranging from 8 to 40 years. As the PPP (BOT) investment projects undertaken by the Group have been completed and entered the operation period, the revenue and profit of the Group's PPP (BOT) operation business have shown an overall growth trend.

III. Scientific Research investment and Technological Achievements

As one of the country's first "innovation-oriented enterprises" awarded by the Ministry of Science and Technology, the SASAC and the All-china Federation of Trade Unions, the Group has 3 national laboratories (the National Engineering Laboratory of High Speed Railway Construction Technology, National Key Laboratory of Shield Tunneling and Drilling Technology, and National Key Laboratory of Bridge Structural Stability and Safety), 10 postdoctoral workstations, 1 national local joint research center (national and local joint engineering research center for the research and application of digital rail transit technologies), 36 provincial and ministerial research and development centers (laboratories), 19 nationally recognized technology centers, and 107 technical centers recognized at the ministerial or provincial level. It has also set up 20 professional R&D centers and invested in the national technology innovation center for the Sichuan-Tibet railway.

During the reporting period, the Group implemented research projects focusing on Sichuan-Tibet Railway construction technology, high speed railway construction technology, bridge construction technology, tunnel and underground project construction technology, communications engineering, signal engineering, electrical engineering and electrification engineering technology, construction equipment and industrial product manufacturing technology, building technology, energy conservation and emissions reduction, and other new areas of technology, intelligent manufacturing and information technology. Based on the actual needs for the production and operation of the Group and relying on such key projects as the Central Yunnan Water Diversion Project, Chengdu-Nanchong-Dazhou-Wanzhou High-speed Railway, Qingdao Metro, Guangzhou Metro, Changtai Yangtze River Bridge, Chaohu-Ma'anshan Intercity Railway, Ma'anshan Yangtze River Bridge, phase II of the Project of Water Diversion from the Eerqisi River in Xinjiang and Guangzhou-Shenzhen-Hong Kong Express Rail Link, we focused on the research of through-type same-phase power units, research of key technologies for intelligent evaluation and improvement of service performance of the ballastless track and bridge structure system of high-speed railways, research of key technologies for intelligent construction, and research of key technologies for the construction of the Central Yunnan Water Diversion Project. During the reporting period, the Group won 6 National Prizes for Progress in Science and Technology, 1 Technological Invention Award, 11 Zhan Tianyou Civil Engineering Prizes, 345 provincial and ministerial science and technology achievement awards, 4,933 new authorized patents, including 676 invention patents and 47 PCT patents. The "Shield tunneling machine for tunnel connection and its tunneling method" won the gold prize of the 21st China Patent Prize. 3 patents, namely "integrated ballastless track", "hyperboloid ball bearing with anti-lifting beam and anti-falling beam function", and "a rotatable spoke used for the blade of shield tunneling machine" won Chinese patent award of excellence. 909 engineering methods received provincial and ministerial level recognition.

IV. Establishment and Implementation of Safety and Quality System

In 2020, the Group organized the integration and certification of the QMS, EMS and OHSAS, and earnestly implemented the QMS, EMS and OHSAS. The Group also strictly implemented the domestic and international industrial standards and continuously improved its internal quality assurance system to make sure that its system and rules (including the Measures for Supervision on and Management of Construction Quality) are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality accident handling and accountability for accidents, and that the management process is in an orderly and controllable condition, thus providing a solid foundation for the highly effective operation of the Group's quality management system.

During the reporting period, the Group won 63 National Quality Engineering Awards, including 4 National Quality Engineering Gold Awards, 12 China Construction Engineering Luban Prizes, and 47 National Quality Engineering Awards. 19 projects were included on the list of learning exchange of national construction sites for safe construction and standardized production. The brand reputation of the construction quality of the Group was further enhanced.

V Implementation of Environmental Protection Measures

The details are set out in the "Environmental protection information" under the "Significant Events" on page 309 to page 311 of this annual report.

VI. Compliance with Laws and Regulations

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

VII. Maintenance of Relationship With Stakeholders

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

VIII. Outlook

As the impact of the COVID-19 that broke out in 2020 persists, 2021 will be a crucial year for economic recovery. The world is undergoing major changes of a scale unseen in a century, international mechanisms and order are being reconstructed, and relations between major countries are being adjusted profoundly. However, in the current period, the new "dual-cycle" development pattern is being constructed, and the basic trend of steady and long-term growth in China's economy has not changed and will not change in the next period. **First**, a series of national strategies and new-type urbanization arrangements have laid a solid foundation for the sound development of infrastructure industry in the future. Regional development strategies such as the co-development of Beijing-Tianjin-Hebei, integration of the Yangtze River Delta, and construction of Guangdong-Hong Kong-Macao Greater Bay Area, and a series of major national strategies such as ecological civilization, building China into a strong transportation country, building China into a strong maritime country, and rural revitalization have been accelerated. The "Two New and One Major" has huge market space. Major projects such as the Sichuan-Tibet Railway, the new land-sea corridor in western China, and the national water network have accelerated construction, bringing huge business growth space for the Company. **Second**, the supply-side reform of the construction industry has been intensified. Project organization models such as EPC and whole-process engineering consulting have accelerated development. New technologies, new materials, and new processes have profoundly affected traditional construction production methods. The qualification reform of construction enterprises has accelerated, and workers of construction industry have quickened their cultivation so as to create a good environment for high-quality development of the Company. **Third**, the proactive fiscal policy will be deepened with more quality efficiency and be more sustainable, while the prudent monetary policy will be more flexible, targeted, and appropriate. The focus is on the construction of livelihood projects and major projects, to promote sustained economic and social development while taking into account the relationship between stable growth, ensuring employment, structural adjustment, risk prevention and inflation control. The People's Bank of China emphasized on basic match among the growth rate of money supply and social financing scale and the nominal economic growth rate, and maintaining the basic stability of macro leverage ratio. **Fourth**, fixed asset investment under pressure will remain stable. In the context of export and consumption difficulties, investment will continue to grow. Infrastructure investment is characterized by regional and structural opportunities. The central and western regions of China have a large room for infrastructure investment, and there is a strong demand for new infrastructure, public facilities for people's livelihood, transportation and water conservancy and other major projects. Real estate investment, along with increase in the urbanization rate and economic and social development, will be kept within an appropriate range of growth. Investments related to advanced manufacturing, driven by policies, will embrace rapid development. **Fifth**, new generation of information technology has accelerated the development. The rapid promotion of new technology applications represented by green buildings, smart buildings, digital construction, etc., and the acceleration of construction of an intelligent construction industry system integrating the entire industry chain including scientific research, design, production and processing, construction and assembly, and operations have facilitated the digital transformation of enterprises. The outline of the "14th Five-Year Plan" of the national economy gives top priority to technical innovation, highlighting the principal position of enterprise innovation, and enterprise innovation will usher in a new period of policy opportunities. **Sixth**, the scale of the construction industry market continues to expand, but the growth rate will decline in volatility. In 2020, the total output value of the national construction industry was RMB26.4 trillion, representing a year-on-year increase of 6.2%. With the improvement of the level of urbanization, the construction industry will continue to expand in scale, and its pillar position in the national economy will be further consolidated, but the growth rate will slow down. **Seventh**, innovation-driven high-quality development is the theme. Construction industrialization, digitalization and intelligence have been remarkably improved, and the development of the construction industry will gradually transform from being driven by investment and labor to by innovation and from being extensive to being intensive. The high-quality development of the construction industry has become an irresistible trend. **Eighth**, structural adjustment has accelerated and the emerging market areas have become the focus. The development structure of the construction industry will change from mainly incremental expansion to a combination of stock adjustment and optimized increment. On the basis of stable development of traditional segments, the development structure will speed up the transformation to infrastructure such as "Two New and One Major" projects, ecological protection and renovation and maintenance of construction products. **Ninth**, model changes are accelerating, and integrated development has become a trend. Construction project investment and construction models, and project production organization models will accelerate reforms, and investment diversification and integration of investment, construction and operation will become the mainstream. PPP will still play an important role in the supply of public products. Models such as EPC and whole-process engineering consulting will accelerate promotion. **Tenth**, as industry competition intensifies, it is key to improve capabilities. The competitive landscape of construction enterprises changes at a faster pace, industry barriers are being broken, and industry competition is increasingly inclined to talent, technology, resource, brand, capital and other factors. It is crucial to accelerate technology and management innovation, implement integration of industry and finance, and improve the production and operation capabilities of enterprises in an all-round way.

Overall, the fundamentals of the sustained and sound development of the construction market have not changed, and the Group will remain in an important period of strategic opportunities. In the future, the Group will continue to strengthen its resolve to promote in-depth reform and accelerate transformation and upgrading, to become stronger, better and bigger.

IX. Operating Plan

In 2021, the Group plans to achieve total revenue of approximately RMB983.0 billion, operating cost of approximately RMB884.7 billion, and four types of expenses of approximately RMB53.2 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB2,640.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

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

In the year of 2020, the Group achieved revenue of RMB974.732 billion, representing a year-on-year increase of 14.6%. Net profit for the year increased by 7.4% year-on-year to RMB27.250 billion while profit for the year attributable to owners of the Company increased by 6.4% year-on-year to RMB25.188 billion.

A comparison of the financial results for 2020 and 2019 is set forth below.

II. Consolidated Results of Operations

Revenue

In 2020, the Group's revenue increased year-on-year by 14.6% to RMB974.732 billion. It was mainly due to the increase in revenue from the Group's infrastructure construction business.

Cost of sales and services and gross profit

The Group's cost of sales and services primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2020, the Group's cost of sales and services recorded a year-on-year increase of 14.7% to RMB884.380 billion while gross profit of the Group increased year-on-year by 13.1% to RMB90.352 billion. The overall gross profit margin for 2020 was 9.3%, representing a decrease of 0.1 percentage point as compared to that for 9.4% in 2019. Among which, there was an year-on-year increase in gross profit margin of infrastructure construction business and survey, design and consulting services business while there was a year-on-year decrease in gross profit margin of engineering equipment and component manufacturing business, property development business and other businesses.

Other income

The Group's other income primarily consists of dividend income and subsidies from government. In 2020, the Group's other income was RMB2.219 billion, increased by 11.2% from RMB1.996 billion of last year. Such increase of other income was primarily due to the increase in subsidies from government.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2020, other expenses increased by 32.3% from RMB16.511 billion of last year to RMB21.838 billion, mainly due to the Group's continuous advancement on scientific research and technological innovation and further increase input in research and development.

Net impairment losses on financial assets and contract assets

The Group's net impairment losses on financial assets and contract assets mainly includes impairment losses on trade and other receivables, other financial assets at amortised cost and contract assets. In 2020, the Group's net impairment losses on financial assets and contract assets decreased year-on-year by 43.3% to RMB2.556 billion, mainly attributable to the decrease in net impairment losses on other financial assets at amortised cost.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains, net

The Group's other gains and losses mainly include gains and losses on disposal/write-off of financial assets/ liabilities, joint ventures, associates and subsidiaries, foreign exchange gains/losses, impairment losses on property, plant and equipment and other assets and changes in the fair value of financial assets through profit and loss. The Group's other gains recorded RMB0.662 billion in 2020, representing a decrease from RMB5.705 billion in 2019. Such decrease was primarily due to a gain of RMB4.955 billion on disposal of 51% equity interest in Guangxi China Railway Communications Expressway Management Co., Ltd. ("**China Railway Expressway**") and related debts was included in other gains of 2019.

Losses from derecognition of financial assets at amortised cost

The Group's losses from derecognition of financial assets at amortised cost mainly include the losses arising on derecognition of trade receivables which were transferred in accordance with asset-backed medium-term notes ("**ABN**") and asset-backed securities ("**ABS**") issuance, and non-recourse factoring agreements. In 2020, the Group's losses from derecognition of financial assets at amortised cost was RMB3.302 billion, representing a decrease of 1.9% from last year. In 2020, the Group transferred trade receivables of RMB55.142 billion and RMB16.854 billion under the issuance of ABN and ABS, and non-recourse factoring agreements, respectively (2019: RMB51.508 billion and RMB16.062 billion, respectively).

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2020, the Group's selling and marketing expenses amounted to RMB5.020 billion, representing a year-on-year increase of 9.0%. Such increase was mainly due to the strengthening in marketing effort on property development projects and industrial products. The selling and marketing expenses as a percentage of revenue for 2020 was 0.5%, basically remained the same as that for 2019.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2020, the Group's administrative expenses increased year-on-year by 0.8% to RMB24.668 billion. Such increase was mainly due to the normal increase in staff salary with the increase in profitability. Administrative expenses as a percentage of revenue for 2020 was 2.5%, basically remained the same as that for 2019.

Finance costs, net

In 2020, the Group's net finance costs (finance costs less finance income) was RMB2.432 billion, representing a decrease of 27.9% from 2019. It was mainly due to the rapid increase in interest income resulting from 1) interest income of financial assets recognised for certain infrastructure construction investment projects and 2) the significant increase in average daily balances of bank deposits as compared to last year.

Profit before income tax

As a result of the foregoing factors, the profit before income tax for 2020 increased by RMB2.425 billion, or 7.3% to RMB35.612 billion from RMB33.187 billion for 2019.

Income tax expense

In 2020, the Group's income tax expense increased year-on-year by 7.1% to RMB8.362 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group decreased by 0.7 percentage point from 17.9% for 2019 to 17.2% for 2020. Such decrease was mainly due to the further entitlement on various preferential income tax treatments, such as high and new technology enterprises, development of the western region and deduction of research and development expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to owners of the Company

In 2020, profit for the year attributable to owners of the Company increased by 6.4% to RMB25.188 billion from RMB23.678 billion for 2019.

III. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2020 are set forth in the table below.

Business Segment	Revenue	Growth Rate	Profit/ (loss) Before Income Tax	Growth Rate	Profit/ (loss) Before Income Tax Margin[1]	Revenue as a Percentage of Total	Profit/ (loss) Before Income Tax as a Percentage of Total
	RMB million	*(%)*	*RMB million*	*(%)*	*(%)*	*(%)*	*(%)*
Infrastructure Construction	876,310	15.0	36,876	76.1	4.2	83.7	87.4
Survey, Design and Consulting Services	17,321	1.7	2,241	133.0	12.9	1.7	5.3
Engineering Equipment and Component Manufacturing	29,793	22.5	2,132	6.7	7.2	2.8	5.1
Property Development	49,763	14.0	(4,096)	-212.2	(8.2)	4.8	(9.7)
Other Businesses	74,183	5.4	5,016	-44.0	6.8	7.0	11.9
Inter-segment Elimination and Adjustments	(72,638)		(6,557)				
Total	**974,732**	**14.6**	**35,612**	**7.3**	**3.7**	**100.0**	**100.0**

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

Infrastructure construction business

Revenue from the Group's infrastructure construction business is mainly derived from construction of railway, highway and municipal works. Revenue from the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2020, the revenue from the infrastructure construction business accounted for 83.7% of the total revenue of the Group (2019: 83.1%). In 2020, in response to the adverse impact brought by the COVID-19 and downward pressure on the international economy, the State successively implemented a series of counter cycle adjustment measures to fully stabilize economy, investment and growth, which are favourable policies to the Group. At the same time, the Group coordinated and promoted various work on epidemic prevention and control as well as production and operation, comprehensively promoted the resumption of work and production which increased productivity and efficiency. In 2020, due to the significant increase in revenue from the highway and municipal works business, the Group's revenue of infrastructure construction business increased by 15.0% year-on-year to RMB876.310 billion. Gross profit margin and profit before income tax margin of the infrastructure construction business for 2020 was 8.0% and 4.2% respectively (2019: 7.1% and 2.7% respectively). Such increase was mainly due to the increase in proportion of the revenue from highway and municipal works business which have higher gross profit margin.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. In 2020, the Group overcame the adverse impact of COVID-19 by actively resuming work and production, revenue of survey, design and consulting services business recorded RMB17.321 billion, representing a year-on-year increase of 1.7%. Gross profit margin and profit before income tax margin for the segment for 2020 was 31.4% and 12.9% respectively (2019: 27.0% and 5.6% respectively). The increase in gross profit margin and profit before income tax margin were mainly due to ① the Group carried out in-depth work on increasing quality, reducing costs and increasing efficiency and there was significant decrease in outsourcing costs resulting from the reduced use of outsourcing units and personnel through various measures on increase in production efficiency and decrease in proportion of outsourcing and ② the decrease in travelling expenses resulting from the restriction of on-site work brought by COVID-19.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and construction machinery. In 2020, the Group actively implemented the spirit of the important directives of "Three Transformations" and firmly seized the strategic opportunities of the new round of technology and industrial revolution, optimized the industrial layout and strived to build a world-class high-end equipment manufacturing enterprise. In 2020, the Group's revenue of the engineering equipment and component manufacturing business increased by 22.5% year-on-year to RMB29.793 billion. Gross profit margin and profit before income tax margin was 19.4% and 6.7% respectively for 2020 (2019: 23.1% and 8.2% respectively). The decrease in gross profit margin and profit before income tax margin was mainly attributable to ① the continuous decrease in order price of manufacturing and installation of shield and steel structures due to the increase in market competition and ② the significant increase in cost of manufacturing and installation of shield and steel structures due to the increase in cost of raw materials, accessories and outsourcing labor.

MANAGEMENT DISCUSSION AND ANALYSIS

Property development business

In 2020, the Group strictly adhered to the national policy on property market, further strengthened the effort on the transformation and upgrading and the increase in quality and profitability of the property development business. The Group explored new business development and profit drivers, devoted to foster its brand competitivity in property development business, diversified the marketing models, strived to overcome the adverse impact brought by the control policies on property market and accelerated the de-stocking progress. In 2020, revenue from property development business recorded RMB49.763 billion, increased by 14.0% year-on-year. Gross profit margin and profit before income tax margin for 2020 was 11.5% and -8.2% respectively (2019: 25.1% and 8.4% respectively). The decrease in gross profit margin was mainly due to ① the decrease in selling price of certain projects as a result of the government's price limit policy and ② the decrease in profitability of certain projects with longer development cycle resulting in increase in costs. In 2020, the Group's property development business recorded a loss before income tax which was mainly due to the impairment losses made on certain property development projects.

Other businesses

In 2020, the Group strived to progressively implementing the "limited and interrelated" diversification strategy, revenue from other businesses increased year-on-year by 5.4% to RMB74.183 billion in 2020. Gross profit margin for 2020 was 18.3%, representing a decrease from 21.3% for 2019. Profit before income tax for 2020 was RMB5.016 billion (2019: RMB8.950 billion). Among which, ① revenue from infrastructure operation business was RMB1.459 billion, a year-on-year decrease of 58.6% while gross profit margin was 19.8%, a decrease of 23.3 percentage points from last year. It was mainly due to the disposal of 51% equity interest in China Railway Expressway in 2019; ② revenue from mining was RMB4.105 billion, a year-on-year decrease of 28.3% while gross profit margin was 37.9%, a decrease of 9.0 percentage points from last year; ③ revenue from merchandise trading was RMB52.190 billion, a year-on-year increase of 12.7% while gross profit margin was 6.3%, remained the same as that of 2019 and ④ revenue from financial business was RMB4.549 billion, a year-on-year increase of 23.2% while gross profit margin was 75.9%, a decrease of 4.2 percentage points from last year.

In 2020, the Group firmly grasped the core task of high-quality development, and actively resolved part of the downward pressure on the prices of mineral products. The overall development and sales of mineral resources remained stable. Among which, the Group produced 211,800 tons of copper (year-on-year increase of 5.35%), 2,567 tons of cobalt (basically remained the same as last year), 7,963 tons of molybdenum (year-on-year decrease of 48.72%), 14,300 tons of lead (year-on-year decrease of 16.31%), 21,400 tons of zinc (year-on-year increase of 31.47%), 43.32 tons of silver (year-on-year increase of 0.07%).

As at 31 December 2020, the Group's mineral reserves are as follows:

Unit: 100 million Currency: RMB

No.	Project name	Mineral resources Type	Grade	Resource/ Reserve *(Ton)*	Equity ratio *(%)*	Total planned investment of the project	Accumulated investment of the project	Investment by the Company in the reporting period	Production quantity in the reporting period *(Ton)*	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang *(Note)*	Molybdenum Copper	0.086% /	659,490 /	83	60.17	60.26	0	7,963 614	Completed	In normal production
2	SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Copper Cobalt	3.141% 0.244%	7,862,415 604,548	41.72	45.86	27.52	6.38	155,444 866	July 2021	Phase 1 in normal production, phase 2 under construction
3	Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S, Congo	Copper Cobalt	2.299% 0.105%	548,282 33,069	72	21.38	21.60	2.40	32,704 93	Completed	In normal production
4	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl, Congo	Copper Cobalt	2.155% 0.253%	31,049 3,159	80.2	11.95	12.35	0	22,989 1,607	Completed	In normal production
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	1.564% 3.199% 66.586g/t	193,266 402,903 828	100	15.4	15.4	0	14,273 21,364 43.32	Completed	In normal production
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	0.95% 3.21% 114.54g/t	61,315 206,816 737	100	/	/	0	/	/	Not yet exploited
7	Gold mine, Guoxin Eerdesi Company, Mongolia	Gold	3g/t	3	100	/	/	0	/	/	Not yet exploited
8	Silver-Lead-Zinc Polymetallic Mine, Chafu, Xianglong Mineral Co., Ltd., Mongolia	Lead Zinc Silver	7% 5.09% 200.39g/t	89,693 65,190 257	100	3.3	3.3	0	/	/	Ceased production

Note: *Luming Molybdenum Mine, Yichun City of Heilongjiang has an associated copper core with minimal reserve quantity, therefore there is no statistical data on the grade and reserve quantity of copper.*

IV. Cash Flow

In 2020, the net cash inflow from operating activities of the Group amounted to RMB30.994 billion, representing an increase in net cash inflow of RMB8.796 billion from RMB22.198 billion for 2019, which was mainly due to ① the increase in advance from customers resulting from active strengthening in operation; ② the strengthened effort on recognition and settlement of receivables as well as strengthened cash flow planning and ③ acceleration on fund recovery resulting from active implementation of asset securitization business.

In 2020, the net cash outflow from investing activities of the Group amounted to RMB63.141 billion, representing an increase in net cash outflow of RMB22.962 billion from RMB40.179 billion for 2019, which was mainly due to the increase of investment in infrastructure investment projects.

In 2020, the net cash inflow from financing activities of the Group amounted to RMB40.201 billion, an increase in net cash inflow of RMB1.986 billion from RMB38.215 billion for 2019, which was mainly due to the increase in external financing and contribution from minority interests.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure for 2020 was RMB56.753 billion (2019: RMB31.722 billion), which was mainly due to the increase in service concession arrangements from BOT/PPP projects and waterworks.

The following table sets forth the Group's capital expenditure by business segment in 2020.

	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	10,818	760	861	746	2,194	15,379
Lease prepayments	1,372	214	17	379	16	1,998
Investment properties	516	61	–	6	205	788
Intangible assets	359	50	48	109	36,995	37,561
Mining assets	–	–	–	–	116	116
Right-of-use assets	710	18	36	4	143	911
Total	**13,775**	**1,103**	**962**	**1,244**	**39,669**	**56,753**

Working capital

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Inventories	**40,943**	40,945
Trade and bills receivables	**158,774**	139,080
Trade and bills payables	**384,565**	353,258
Turnover of inventory (days)	**17**	19
Turnover of trade and bills receivables (days)	**55**	56
Turnover of trade and bills payables (days)	**150**	163

At the end of 2020, the balance of the Group's inventories was RMB40.943 billion, remained basically the same as that at the end of 2019. The Group's inventory turnover days was 17 days in 2020, representing a decrease of 2 days from 19 days in 2019.

Trade and bills receivables

At the end of 2020, the Group's trade and bills receivables increased by 14.2% from the end of 2019 to RMB158.774 billion while the turnover days of trade and bills receivables was 55 days in 2020, a decrease of 1 day as compared to 56 days in 2019. According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than one year and the trade and bills receivables of more than one year accounted for 17.9% (31 December 2019: 16.0%) of the total receivables, which reflected the sound receivables management capability of the Group.

The following table sets forth the ageing analysis of the Group's trade and bills receivables (net of impairment) as at 31 December 2020 and 2019, based on invoice date.

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Less than one year	**130,298**	116,793
One year to two years	**14,833**	11,395
Two years to three years	**5,399**	4,078
Three years to four years	**2,172**	1,872
Four years to five years	**1,191**	809
More than five years	**4,881**	4,133
Total	**158,774**	139,080

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and bills payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 8.9% from the end of 2019 to RMB384.565 billion as at the end of 2020. The turnover days of trade and bills payables was 150 days in 2020, a decrease of 13 days from 163 days in 2019. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 7.7% (31 December 2019: 7.0%) of the total payables.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 31 December 2020 and 2019, based on invoice date.

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Less than one year	**354,958**	328,356
One year to two years	**19,725**	14,270
Two years to three years	**4,933**	5,153
More than three years	**4,949**	5,479
Total	**384,565**	353,258

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2020 and 2019. As at 31 December 2020, 33.2% of the Group's borrowings were short-term borrowings (31 December 2019: 48.6%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Bank borrowings		
Secured	**80,127**	40,756
Unsecured	**102,340**	123,919
	182,467	164,675
Long-term debentures, unsecured	**49,443**	46,848
Other borrowings		
Secured	**262**	688
Unsecured	**17,883**	19,034
Total	**250,055**	231,245
Long-term borrowings	**166,997**	118,934
Short-term borrowings	**83,058**	112,311
Total	**250,055**	231,245

Bank borrowings carry interest rates ranging from 0.75% to 9.55% per annum (31 December 2019: 0.75% to 9.50%). Long-term debentures carry fixed interest rates ranging from 2.14% to 4.50% per annum (31 December 2019: 2.88% to 4.88%). Other borrowings carry interest rates ranging from 3.85% to 7.00% per annum (31 December 2019: 4.35% to 7.00%).

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the maturity of the Group's borrowings as at 31 December 2020 and 2019.

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Less than one year	**83,058**	112,311
One year to two years	**46,920**	33,644
Two years to five years	**52,212**	54,970
More than five years	**67,865**	30,320
Total	**250,055**	231,245

As at 31 December 2020 and 2019, the Group's floating-rate borrowings were RMB129.376 billion and RMB93.527 billion respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2020 and 2019. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars.

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
RMB	**239,539**	230,655
USD	**10,501**	173
Euro	**2**	25
Others	**13**	392
Total	**250,055**	231,245

The following table sets forth the details of the Group's secured borrowings as at 31 December 2020 and 2019.

	As at 31 December			
	2020		2019	
	Secured borrowings	Carrying amount of pledged assets	Secured borrowings	Carrying amount of pledged assets
	RMB million	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	**367**	**1,022**	7	3
Lease prepayments	**197**	**309**	–	–
Intangible assets	**39,104**	**50,991**	12,238	21,802
Properties under development for sale	**11,769**	**37,371**	14,346	33,637
Trade and bills receivables	**6,535**	**13,807**	2,911	4,491
Trade receivables from fellow subsidiaries of the Group	**119**	**375**	661	1,357
Contract assets	**22,298**	**34,842**	11,281	26,926
Total	**80,389**	**138,717**	41,444	88,216

As at 31 December 2020, the Group's unused credit line facility from banks was approximately RMB1,192.430 billion (31 December 2019: RMB960.220 billion).

In 2020, based on the new development stage, the Group implemented the new development concept, integrated into the new development pattern, adhered to the general keynote of the work of seeking progress while maintaining stability, took the promotion of high-quality development as the theme, took transformation and upgrading as the main line, took reform and innovation as the fundamental driving force, and continued to deepen the work of reducing leverage and debt. As at 31 December 2020, the Group's gearing ratio (total liabilities/total assets) was 73.9%, representing a decrease of 2.9 percentage points as compared with 76.8% as at 31 December 2019.

VI. Contingent Liabilities

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

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Pending lawsuits – arising in the ordinary course of business *(Note 1)*	**3,073**	3,446

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

VII. Business Risks

The risks faced by the Group include investment risk, internationalization risk, cash flow risk, production safety, quality and environmental protection risk, and major pandemic prevention and control risk in the ordinary course of business.

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

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

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

(4) **Production safety, quality and environmental protection risk:** It refers to the risk that subjects the Group to damage to brand image, financial loss, and external regulatory penalties resulting from the quality flaw of the Group's products, and major production safety and environmental protection accidents due to the lack of effective management system implementation, measure implementation, technical management, subcontract management, equipment management, personnel management and accident handling.

(5) **Major pandemic prevention and control risk:** Due to the impact of a major uncontrollable pandemic, some local governments have issued policies that regard the major pandemic as safety accidents and adopted strict control and punishment measures. Consequently, the Group cannot proceed with normal construction of projects under construction or even suffers from suspension of work, which brings great risk of contract performance and severe loss of economic benefits to the Group.

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

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

CHEN Yun
Chairman, Executive Director and Secretary to the CPC Committee

CHEN Yun (陳雲) (no other former name/alias), aged 57, senior economist, currently is the President, an executive director, Secretary to the CPC Committee and Chairman of the Strategy Committee and the Nomination Committee under the Board of the Directors of the Company, and is the Chairman and the Secretary to the CPC Committee of CREC. He served as a Standing Member of the CPC Committee of China Communications Construction Group and a Standing Member of the CPC Committee and the Deputy General Manager of China Communications Construction Company Limited from April 2007 to March 2017; the Deputy Secretary to the CPC Committee of China Communications Construction Group and the Deputy Secretary to the CPC Committee and the Vice President of China Communications Construction Company Limited from March 2017 to September 2017; the Deputy Secretary to the CPC Committee of China Communications Construction Group and the Deputy Secretary to the CPC Committee and an executive director of China Communications Construction Company Limited from September 2017 to November 2017; the Deputy Secretary to the CPC Committee and the Chairman of the Labor Union of China Communications Construction Group and the Deputy Secretary to the CPC Committee, an executive director and the Chairman of the Labor Union of China Communications Construction Company Limited from November 2017 to June 2019. He served as the Deputy Secretary to the CPC Committee of the Company and the Deputy Secretary to the CPC Committee of CREC from June 2019 to August 2019; the President and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC from August 2019 to October 2019; the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC from October 2019 to November 2020. He served as the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the Chairman and the Secretary to the CPC Committee of CREC from November 2020 to December 2020; and served as the Chairman, an executive director and the Secretary to the CPC Committee of the Company and the Chairman and the Secretary to the CPC Committee of CREC since December 2020.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CHEN Wenjian (陳文健) (no other former name/alias), aged 48, a senior engineer, currently is the President, an executive director, the Deputy Secretary to the CPC Committee and Chairman of the Safety, Health and Environmental Protection Committee under the Board of the Directors of the Company, and is concurrently the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC. He served as the General Manager and Secretary of the Communist Party Committee the Algeria branch of CSCEC from January 2007 to September 2014; the General Manager of the Overseas Business Department of China State Construction Engineering Corporation Limited ("**CSCEC**") from September 2014 to August 2016; the General Manager and the Secretary to the Community Party Working Committee of the Overseas Business Department of CSCEC from August 2016 to December 2017; the General Manager and the Secretary to the Community Party Working Committee of the Overseas Business Department of CSCEC and the General Manager of the Overseas Department of CSCEC from December 2017 to June 2018; the General Manager of the Overseas Department of CSCEC and the Chairman and the Secretary to the Communist Party Committee of the China State Construction Engineering Corporation International Operations ("**CSCEC International Operations**") from June 2018 to October 2018; the General Manager of the Overseas Department of CSCEC, the Chairman and the Secretary to the Communist Party Committee of CSCEC International Operations and the Chairman of China Construction (South Pacific) Development Co., Pte Ltd. from October 2018 to March 2020; the Secretary to the Communist Party Committee and the Chairman of the China Construction Third Engineering Bureau Co., Ltd. from March 2020 to November 2020. He served as the General Manager, a director and the Deputy Secretary of the Communist Party Committee of CREC from November 2020 to December 2020. He served as the President and the Deputy Secretary of the Communist Party Committee of the Company, and the General Manager, a director and the Deputy Secretary of the Communist Party Committee of CREC from December 2020 to March 2021. He has been serving as the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC since March 2021.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

WANG Shiqi
Executive Director,
Deputy Secretary to the
CPC Committee and
Chairman of the Labour Union

Wang Shiqi (王士奇) (no other former name/alias), aged 55, currently is an executive director, the Deputy Secretary to the CPC Committee and Chairman of the Labor Union of the Company, and the employee director, Deputy Secretary to the CPC Committee and Chairman of the Labor Union of CREC. He served as the discipline inspector (deputy bureau director) and supervision commissioner of the Case Hearing Office of the Central Commission for Discipline Inspection of the Communist Party ("**CCDI**") from February 2009 to April 2014. He served as the Secretary to the Discipline Inspection Committee of the Communist Party Committee of the Company and the Secretary to the Discipline Inspection Committee of the Communist Party Committee of CREC from April 2014 to January 2020; and the Secretary to the Discipline Inspection Committee of the Communist Party Committee of the Company and the Deputy Secretary to the Communist Party Committee of CREC from January 2020 to February 2020. He served as the Deputy Secretary to the Communist Party Committee of the Company and the Deputy Secretary to the Communist Party Committee of CREC from February 2020 to April 2020; and an executive Director and the Deputy Secretary to the Communist Party Committee of the Company and the Deputy Secretary to the Communist Party Committee of CREC from April 2020 to January 2021. He has been serving as the executive Director, the Deputy Secretary to the Communist Party Committee and the chairman of the labour union of the Company and the employee director, the Deputy Secretary to the Communist Party Committee and the chairman of the labour union of CREC since January 2021.

WEN Limin
Non-executive Director

WEN Limin (文利民) (no other former name/alias), is a senior accountant and a certified public accountant. He is currently a non-executive Director of the Company and an external director of China Aerospace Science & Technology Corporation and an external director of China First Heavy Industries Group Co. Ltd.. He served as the Chief Accountant of Dongfang Electric Corporation from September 2005 to August 2016 with concurrent position as the Chairman of the Supervisory Committee of Dongfang Electric Co., Ltd. from June 2014 to March 2018, the Chief Accountant and a member of the Communist Party Committee Leadership Group of Dongfang Electric Corporation from August 2016 to January 2018, and the Chief Accountant and a member of the Communist Party Committee Leadership Group of China Southern Power Grid Company Limited from January 2018 to September 2020. He has been an external director of China Aerospace Science & Technology Corporation and an external director of China First Heavy Industries Group Co. Ltd. since December 2020. He has been a non-executive Director of the Company since March 2021.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHUNG Shui Ming Timpson
Independent Non-executive Director

CHUNG Shui Ming Timpson (鍾瑞明) (no other former name/alias), aged 69, is currently an independent non-executive director of the Company, a member of the National Committee of the 13th Chinese People's Political Consultative Conference and a Pro-Chancellor of the City University of Hong Kong. Mr. CHUNG Shui Ming Timpson is currently an independent non-executive director of Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Ltd., and an external director of China COSCO Shipping Corporation Limited. He served as a member of the 10th to 12nd National Committee of the Chinese People's Political Consultative Conference, a senior audit officer of PricewaterhouseCoopers, an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, the chairman of China Business of Jardine Fleming Holdings Limited, deputy chief executive officer of BOC International Limited, director-general of the Democratic Alliance for the Betterment and Progress of Hong Kong, chairman of the Advisory Committee on Art Developments, chairman of the Council of the City University of Hong Kong, chairman of the Hong Kong Housing Society, member of the Executive Council of the Hong Kong Special Administrative Region, vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, member of the Managing Committee of the Kowloon-Canton Railway Corporation, member of the Hong Kong Housing Authority, member of the Disaster Relief Fund Advisory Committee, independent non-executive director of Henderson Land Development Company Limited and Nine Dragons Paper (Holdings) Limited, and China Construction Bank Corporation, independent director of China Everbright Bank Corporation Limited and China State Construction Engineering Corporation Limited, and external director of China Mobile Communications Corporation. Mr. CHUNG Shui Ming Timpson holds a bachelor of science degree from the University of Hong Kong and a master's degree of business administration from the Chinese University of Hong Kong and obtained a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He was appointed as a Justice of the Peace and received the Gold Bauhinia Star from the Government of Hong Kong Special Administrative Region. He has been an independent non-executive director of the Company since June 2017.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

ZHANG Cheng
Independent
Non-executive Director

ZHANG Cheng (張誠) (with the former name of Zhang Xuedong), aged 63, is a senior engineer and currently is an independent non-executive director of the Company and an external director of Dongfang Electric Corporation. Mr. ZHANG Cheng served as the General Manager and the Secretary to the Communist Party Committee of China Yangtze Power Co., Ltd. from January 2006 to March 2010, a member of the Communist Party Committee Leadership Group and a Deputy General Manager of China Three Gorges Corporation with concurrent position as the General Manager and a director of China Yangtze Power Co., Ltd. from March 2010 to April 2015, and concurrently a director of China National Nuclear Power Co., Ltd. from May 2013 to December 2018, as well as a member of the Communist Party Committee Leadership Group and a Deputy General Manager of China Three Gorges Corporation with concurrent position as Vice Chairman of China Yangtze Power Co., Ltd. from May 2015 to December 2017. He has been an external director of Dongfang Electric Corporation since June 2020. He has been an independent non-executive director of the Company since March 2021.

XIU Long
Independent
Non-executive Director

XIU Long (修龍) (no other former name/alias), aged 63, is a senior engineer and a researcher. He is also an expert with special State Council allowances. He is currently an independent non-executive director of the Company, an external director of China Green Development and Investment Group Co., Ltd. and concurrently the Chairman of the Architectural Society of China. He served as the President and the Deputy Secretary to the Communist Party Committee of China Architecture Design & Research Group from January 2007 to December 2017 with concurrent position as the Chairman of China Construction Technology Consulting Co., Ltd in 2014, and the Secretary to the Communist Party Committee and the Chairman of China Construction Technology Co., Ltd. from January 2018 to July 2020 with concurrent position as the Secretary to the Communist Party Committee and the Chairman of China Construction Technology Consulting Co., Ltd.. He has been the Chairman of the Architectural Society of China since 2016 and an external director of China Green Development and Investment Group Co., Ltd. since November 2020. He has been an independent non-executive director of the Company since March 2021.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. Supervisors

JIA Huiping
Chairman of Supervisory Committee and Shareholder Representative Supervisor

JIA Huiping (賈惠平) (no other former name/alias), aged 55, is a senior economist and a senior political work professional and is currently the Chairman of the Supervisory Committee and Shareholder Representative Supervisor of the Company. Mr. JIA Huiping was previously the Deputy Secretary to the Communist Party Committee and the Secretary to the Discipline Committee of China Railway No.7 Engineering Group Co., Ltd. from March 2008 to November 2010, the Deputy Secretary to the Communist Party Committee, the Secretary to the Disciplinary Committee, and the Chairman of the Supervisory Committee of China Railway Airport Construction Co., Ltd. from November 2010 to December 2011, the Deputy Secretary to the Communist Party Committee, the Secretary to the Disciplinary Committee and the Chairman of the Supervisory Committee of China Railway Airport Construction Co., Ltd., and head of the South China center of China Railway Airport Construction Co., Ltd. from December 2011 to August 2014, the Chairman and the Secretary to the Communist Party Committee of Wuhan Railway Electrification Bureau Group Co., Ltd. from August 2014 to June 2017, as well as head of the cadre department of the Company and head of the cadre department of the Communist Party Committee of CREC from June 2017 to February 2020. He has been the Vice Chairman of the labour union of the Company and the Vice Chairman of the labour union of CREC from February 2020 to March 2021. He has been the Chairman of the Supervisory Committee and Shareholder Representative Supervisor of the Company since March 2021.

YUAN Baoyin
Employee Representative Supervisor

YUAN Baoyin (苑寶印) (no other former name/alias), aged 56, Chinese nationality, holding no overseas residence, senior engineer, currently is an employee representative supervisor and the deputy secretary to the discipline committee of the Company and concurrently the deputy secretary to the discipline committee of CREC. Mr. YUAN served as the deputy secretary to the CPC Committee and secretary to the discipline committee of China Railway No.9 Group Co., Ltd. from March 2008 to March 2011; the deputy secretary to the discipline committee of the Company and concurrently the deputy secretary to the discipline committee of CREC from March 2011 to January 2013; the Chairman and the secretary to the CPC Committee of China Railway No.9 Group Co., Ltd. from January 2013 to March 2014. He has served as the deputy secretary to the discipline committee of the Company and concurrently the deputy secretary to the discipline committee of CREC since March 2014. Mr. YUAN graduated from the University of Electronic Science and Technology of China with a master's degree in engineering.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

LI Xiaosheng
Employee Representative Supervisor

LI Xiaosheng (李曉聲) (no other former name/alias), aged 48, a senior political work professional, currently is an employee representative supervisor and Vice Chairman of the labour union of the Company, and concurrently the Vice Chairman of the labour union of CREC. He served as the deputy secretary to the Communist Party Committee of China Railway No.5 Engineering Group Co., Ltd. from January 2008 to August 2011 and concurrently the external director and vice-chairman of China Railway No.5 Mechanized Engineering Co., Ltd. from April 2009, and the Commanding Officer of China Railway No.5 China-Laos Railway Construction Headquarters from December 2010; the secretary to the Communist Party Committee, director and vice-chairman of China Railway International Economic Cooperation Co. Ltd. from August 2011 to October 2013. He served as the deputy chief economist and head of international business department of the Company from October 2013 to April 2015. Mr. LI Xiaosheng has been a vice-chairman of the Labour Union of the Company and CREC from April 2015 to March 2021. He has been the employee representative supervisor and the vice-chairman of the Labour Union of the Company and the vice-chairman of the Labour Union of CREC since March 2021.

WANG Xinhua
Employee Representative Supervisor

WANG Xinhua (王新華) (no former name/alias), aged 51, senior accountant, is the employee representative supervisor and head (supervisor) of the audit department (Office of the Supervisory Committee) of the Company. He served as the chief accountant of the Seventh Engineering Branch of China Railway No.4 Engineering Group Co., Ltd. from January 2011 to July 2014; head of finance and accounting department, deputy chief accountant, secretary to the board of directors, chief accountant and member of the Standing Committee of the Communist Party Committee of China Railway No.6 Engineering Group Co., Ltd. from August 2014 to January 2020. Mr. WANG Xinhua served as the deputy head of audit department of the Company from January 2020 to July 2020. He has been the head (supervisor) of the audit department (Office of Supervisory Committee) of the Company from July 2020 to March 2021. He has been the employee representative supervisor and the head (supervisor) of audit department (Office of Supervisory Committee) of the Company since March 2021.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. Senior Management

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

SUN Cui
Chief Accountant

SUN Cui (孫璀) (no other former name/alias), aged 55, senior accountant, currently is a Standing Member of the CPC Committee and Chief Accountant of the Company and is also a Standing Member of the CPC Committee of CREC. He served as a member of Preparatory Group and a temporary Standing Member of the CPC Committee of Power Construction Corporation of China, and a Standing Member of the CPC Committee of Sinohydro Corporation and Chief Accountant and Standing Member of the CPC Committee of Sinohydro Group Ltd. from March 2011 to August 2011; the Chief Accountant of Power Construction Corporation of China, a Standing Member of the CPC Committee of Sinohydro Corporation and Chief Accountant and Standing Member of the CPC Committee of Sinohydro Group Ltd. from August 2011 to December 2011; the Chief Accountant of Power Construction Corporation of China and a Standing Member of the CPC Committee of Sinohydro Corporation from December 2011 to February 2014; a Standing Member of the CPC Committee of Power Construction Corporation of China and a Standing Member of the CPC Committee and Chief Accountant of Powerchina Limited from February 2014 to January 2020 (from September 2015 to November 2015, studied in the 65th Training Class for bureau-level cadres of the CPC Party School); a Standing Member of the CPC Committee of CREC from January 2020 to March 2020. He has been a Standing Member of the CPC Committee and Chief Accountant of the Company and a Standing Member of the CPC Committee of CREC since March 2020.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

YU Tengqun
Vice President and General Legal Advisor

YU Tengqun (于騰群) (no other former name/alias), aged 51, senior economist, currently is a Standing Member of the CPC Committee, the Vice President and General Legal Advisor of the Company, and concurrently a Standing Member of the CPC Committee of CREC. He is the Vice Chairman of the Institute of Securities Law of CLS, Chairman of the Working Committee of Legal Services of China Construction Industry Association, and Vice President of "One Belt One Road" (China) Court of Arbitration ("一帶一路"(中國)仲裁院). Mr. YU was the Secretary to the Board of Directors and spokesperson of the Company from September 2007 to March 2014. He was the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from March 2014 to September 2017 (from March 2016 to January 2017, studied in a one-year middle-aged and youth training course organized by the Central Community Party School); a Standing Member of the CPC Committee, the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company and a Standing Member of the CPC Committee of CREC from September 2017 to June 2018; a Standing Member of the CPC Committee, Vice President, the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company and a Standing Member of the CPC Committee of CREC from June 2018 to August 2018; a Standing Member of the CPC Committee, Vice President and General Legal Advisor of the Company and a Standing Member of the CPC Committee of CREC since August 2018 (from October 2020 to January 2021, studied in a middle-aged and youth training course 1 organized by the Central Community Party School).

LIU Baolong
Vice President

LIU Baolong (劉寶龍), formerly named as LIU Baolong (劉保龍), aged 56, senior engineer, currently is a Standing Member of the CPC Committee and the Vice President of the Company and a Standing Member of the CPC Committee of CREC. He served as the General Manager, Deputy Secretary to the CPC Committee and Vice Chairman of China Railway No.3 Engineering Group Co., Ltd. and the Commanding Officer of the Construction Headquarters of the Beijing-Shanghai Express Railway undertaken by China Railway No.3 Engineering Group Co., Ltd. from November 2009 to January 2013. Mr. LIU was a Secretary to the CPC Committee and Vice Chairman of China Railway No.3 Engineering Group Co., Ltd. from January 2013 to March 2014; Secretary to the CPC Committee, Chairman and legal representative of China Railway No.3 Engineering Group Co., Ltd. from March 2014 to August 2018. He was a Vice President of the Company from June 2018 to March 2021. He is a Standing Member of the CPC Committee and the Vice President of the Company and a Standing Member of the CPC Committee of CREC since March 2021.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

REN Hongpeng
Vice President

REN Hongpeng (任鴻鵬) (no other former name/alias), aged 47, senior engineer, currently is a Standing Member of the CPC Committee and the Vice President of the Company and a Standing Member of the CPC Committee of CREC. Mr. REN was a Deputy General Manager of China Road and Bridge Corporation from September 2011 to August 2015, a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation from August 2015 to December 2015. Mr. REN was a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation and director of CCCG Real Estate Group Co., Ltd. from December 2015 to January 2016. He was a director of CCCG Real Estate Group Co., Ltd., director, General Manager (legal representative) and temporary Secretary to the CPC Committee of CCCG Overseas Real Estate Pte. Ltd. from January 2016 to February 2017. Mr. REN was a director and temporary member of CPC Committee of CCCG Real Estate Group Co., Ltd. and a director, General Manager (legal representative) and temporary Secretary to the CPC Committee of CCCG Overseas Real Estate Pte. Ltd. from February 2017 to June 2018. He was a Vice President of the Company from June 2018 to March 2021. He is a Standing Member of the CPC Committee and the Vice President of the Company and a Standing Member of the CPC Committee of CREC since March 2021.

KONG Dun
Chief Engineer

KONG Dun (孔遁) (no other former name/alias), aged 55, senior engineer, currently is the Chief Engineer of the Company. Mr. KONG was a General Manager, Deputy Secretary to the CPC Committee and director of Shanghai Civil Engineering Co., Ltd. of CREC from November 2010 to June 2018. He has been the Chief Engineer of the Company since June 2018.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MA Jiangqian
Chief Economist

MA Jiangqian (馬江黔) (no other former name/alias), aged 52, senior economist, currently is the Chief Economist of the Company. Mr. MA was a General Manager, Deputy Secretary to the CPC Committee and director of China Railway No.6 Engineering Group Co., Ltd. from January 2013 to June 2014. Mr. MA was a General Manager, Deputy Secretary to the CPC Committee and Vice Chairman of China Railway No.6 Engineering Group Co., Ltd. from June 2014 to June 2018. He has been the Chief Economist of the Company since June 2018.

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

HE Wen (何文) (no other former name/alias), aged 56, senior accountant, currently is the Secretary to the Board of Directors and Joint Company Secretary of the Company, and concurrently the Head of the finance and financial management department of the Company. He served as a director and Chief Accountant of China Railway No.4 Engineering Group Co., Ltd. from April 2007 to November 2013. Mr. HE was the Secretary to the CPC Committee, Chairman of the Board of Supervisor and Secretary to the Disciplinary Committee of China Railway Trust Co., Ltd. from November 2013 to March 2014. Mr. HE was the Deputy Chief Accountant and head of the finance department of the Company from March 2014 to June 2017. He was the head of the Finance Department of the Company from June 2017 to August 2018. He has been the Secretary to the Board of Directors and Joint Company Secretary of the Company, and concurrently the head of the finance and financial management department of the Company since August 2018.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

LI Fengchao
Chief Safety Production Officer

LI Fengchao (李鳳超) (no other former name/alias), aged 59, senior engineer, currently is the Chief Safety Production Officer and the Head (Supervisor) of the safety, quality and environmental protection supervision department (office of emergency management). From November 2013 to April 2014, he served as the Company's safety officer, head of the safety and environmental protection department and the leader of the safety inspection team; from April 2014 to July 2020, he served as the Company's safety director, head of the safety and quality supervision department and the leader of the safety inspection team; since July 2020, he served as the Company's Chief Safety Production Officer and the Head (Supervisor) of the safety, quality and environmental protection supervision department (office of emergency management).

TAM Chun Chung
Joint Company Secretary and Qualified Accountant

TAM Chun Chung (譚振忠), aged 48, currently is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Lap Kei Engineering (Holdings) Limited. Mr. TAM joined the Company in November 2007. Prior to joining the Company, Mr. TAM served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. TAM worked for a large international accounting firm as an assistant manager. Mr. TAM has over 26 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

REPORT OF THE DIRECTORS

Business Review

1. Business Review of the Financial Year

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

In the year of 2020, China and the rest of the world were facing difficult and complex economic conditions due to the impact of COVID-19. On the international front, the global economy was under enormous pressure, with all the developed economies experiencing shrinkage to different extents. The road to a global economic recovery will be long and difficult. On the domestic front, thanks to the effective measures taken by the State to prevent and control the pandemic, China became the only major economy in the world that had recorded a growth, with the new development structure showing its initial benefits. However, given the new risks and challenges faced by its economic development, China is still experiencing a relatively significant downward pressure on its domestic economy.

REPORT OF THE DIRECTORS

In the year of 2020, the Group consistently follow the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully implemented the spirit of the 19th CPC National Congress and that of the Second, the Third, the Fourth and the Fifth Plenary Sessions of the Nineteenth Central Committee of the CPC. It conscientiously implemented the various decisions and arrangements of the Central Committee of the CPC, the State Council and the SASAC, focused on ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations, as well as ensuring employment, improving people's livelihood, ensuring the operation of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments. The Group also upheld its philosophy of pursuing high-quality development and consistently paid equal attention to epidemic prevention and control on the one hand and production and operations on the other hand, so that neither was neglected. The Group made stable progress in its reforms and development, achieved good results in market operations and reaped remarkable effects from innovation and benefits creation. It also achieved significant results in risk prevention and control. It's production and operations remained stable while showing an upward trend. It conscientiously performed its social responsibilities, with its brand effect growing stronger day by day.

In the year of 2020, the Group achieved revenue of RMB974,732 million, representing a year-on-year increase of 14.6%. In the year of 2020, the Group achieved net profit of RMB27,250 million, representing a year-on-year increase of 7.4%. The profit for the year attributable to the owner of the Company was RMB25,188 million, representing a year-on-year increase of 6.4%.

Further details of the Group's business review of the financial year are set out in Parts I to VII of "Business Overview" on pages 15 to 28 and Parts I to VI of "Management Discussion and Analysis" on pages 31 to 42 of this annual report.

2. Principal Risks and Uncertainties

The Group is exposed to a variety of business risks, including investment risk, internationalization risk, cash flow risk, production safety, quality and environmental protection risk and major epidemic prevention and control risk in the ordinary course of business.

Further details of the Group's principal risks are set out in Part VII of "Management Discussion and Analysis" on page 43 of this annual report.

3. Future Development of Businesses

The Fifth Plenary Session of the Nineteenth Central Committee of the CPC pointed out that China is still in a period of strategic opportunity for development at present and for the foreseeable future, but there are new developments in both opportunities and challenges. The world today is undergoing a major change unprecedented in the past century, with a profound adjustment in the international power dynamics and an obvious increase in instability and uncertainty. China has shifted to a stage of high-quality development with sound long-term economic fundamentals, vast market space and strong development resilience. Meanwhile, unbalanced and insufficient development remains a prominent problem and the reform in key areas remains an arduous task.

The strategic objectives during the "14th Five-Year Plan": the Company will move towards a high-quality development stage in an all-round way, enter the forefront of the industry in terms of development quality, and initially build a world-class comprehensive construction group with global competitiveness; the Company will strive to achieve new results in the following aspects: the overall economic operation remaining stable, the industrial layout being further optimized, the competitive strength being further improved, the profitability being significantly improved, the governance system operating efficiently, the capital operation being more mature, the driving force of innovation being enhanced, the brand value being fully demonstrated, and the well-being of employees being comprehensively improved.

The strategic objectives for the business segments: infrastructure construction business will maintain its position as the world's largest transportation infrastructure construction enterprise with its industrial chain covering all areas of the construction industry, so as to realize the integrated development of "investment, construction and operation"; the survey, design and consulting service business will firmly occupy the technical highland, always lead the development direction of the industry, and give full play to its role as a traction or driving force, so as to enhance the collaborative development ability of the industrial chain; the engineering equipment and component manufacturing business will become a global leading brand of high-end infrastructure equipment, so as to serve the Company's transformation toward industrialized construction; the property development business will focus on becoming a comprehensive urban development operator, so as to establish the characteristics of China Railway in the fields of culture and tourism, health care, conference and exhibition, TOD, integration of industry and urban development by creating a core brand name.

The year of 2021 is the first year of the 14th Five-Year Plan and the first year when the Company brings its reform and development to a new stage and a new journey. Being in a period of strategic opportunity for development, the Company will endeavour to achieve more efficient, more sustainable and safer development with higher quality by further seizing the window of time and the favourable opportunity, grasping the strategic objectives and taking advantage of the trends.

Details of the Group's expectations to and plans of future businesses development are set out in Part VIII to Part IX of "Business Overview" on pages 29 to 30 of this annual report.

Financial Statements

The profits of the Group for the year ended 31 December 2020 and the financial positions of the Group as at such date are set out in the Financial Statements on pages 98 to 275.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.180 per share (including tax), totalling approximately RMB4.423 billion for the financial year ended 31 December 2020 (2019: RMB0.169 per share (including tax), totalling approximately RMB4.152 billion). The distribution plan will be implemented upon approval at the 2020 annual general meeting of the Company and the dividends are expected to be paid in around August 2021 to the shareholders of the Company.

For details of the policies for profit distribution of the Company, please refer to "Specific policies for profit distribution" of "Significant Events" on page 276 of this annual report.

Donations

Donations made by the Group during the financial year amounted to RMB216.875 million (2019: RMB85.691 million).

Property, Plant and Equipment

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

Share Capital

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

Distributable Reserves

As at 31 December 2020, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB66.135 billion.

Reserves

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

Major Customers and Suppliers

The China State Railway Group Co., Ltd. (formerly known as China Railway Corporation), which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2020, sales to the China State Railway Group Co., Ltd. accounted for approximately 21% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China State Railway Corporation) in aggregate accounted for approximately 23% of the total revenue of the Group. At no time during the financial year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2020, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 0.64% of the total cost of sales of the Group in 2020.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2020 are set out in note 25 and note 26, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

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

Name	Position
CHEN Yun (elected as the Chairman on 22 December 2020)	Chairman and Executive Director
WANG Shiqi (appointed on 29 April 2020)	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
ZHANG Zongyan (resigned on 22 December 2020)	Chairman and Executive Director
ZHANG Xian (resigned on 4 November 2020)	Executive Director
MA Zonglin (resigned on 26 August 2020)	Non-executive Director

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

Name	Position
ZHANG Huijia	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan	Employee Representative Supervisor
YUAN Baoyin	Employee Representative Supervisor
CHEN Wenxin	Shareholder Representative Supervisor
FAN Jinghua	Employee Representative Supervisor

REPORT OF THE DIRECTORS

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

Name	Position
CHEN Wenjian (appointed on 22 December 2020)	President
SUN Cui (appointed on 5 March 2020)	Chief Accountant
YU Tengqun	Vice President and General Legal Advisor
DUAN Yongchuan	Vice President
LIU Baolong	Vice President
REN Hongpeng	Vice President
KONG Dun	Chief Engineer
MA Jiangqian	Chief Economist
HE Wen	Secretary to the Board of Directors, Joint Company Secretary and Head of Finance Department
LI Fengchao (appointed on 14 July 2020)	Chief Safety Production Officer
TAM Chun Chung	Joint Company Secretary and Qualified Accountant
CHEN Yun (ceased to act as the President on 22 December 2020)	President
LIU Hui (ceased to act as the Vice President on 23 June 2020)	Vice President
YANG Liang (ceased to act as the Chief Financial Officer on 5 March 2020)	Chief Financial Officer

The 35th meeting of the fourth session of Board of the Company was held on 5 March 2020, at which Mr. YANG Liang was dismissed from his position as the chief accountant (chief financial officer) of the Company due to position adjustment and Mr. SUN Cui was appointed as the chief accountant of the Company for a term commenced from the date when the Board approved the appointment until the expiry of the term of the fourth session of Board.

The first extraordinary general meeting of 2020 of the Company was held on 29 April 2020, at which Mr. WANG Shiqi was appointed as an executive director of the Company for a term commenced from 29 April 2020 until the expiry of the term of the fourth session of Board.

The 39th meeting of the fourth session of Board of the Company was held on 23 June 2020, at which Mr. LIU Hui was dismissed from his position as the vice president of the Company due to retirement.

The Board of the Company received the written resignation report from Mr. MA Zonglin on 26 August 2020. In light of his age, Mr. MA Zonglin has tendered his resignation as a non-executive director, a member of the strategy committee under the Board, a member of the remuneration committee under the Board and a member of safety, health and environmental protection committee under the Board. Upon his resignation, Mr. MA Zonglin will not hold any position in the Company. The resignation report of Mr. MA Zonglin shall take effect upon receipt by the Board.

The Board of the Company received the written resignation report from Mr. ZHANG Xian on 4 November 2020. In light of his age, Mr. ZHANG Xian has tendered his resignation as an executive director of the Company and a member of the safe, health and environmental protection committee under the Board. Upon his resignation, Mr. ZHANG Xian will not hold any position in the Company. The resignation report of Mr. ZHANG Xian shall take effect upon receipt by the Board.

The Board of the Company also received the written resignation report from Mr. ZHANG Zongyan on 22 December 2020 due to his exchange to take office at China South-to-North Water Diversion Group Limited. Mr. ZHANG Zongyan has tendered his resignation as an executive director, the Chairman and the legal representative of the Company. Upon his resignation, Mr. ZHANG Zongyan will not hold any position in the Company. The resignation report of Mr. ZHANG Zongyan shall take effect upon receipt by the Board.

On 22 December 2020, the Board resolved to elect Mr. CHEN Yun as the Chairman of the Company for a term commenced from 22 December 2020 until the expiry of the term of the fourth session of Board of the Company. Mr. CHEN Yun ceased to serve as the President of the Company with effect from 22 December 2020. Mr. CHEN Wenjian was appointed as the President of the Company for a term commenced from 22 December 2020 until the expiry of the term of the fourth session of Board.

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

On 26 January 2021, at the Second Meeting of the Third Session of the Employee Representatives General Meeting of the Company, it was resolved that, effective from 26 January 2021, Ms. LIU Jianyuan and Mr. FAN Jinghua ceased to be employee representative supervisors of the Company due to Ms. LIU Jianyuan's retirement and Mr. FAN Jinghua's change of job nature. In addition, Mr. LI Xiaosheng, Mr. HOU Shezhong and Mr. WANG Xinhua were elected as employee representative supervisors to the fifth session of the Supervisory Committee of the Company. The term of office of the three employee representative supervisors commenced from 12 March 2021 until the expiry of term of fifth session of the Supervisory Committee of the Company.

On 8 February 2021, the Company received the written resignation report from Mr. DUAN Yongchuan, former vice president, who tendered to the Board his resignation as the vice president in light of his personal reasons and would hold no position at the Company after resignation.

The first joint conference for chief of delegation of the second meeting of the third session of the employee representative general meeting of the Company was held on 10 March 2021, at which Mr. HOU Shezhong was no longer be elected to be an employee representative supervisor of the 5th session of the supervisory committee of the Company due to his change of job nature and Mr. YUAN Baoyin was elected as an employee representative supervisor of the 5th session of the supervisory committee of the Company.

The first extraordinary general meeting of 2021 was held on 12 March 2021, at which Mr. CHEN Yun, Mr. CHEN Wenjian and Mr. WANG Shiqi were elected as executive directors of the Company; Mr. WEN Limin was elected as a non-executive director of the Company; and Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long were elected as independent non-executive directors of the Company. The term of office of such directors commenced from 12 March 2021 until the expiry of the term of office of the fifth session of the board of directors of the Company. In addition, Mr. JIA Huiping was elected as a shareholder representative supervisor of the fifth session of the supervisory committee of the Company for a term of three years commenced on 12 March 2020 until the expiry of the term of the fifth session of the supervisory committee of the Company.

Directors' and Supervisors' Interests in Contracts

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

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

Details of the emoluments of the directors, supervisors and senior management of the Company in 2020 are set out in note 17 and note 50 to the audited Financial Statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2020, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

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

Permitted Indemnity Provisions

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

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

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

As at 31 December 2020, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2020, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holder of A Shares

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

Holders of H Shares

Name of substantial shareholders	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
The Bank of New York Mellon Corporation	Interest of controlled corporations	252,540,328	Long position	6.00	1.03
		249,041,253	Lending Pool	5.92	1.01
Deutsche Bank Aktiengesellschaft	*(Note 1)*	229,803,271	Long position	5.46	0.94
		123,424,962	Short position	2.93	0.50
		10,406,000	Lending Pool	0.25	0.04
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.86
		94,560,550	Short position	2.25	0.38

REPORT OF THE DIRECTORS

Notes:

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

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

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

	Long Position				*Short Position*			
Name of substantial shareholders	*Listed equity derivative payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*	*Listed equity derivatives payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*
Black Rock, Inc.	*–*	*–*	*–*	*223,000*	*–*	*–*	*–*	*933,000*
Deutsche Bank Aktiengesellschaft	*–*	*–*	*–*	*17,624,000*	*–*	*–*	*–*	*10,166,000*
Lehman Brothers Holdings Inc.	*–*	*–*	*10,000,000*	*–*	*–*	*–*	*60,000*	*–*

Apart from the foregoing, as at 31 December 2020, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

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

Connected Transactions

1. Continuing Connected Transactions Defined under the Listing Rules

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) have exceeded the cap.

In accordance with the above requirements, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 65 to 67 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company for submission to the Hong Kong Stock Exchange.

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

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

Details of the significant related party transactions as defined by PRC laws and regulations during the reporting period are set out on pages 287 to 290 of this annual report.

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

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

Pre-emptive Rights

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

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the financial year, or existed as at 31 December 2020.

Bank and Other Loans

Details of bank and other loans of the Group as at 31 December 2020 are set out in note 42 to the Financial Statements.

Management Contract

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

Financial Summary

The summary of the audited consolidated statement of profit or loss and of the audited statements of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3 of this annual report.

Emolument Policy

The Group has been devoted to improving a remuneration management scheme that is scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that remuneration distribution may serve, and aimed to attract and retain the core talents of the Group and maintain the reasonable and orderly growth in remuneration. In respect of remuneration policies, the Group further improved the Measures for the Administration of Total Payroll of China Railway Group Limited, established and improved the salary determination and normal growth mechanism which is linked with the enterprise's economic benefits, labour productivity and labour cost and input-output efficiency. The Measures strengthened the linkage with the economic efficiency of enterprise, encouraged enterprise to create efficiency, made adjustment in combination with efficiency, guided the enterprise to improve efficiency, and carried out adjustment and control in combination with the average wage of employees to create a positive incentive atmosphere.

REPORT OF THE DIRECTORS

Employee remuneration of the Group comprises basic salary, performance-based bonus and allowances and subsidies. In accordance with the PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. In accordance with the national policies, the Group makes full contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance, workers' compensation insurance and housing provident fund. In addition to statutory contributions, the Group also provides voluntary benefits to employees. These benefits include the enterprise annuities for employees.

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

In 2020, the Group continued to thoroughly implement the Cadres Education and Training Work Regulations and the National Cadres Education and Training Plan for 2018-2022, focused on the corporate strategy and the production and operation of enterprise, constantly consolidated and reinforced the full-coverage training pattern which was "horizontal to the edge, vertical to the bottom", and continued to strengthen staff education and training work. During the year, the Group actively overcame the impact of the epidemic on the whole enterprise, actively strengthened key trainings on ideals and beliefs, self-cultivation of Party spirit and political theories, and simultaneously strengthened the professional training on operation and management and business practice to improve the comprehensive quality and ability level of cadres in an all-round way. The headquarters held 33 training lessons for over 5,400 persons. The Group constantly optimized the "three-in-one" training system for leaders, and focused on improving the skill and ability of leaders to perform their duties; held the first training lesson for young and middle-aged cadres, with 57 post-80s employees with outstanding performance and potential at the section level taking part in the training, which provided reference basis for selection and employment of personnel in future through close follow-up inspection; held the first batch of quality improvement class for young staff of headquarters in two sessions, made efforts to build a team of young staff for headquarters with high level of quality, strong executive ability and good style of image; made continuous efforts to strengthen the skilled talent training, with a total of 7 training sessions for 479 skilled personnel and 92 training sessions for 6,122 professionals at construction site. In addition, the Group continued to develop the work on the training and cultivation of international talents, internal trainers and all kinds of professionals.

In 2021, the Group will continuously intensify staff training by closely focusing on the enterprise's strategic development plan, talent development plan and annual central work during the "14th Five-Year" period, continuously improve the overall quality and duty performance capacity of the employees and promote the high-quality development of enterprise. In light of the needs for building "six talent teams", the Group will properly organize the training of leaders, young and middle-aged cadres, international talents, investment and financing talents, marketing talents, project managers, Party-masses work, legal compliance, fiscal and taxation administration as well as other professionals. At the same time, the Group will actively explore the reform and innovation of training system, strengthen the exploration of training information management, and constantly improve the quality and efficiency of training work.

The personnel expenses of the Company for the year ended 31 December 2020 were RMB47.999 billion. As at 31 December 2020, the number of employees hired by the Group was 288,729. The following table sets forth a breakdown of the Group's employees by professional composition and education level as at 31 December 2020:

Professional Composition	Number of employees as at 31 December 2020
Production staff	81,213
Salesperson	14,024
Technical personnel	66,631
Financial staff	18,122
Administrative staff	86,664
Other personnel	22,075
Total	**288,729**

Education Level	Number of employees as at 31 December 2020
Doctor degree candidate	295
Master degree candidate	11,674
Undergraduate	141,019
Junior College and below	135,741
Total	**288,729**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 43 to the Financial Statements.

Public Float

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

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 72 to 91 of this annual report.

Auditors

The 2020 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by PricewaterhouseCoopers, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by PricewaterhouseCoopers Zhong Tian LLP.

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

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

By order of the Board of Directors
CHEN Yun
Chairman

Beijing, the PRC
30 March 2021

REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

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

Corporate Governance Framework

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

Compliance with the Code Provisions of the Corporate Governance Code

As a company listed on the main board of the Hong Kong Stock Exchange, the Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the principles of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company has complied with all provisions of the Corporate Governance Code during the reporting period and the principles as set out in the Corporate Governance Code have been applied in our corporate governance structure.

REPORT ON CORPORATE GOVERNANCE PRACTICES

Shareholders' General Meeting

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

During the reporting period, the Company convened and held three shareholders' general meeting, being the 2020 first extraordinary general meeting held on 29 April 2020, the 2019 annual general meeting held on 23 June 2020, and the 2020 second extraordinary general meeting held on 30 October 2020. At the 2020 first extraordinary general meeting, one ordinary resolution was considered and approved, namely the election of Mr. WANG Shiqi as an executive director of the Company. At the 2019 annual general meeting, a total of 11 ordinary resolutions were considered and approved, including the 2019 report of the Board of Directors, the 2019 report of the Supervisory Committee, the 2019 work report of independent directors of the Company, the 2019 A share annual report and the abstract, H share annual report and results announcement for the year of 2019, the 2019 audited consolidated financial statements, the 2019 profit distribution plan, the appointment of the external auditors for 2020, the appointment of internal control auditors for 2020, the salary (remuneration, work subsidy) of directors and supervisors of the Company for the year of 2019, the purchase of liabilities insurance for directors, supervisors and senior management of the Company for the year of 2020, and the provision of the total amount of external guarantee by the Company for the second half of 2020 to the first half of 2021, and a total of four special resolutions were considered and approved, including the issuance of domestic and overseas debt financing instruments, the general mandate to issue new shares, the proposed amendments to the Articles of Association of the Company and the proposed amendments to the Procedural Rules for the Shareholders' Meeting of the Company. At the 2020 second extraordinary general meeting, a total of 10 special resolutions were considered and approved, including the proposed initial public offering and listing of China Railway High-Speed Electrification Equipment Corporation Limited on the Science and Technology Innovation Board of the Shanghai Stock Exchange ("**STAR Market**"), the "Preliminary Plan for the Spin-off and Listing on the STAR Market of China Railway High-Speed Electrification Equipment Corporation Limited, a Subsidiary of China Railway Group Limited (Revised Draft)", the proposed spin-off and listing of a subsidiary in compliance with laws and regulations, the proposed spin-off and listing of China Railway High-Speed Electrification Equipment Corporation Limited on the STAR Market which benefits the safeguarding of legal rights and interests of shareholders and creditors, the ability to maintain independence and sustainable operation ability of the Company, the corresponding standardized operation ability of China Railway High-Speed Electrification Equipment Corporation Limited, the authorisation to the Board of Directors and its authorised persons to handle matters relating to the listing of China Railway High-Speed Electrification Equipment Corporation Limited on the STAR Market at their sole discretion, the analysis of the background, objective, commercial rationale, necessity and feasibility of the spin-off and listing of China Railway High-Speed Electrification Equipment Corporation Limited on the STAR Market, the explanations on the completeness and compliance of the statutory procedures undertaken and the validity of the documents submitted for the spin-off and listing of a subsidiary of the Company, and the proposed amendments to the Articles of Association of the Company. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
CHEN Yun (elected as the Chairman on 22 December 2020)	2	2	–
WANG Shiqi (elected on 29 April 2020)	3	3	–
GUO Peizhang	3	3	–
WEN Baoman	3	3	–
ZHENG Qingzhi	3	3	–
CHUNG Shui Ming Timpson	3	3	–
ZHANG Zongyan (resigned on 22 December 2020)	3	3	–
ZHANG Xian (resigned on 4 November 2020)	3	3	–
MA Zonglin (resigned on 26 August 2020)	2	2	–

The Board of Directors

1. Composition of the Board of Directors

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

CHEN Yun (elected as the Chairman on 22 December 2020)	Chairman and Executive Director
WANG Shiqi (elected on 29 April 2020)	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
ZHANG Zongyan (resigned on 22 December 2020)	Chairman and Executive Director
ZHANG Xian (resigned on 4 November 2020)	Executive Director
MA Zonglin (resigned on 26 August 2020)	Non-executive Director

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

REPORT ON CORPORATE GOVERNANCE PRACTICES

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

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

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

2. Board Meetings

In 2020, the Company held 17 Board meetings, 9 of which were on-site meetings and 8 of which were meetings held by communications. A total of 158 proposals were considered and passed at these Board meetings, including proposals in relation to the strategic planning, periodical reports, internal control and investment, and heard 27 briefings regarding visits and inspections, rule of law and compliance, implementation of resolutions and market capitalisation management.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings held by communications	Number of meetings attended by proxy
CHEN Yun (elected as the Chairman on 22 December 2020)	17	7	8	2
WANG Shiqi (elected on 29 April 2020)	10	8	2	–
GUO Peizhang	17	9	8	–
WEN Baoman	17	9	8	–
ZHENG Qingzhi	17	9	8	–
CHUNG Shui Ming Timpson	17	9	8	–
ZHANG Zongyan (resigned on 22 December 2020)	15	6	8	1
ZHANG Xian (resigned on 4 November 2020)	15	8	7	–
MA Zonglin (resigned on 26 August 2020)	12	4	7	1

3. Responsibilities and Operation of the Board

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

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

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

4. Model Code for Securities Transactions by Directors

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

REPORT ON CORPORATE GOVERNANCE PRACTICES

5. Directors' Training

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills in order to constantly improve their abilities to perform duties and make their contributions for the Board of Directors to perform its duties. The Company has devised a training record in order to assist the directors of the Company to record the training courses they have taken. During the year of 2020, due to the impact of COVID-19, the number of trainings received by the directors of the Company has been reduced compared with previous years. In particular, Mr. CHEN Yun and Mr. WANG Shiqi each participated in three trainings.

6. Committees under the Board

As of the end of 2020, the composition of the committees under the Board of Directors was as follows: Mr. CHEN Yun, Mr. WANG Shiqi and Mr. GUO Peizhang were appointed as members and Mr. CHEN Yun was appointed as the Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson were appointed as members and Mr. ZHENG Qingzhi was appointed as the Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. CHEN Yun, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. CHEN Yun was appointed as the Chairman of the Nomination Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. GUO Peizhang was appointed as the Chairman of the Remuneration Committee of the Board of Directors, and Mr. CHEN Yun, Mr. ZHENG Qingzhi and Mr. CHUNG Shui Ming Timpson were appointed as members and Mr. CHEN Yun was appointed as the Chairman of the Safety, Health and Environmental Protection Committee of the Board.

(a) Strategy Committee

The primary responsibilities of the Strategy Committee include, among other things, reviewing proposals and making recommendations to the Board of Directors regarding the Company's strategic development plans, annual budget, capital allocation plan, major mergers and acquisitions, major investment and financing plans and material internal reorganisation.

As of the end of 2020, the Strategy Committee comprised Mr. CHEN Yun and Mr. WANG Shiqi who are executive directors, and Mr. GUO Peizhang who is independent non-executive director, and is chaired by Mr. CHEN Yun.

During the reporting period, the Strategy Committee held 3 meetings and heard 9 reports including *the Report on the Execution of Company's Strategic Planning for 2019 and the Key Working Arrangement of the Strategy Committee for 2020, the Report on Market Capitalisation Management of China Railway for 2019, the Report on Mergers and Acquisitions and Restructurings of China Railway Group Limited in 2019*, etc., and considered 2 proposals including *the Proposal on the Negative List of Investment Projects of China Railway Group Limited for 2019 and the Proposal on Compliance Manual of China Railway Group Limited*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
CHEN Yun (served as a member of the Strategy Committee since 30 October 2019 and served as the Chairman of the Strategy Committee since 22 December 2020)	3	2	1
WANG Shiqi (elected on 29 April 2020)	1	1	–
GUO Peizhang	3	3	–
ZHANG Zongyan (resigned on 22 December 2020)	3	3	–
MA Zonglin (resigned on 26 August 2020)	2	2	–

(b) Audit and Risk Management Committee

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

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

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

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

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

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

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

As of the end of 2020, the Audit and Risk Management Committee comprised Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson who are independent non-executive directors, and is chaired by Mr. ZHENG Qingzhi.

During the reporting period, the Audit and Risk Management Committee held 7 meetings, at which a total of 28 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment, and risk management and heard 8 briefings.

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

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

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

As of the end of 2020, the Remuneration Committee comprised Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors, and is chaired by Mr. GUO Peizhang.

During the reporting period, the Remuneration Committee held 7 meetings, at which a total of 14 reports and proposals were considered, including the plan for the performance contract with senior management and the contract signing, remuneration assessment and payment for senior management, total remuneration management, performance remuneration and business payment management plan for personnel at all levels of the Company, performance assessment plan and remuneration management plan for responsible officer of the subordinate enterprises, and heard 5 briefings including the report on completion of performance contract in 2019.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang	7	7	–
WEN Baoman	7	7	–
ZHENG Qingzhi (appointed on 28 September 2020)	2	2	–
MA Zonglin (resigned on 26 August 2020)	4	4	–

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

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

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

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

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

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

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

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

As of the end of 2020, the Nomination Committee comprised Mr. CHEN Yun who is an executive director and Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors, and is chaired by Mr CHEN Yun.

According to the nomination policy adopted by the Company, the Nomination Committee shall nominate director candidates for election in accordance with the formalities and procedures stipulated in the Articles of Association and the rules of procedures of the Nomination Committee, and consider candidates for directorship based on objective standards, including but not limited to education, qualification, ability, industry related experience of the individual candidates and if the candidate is proposed to be elected as an independent non-executive Director of the Company, whether or not such candidate meets the independence requirements under the Listing Rules.

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

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

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

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

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

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

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

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

During the reporting period, the Nomination Committee held 2 meeting at which a total of 5 proposals were considered including *the Proposal on the Nomination of Mr. Wang Shiqi as Candidate of Executive Director of China Railway Group Limited, the Proposal on the Election of the Chairman of China Railway Group Limited and the Proposal on the Appointment of the Chairman of China Railway Group Limited*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
CHEN Yun (served as a member of the Nomination Committee since 30 October 2019 and served as the Chairman of the Nomination Committee since 22 December 2020)	2	2	–
GUO Peizhang	2	2	–
WEN Baoman	2	2	–
ZHENG Qingzhi	2	2	–
ZHANG Zongyan (resigned on 22 December 2020)	1	1	–

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

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

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

For the year ended 31 December 2020, the Board has fulfilled the measurable objectives of the Board diversity policy.

(e) Safety, Health and Environmental Protection Committee

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

As of the end of 2020, the Safety, Health and Environmental Protection Committee comprised of Mr. CHEN Yun who is an executive director, Mr. ZHENG Qingzhi and Mr. CHUNG Shui Ming Timpson who are independent non-executive directors, and is chaired by Mr. CHEN Yun.

During the reporting period, the Safety, Health and Environmental Protection Committee held 2 meetings, at which *the Report on Safety, Quality, Occupational Health and Environmental Protection of China Railway for 2019 and the Key Working Arrangement for 2020* and *the Report on Safety Quality, Health and Environmental Protection of China Railway for the First Half Year of 2020 and the Key Working Arrangement for the Second Half Year* were heard.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
CHEN Yun	–	–	–
ZHENG Qingzhi	2	2	–
CHUNG Shui Ming Timpson	2	2	–
ZHANG Xian (resigned on 4 November 2020)	2	2	–
MA Zonglin (resigned on 26 August 2020)	1	1	–

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

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

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

(3) examining the Company's financial matters;

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

(5) making proposals for shareholders' general meetings;

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

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

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

REPORT ON CORPORATE GOVERNANCE PRACTICES

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

Mr. ZHANG Huijia	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
Ms. LIU Jianyuan	Employee Representative Supervisor
Mr. YUAN Baoyin	Employee Representative Supervisor
Mr. CHEN Wenxin	Shareholder Representative Supervisor
Mr. FAN Jinghua	Employee Representative Supervisor

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

During the reporting period, the Supervisory Committee held 7 meetings, considered a total of 28 proposals, and heard a total of 33 briefings.

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

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. ZHANG Huijia	7	7	–
Ms. LIU Jianyuan	7	7	–
Mr. YUAN Baoyin	7	7	–
Mr. CHEN Wenxin	7	7	–
Mr. FAN Jinghua	7	6	1

Joint Company Secretaries

Mr. HE Wen and Mr. TAM Chun Chung serve as joint company secretaries of the Company.

Mr. HE and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional trainings during the reporting period.

Shareholders' Rights

1. Convening of Extraordinary General Meeting

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

(1) The proposing shareholder(s) shall execute one or several copies of written request with the same form and contents to propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting and set out the topics of the meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such an extraordinary general meeting of shareholders or class shareholders' meeting within ten days upon receipt of the request in accordance with laws, regulations and the Articles of Association.

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

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

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

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

2. Putting Forward Proposals in the Shareholders' General Meeting

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

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

(2) When the Company holds an annual general meeting of shareholders, it shall send a written notice to the shareholders at least twenty clear business days prior to the meeting; when holding an extraordinary general meeting of shareholders, it shall send a written notice to the shareholders at least ten clear business days or fifteen days, whichever is longer, prior to the meeting. Shareholders intending to be present in the general meeting of shareholders shall send a written reply of attendance to the Company within the time period stipulated in the notice.

3. Enquiries to the Board

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

Amendment to the Articles of Association

Based on the latest revised Securities Law of the People's Republic of China which took effect in March 2020, the updated regulations in relation to the procedural requirements of shareholders' general meeting for overseas listed companies promulgated by the State Council, and taking into account the situations of the recent organizational reform of the Company as well as the Company's actual management needs, certain amendments to the Articles of Association were approved by the Company at the 2019 annual general meeting held on 23 June 2020.

Based on the Implementing Rules for the Reduction of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies issued by the Shanghai Stock Exchange and the Company's actual management needs, certain amendments to the Articles of Association were approved by the Company at the 2020 second extraordinary general meeting held on 30 October 2020.

The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

CREC is the Company's controlling shareholder. The Company is independent from CREC in respect of its staff, assets, finance, organisational structure and operation. During the reporting period, except for Mr. CHEN Yun (elected as the Chairman and executive director of the Company on 22 December 2020), who also serves as a chairman of CREC, Mr. CHEN Wenjian, who also serves as a director and the general manager of CREC, Mr. ZHANG Zongyan (resigned as the Chairman and executive director on 22 December 2020) who also served as chairman of CREC, and supervisor of the Company, Ms. LIU Jianyuan who also served as a director of CREC, none of the directors, supervisors or senior management of the Company held any positions with CREC or received any salary from CREC and/or its associates. Notwithstanding the fact that Mr. CHEN Yun, Mr. Chen Wenjian, Mr. ZHANG Zongyan (each an "**Overlapping Director**") and Ms. LIU Jianyuan act as directors of CREC and directors or supervisors of the Company respectively, they have the capacity to commit to the daily management of the Company because there was less day-to-day management work of CREC. Moreover, each of the Overlapping Director represents a minority in the Board of Directors during his period of appointment. During the reporting period, the Board of Directors also had four independent non-executive directors, which ensured that the interests of the Company and shareholders were protected. The Company also has its own financial management system and related personnel who are independent from CREC.

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

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

Auditors' Remuneration

The Company has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP (collectively the "**External Auditors**") as the international and domestic auditors of the Company for 2020, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2020 are approximately RMB39 million.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. The Company published 342 announcements and circulars in total, among which, announcements for A shares totalled 136, and announcements and circulars for H shares totalled 206. All of the announcements and circulars are duly published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated newspapers.

Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

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

In addition, the Company carefully complied with regulatory rules and prepared 2020 annual social responsibility report and appraisal report on internal control. The Company engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditor of the Company for 2020. PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of the Company's internal control in relation to financial statements in 2020 and issued unqualified opinions in this respect.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2020, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 92 to 97 of this annual report.

Investors Relations

First is the strengthening of communications between the Company and domestic and foreign investors during the reporting period, the Company has attended 76 famous domestic and overseas investment institution summits, picked 1,012 hotlines from investors and replied 65 questions from Shanghai Stock Exchange e-interaction platform, communicate with relevant institutions on issues such as the lifting of the ban on corporate debt-to-equity swaps, the preparation and disclosure of ESG reports, etc., carry out an annual reverse road show, and improve the mutual trust between investors and the Company by holding performance press conference, cash dividends briefings, etc..

Second is the strive to improve the international rating of ESG of the Company by two grades. Starting from the beginning of 2020, the Company had carried out ESG-related policy training, actively promote the Company to start from realising global development, and actively improve from both the work done and information disclosure perspective in fulfilling social responsibility, corporate governance, environmental protection, etc., and actively communicate with MSCI rating agencies to carry out activities to improve ratings, resulting in an improvement in the MSCI's rating of ESG of the Company by two grades in December 2020, which enhanced the Company's image as a responsible SOE in the international capital market and demonstrate best practice of ESG in a SOE.

Third is the organisation of the Company's investor relationship management experience. The Company summarized more than ten years of investment experience, and organised such materials which were included in the "Shanghai Stock Exchange A+H Shares Excellent Case Collection" by the Shanghai Stock Exchange.

During the year of 2020, the Company received a number of awards, namely "The Best Listed Company", "The Third Best IR Hong Kong Stock Company", "Tianma Award Best Board of Directors of Listed Companies on the Main Board ", "Golden Bauhinia-Most Socially Responsible Listed Company" and other collective awards issued by the New Fortune magazine, and individual awards such as Golden Bauhinia-Outstanding Entrepreneur of the 30th Anniversary of the Capital Market and "Tianma Award-Best Secretary of the Board of Directors of Listed Companies on the Main Board".

Continuous Involvement of Corporate Governance

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

What we have audited

The consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 275, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Revenue recognition from infrastructure construction contracts
- Expected credit losses of trade receivables and contract assets

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from infrastructure construction contracts	
Refer to Note 2.32(a), Note 4(b)(i), and Note 5 to the consolidated financial statements. The Group's revenue from infrastructure construction contracts is recognised over the period of the contract. For the year ended 31 December 2020, the revenue from infrastructure construction contracts amounted to RMB844,110 million. Revenue from infrastructure construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured mainly by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management. We focused on the revenue recognition from infrastructure construction contracts because the judgement and estimation of contract revenue and contract costs is subject to high degree of estimation uncertainty. The inherent risk in relation to the contract revenue and contract costs is considered significant due to the subjectivity of significant assumptions and estimates used. Therefore, we identified the recognition of revenue from infrastructure construction contracts as a key audit matter.	We performed the following procedures in relation to management's estimates of contract revenue and contract costs: – We obtained an understanding of management's internal control and assessment process of revenue recognition from infrastructure construction contracts, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; – We evaluated and tested the relevant controls over estimates of total contract revenue, preparation and review of total contract costs, budget adjustments and review and other controls related to revenue recognition from infrastructure construction contracts; – We compared, on a sample basis, the actual total contract revenue and total contract costs of completed projects during the year, against the most updated estimates before completion to assess the reliability of the estimates; – We checked construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials receipt notes and labour cost records on a sample basis; – In respect of projects under construction, we performed the following procedures on a sample basis: (i) Reviewed the terms and conditions of the infrastructure construction contracts, inspected the contract sum, budget information, variation orders, claims and incentive payments, if any, on which the estimated total contract revenue and total contract costs were based, and evaluated the appropriateness of management's estimation; (ii) Tested the mathematical accuracy of the progress toward completion and revenue and costs recognised during the year; (iii) Confirmed key contract terms with owners of infrastructure construction projects; and (iv) Assessed the reasonableness of the progress toward completion by visiting the selected sites of infrastructure construction projects to observe the progress of the contract work, and discussing with the site project management the extent to completion of the contract work. Based on our work, we found the judgement and estimates adopted by management in determining the revenue from infrastructure construction contracts are supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of trade receivables and contract assets	
Refer to Note 2.20, Note 2.21, Note 4(b)(ii), Note 33, and Note 34 to the consolidated financial statements. As at 31 December 2020, the carrying amounts of trade receivables and contract assets amounted to RMB107,877 million and RMB255,113 million, respectively, with loss allowances amounted to RMB6,828 million and RMB2,109 million, respectively. Provision for credit loss allowance of trade receivables and contract assets was made based on an assessment of the lifetime expected credit losses. For trade receivables and contract assets which have impaired, the Group assessed individually and provided for credit losses allowance. If no reasonable and supportable information is available without undue cost for expected credit losses measurement, the trade receivables and contract assets were grouped by reference to the credit risk characteristics and assessed collectively for credit losses allowance. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors. In assessing forward-looking information, the Group considers factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. We focused on auditing the expected credit losses of trade receivables and contract assets because the judgement and estimation of expected credit losses is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit losses of trade receivables and contract assets is considered significant due to the subjectivity of significant assumptions and estimates used. Therefore, we identified the expected credit losses of trade receivables and contract assets as a key audit matter.	We performed the following procedures in relation to management's assessment on the expected credit losses of trade receivables and contract assets: – We obtained an understanding of management's internal control and assessment process of expected credit losses of trade receivables and contract assets, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; – We evaluated and tested the relevant controls in place on management's assessment on the expected credit losses of trade receivables and contract assets; – For trade receivables and contract assets assessed individually, on a sample basis, we reviewed management's assessment of financial position and creditworthiness of customers, historical payment and settlement records and forecasted future economic conditions. We also corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group, respective collection and settlement pattern, examined the basis of determining forward-looking factors, to assess the reasonableness of expected credit loss allowance provided by management. – For trade receivables and contract assets assessed collectively by reference to the credit risk characteristics, we assessed the reasonableness of the grouping and the respective expected credit loss based on the historical credit loss incurred including the historical payment and settlement pattern of debtors, aging profile of trade receivables and contract assets, current conditions and forward looking factors. We recalculated the historical default rate, evaluated the basis of determining forward-looking adjustment, and tested the accuracy of the aging of the trade receivables and contract assets on a sample basis, and assessed the mathematical accuracy of calculation of the expected credit loss allowance; and – We tested the cash collections of trade receivable and settlement of contract assets subsequent to end of the reporting period on a sample basis. Based on our work, we considered that the significant judgments and estimates made by management in relation to the expected credit losses of trade receivables and contract assets were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Note	**RMB million**	RMB million
Revenue	*5*	**974,732**	850,843
Cost of sales and services	*11*	**(884,380)**	(770,979)
Gross profit		**90,352**	79,864
Other income	*6*	**2,219**	1,996
Other expenses	*6*	**(21,838)**	(16,511)
Net impairment losses on financial assets and contract assets	*7*	**(2,556)**	(4,507)
Other gains, net	*8*	**662**	5,705
Losses from derecognition of financial assets at amortised cost	*9*	**(3,302)**	(3,367)
Selling and marketing expenses	*11*	**(5,020)**	(4,605)
Administrative expenses	*11*	**(24,668)**	(24,474)
Operating profit		**35,849**	34,101
Finance income	*10*	**4,324**	2,200
Finance costs	*10*	**(6,756)**	(5,574)
Share of post-tax profits of joint ventures	*26*	**164**	360
Share of post-tax profits of associates	*26*	**2,031**	2,100
Profit before income tax		**35,612**	33,187
Income tax expense	*13*	**(8,362)**	(7,808)
Profit for the year		**27,250**	25,379
Profit attributable to:			
– Owners of the Company		**25,188**	23,678
– Non-controlling interests		**2,062**	1,701
		27,250	25,379
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*15*	**0.963**	0.950
– Diluted	*15*	**0.963**	0.950

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Profit for the year		**27,250**	25,379
Other comprehensive income/(expenses), net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement and other supplemental benefit obligations		**1**	(16)
Income tax relating to remeasurement of retirement and other supplemental benefit obligations		**2**	–
Changes in the fair value of equity investments at fair value through other comprehensive income		**(260)**	(94)
Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income		**63**	17
		(194)	(93)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(500)**	114
Share of other comprehensive income of associates		**(189)**	42
Fair value gains on cash flow hedging instrument, net of deferred tax		**–**	1
		(689)	157
Other comprehensive (expenses)/income for the year, net of tax		**(883)**	64
Total comprehensive income for the year		**26,367**	25,443
Total comprehensive income for the year attributable to:			
– Owners of the Company		**24,377**	23,736
– Non-controlling interests		**1,990**	1,707
		26,367	25,443

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	**RMB million**	RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**74,384**	68,406
Right-of-use assets	*19*	**1,892**	2,229
Lease prepayments	*20*	**14,826**	13,198
Deposits for investments	*21*	**453**	1,098
Investment properties	*22*	**12,046**	11,167
Intangible assets	*23*	**62,599**	25,559
Mining assets	*24*	**3,582**	3,732
Contract assets	*34*	**111,209**	87,885
Investments in joint ventures	*26*	**40,216**	29,314
Investments in associates	*26*	**38,133**	30,565
Goodwill	*28*	**1,412**	1,040
Financial assets at fair value through other comprehensive income	*29*	**9,668**	10,472
Other financial assets at amortised cost	*30*	**18,773**	13,929
Financial assets at fair value through profit or loss	*35*	**10,564**	8,637
Deferred tax assets	*45*	**9,333**	8,012
Other prepayments		**429**	345
Trade and other receivables	*33*	**48,351**	30,683
		457,870	346,271
Current assets			
Lease prepayments	*20*	**319**	356
Properties held for sale	*31*	**34,143**	25,018
Properties under development for sale	*31*	**117,576**	133,776
Inventories	*32*	**40,943**	40,945
Financial assets at fair value through other comprehensive income	*29*	**522**	393
Trade and other receivables	*33*	**211,568**	203,256
Contract assets	*34*	**143,904**	130,155
Current income tax recoverable		**3,451**	2,641
Other financial assets at amortised cost	*30*	**9,694**	9,630
Financial assets at fair value through profit or loss	*35*	**5,218**	5,441
Restricted cash	*36*	**29,305**	19,973
Cash and cash equivalents	*37*	**145,464**	138,186
		742,107	709,770
Total assets		**1,199,977**	1,056,041

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	**RMB million**	RMB million
EQUITY			
Equity attributable to owners of the Company			
Share capital	*38*	**24,571**	24,571
Share premium and reserves	*39*	**183,888**	165,204
Perpetual notes	*40*	**46,738**	31,535
		255,197	221,310
Non-controlling interests		**57,849**	24,018
Total equity		**313,046**	245,328
LIABILITIES			
Non-current liabilities			
Trade and other payables	*41*	**7,983**	7,681
Borrowings	*42*	**166,997**	118,934
Lease liabilities	*19*	**1,237**	1,450
Retirement and other supplemental benefit obligations	*43*	**2,482**	2,770
Provisions	*44*	**562**	1,053
Deferred government grants and income		**1,071**	1,007
Deferred tax liabilities	*45*	**1,454**	1,784
		181,786	134,679
Current liabilities			
Trade and other payables	*41*	**488,304**	446,037
Contract liabilities	*34*	**124,660**	110,370
Current income tax liabilities		**7,969**	5,824
Borrowings	*42*	**83,058**	112,311
Lease liabilities	*19*	**526**	1,037
Retirement and other supplemental benefit obligations	*43*	**323**	359
Financial liabilities at fair value through profit or loss	*35*	**65**	85
Provision	*44*	**240**	11
		705,145	676,034
Total liabilities		**886,931**	810,713
Total equity and liabilities		**1,199,977**	1,056,041

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 98 to 275 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Director	*Director*
Chen Yun	Chen Wenjian

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Capital reserve	Statutory reserve (Note 39)	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes (Note 40)	Total	Non-controlling interests	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2020		24,571	51,978	3,112	12,495	(426)	314	97,731	31,535	221,310	24,018	245,328
Profit for the year		–	–	–	–	–	–	23,668	1,520	25,188	2,062	27,250
Other comprehensive income/ (expenses)		–	–	5	–	(460)	(356)	–	–	(811)	(72)	(883)
Total comprehensive income/ (expenses) for the year		–	–	5	–	(460)	(356)	23,668	1,520	24,377	1,990	26,367
Total transactions with owners, recognised directly in equity												
Capital contributions from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	30,965	30,965
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	–	11	–	–	–	–	–	11	(762)	(751)
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings		–	–	–	–	–	–	10	–	10	–	10
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	2,720	2,720
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(63)	(63)
Issuance of perpetual notes	40	–	–	–	–	–	–	–	23,986	23,986	–	23,986
Redemption of perpetual notes	40	–	(42)	–	–	–	–	–	(8,958)	(9,000)	–	(9,000)
Dividends declared to shareholders	16	–	–	–	–	–	–	(4,152)	–	(4,152)	–	(4,152)
Dividends declared to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(1,019)	(1,019)
Dividends declared to perpetual notes holders	40	–	–	–	–	–	–	–	(1,345)	(1,345)	–	(1,345)
Transferred to reserves		–	–	–	2,067	–	–	(2,067)	–	–	–	–
Balance at 31 December 2020		24,571	51,936	3,128	14,562	(886)	(42)	115,190	46,738	255,197	57,849	313,046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Cash flows from operating activities			
Cash generated from operations	*46*	**38,829**	30,624
Income tax paid		**(7,835)**	(8,426)
Net cash generated from operating activities		**30,994**	22,198
Cash flows from investing activities			
– Payments for property, plant and equipment		**(11,373)**	(11,747)
– Proceeds from disposal of property, plant and equipment		**1,169**	1,033
– Payments for lease prepayments		**(896)**	(1,105)
– Proceeds from disposal of lease prepayments		**478**	938
– Payments for investment properties		**(217)**	(594)
– Proceeds from disposal of investment properties		**8**	21
– Payments for intangible assets		**(30,689)**	(6,781)
– Proceeds from disposal of intangible assets		**14**	1
– Payments for mining assets		**(116)**	(24)
– Payments for acquisition of subsidiaries, net of cash acquired		**(100)**	(1,621)
– Proceeds from sale of subsidiaries		**2,540**	2,815
– Payments for investments in associates		**(9,301)**	(13,684)
– Payments for investments in joint ventures		**(9,696)**	(7,347)
– Proceeds from disposal of associates		**1,145**	699
– Proceeds from disposal of joint ventures		**171**	913
– Payments for financial assets at fair value through profit or loss		**(6,870)**	(6,281)
– Proceeds from disposal of financial assets at fair value through profit or loss		**5,524**	5,625
– Payments for financial assets at fair value through other comprehensive income		**(2,917)**	(5,187)
– Proceeds from disposal of financial assets at fair value through other comprehensive income		**82**	316
– Net flow in respect of other financial assets at amortised cost		**3,493**	546
– Interests received		**1,595**	882
– Dividends received		**848**	1,037
– Decrease of term deposits with initial term of over three months		**725**	1,580
– Increase of term deposits with initial term of over three months		**(4,454)**	(1,311)
– Deposits paid for investments		**(171)**	(660)
– Other investing cash flows		**(4,133)**	(243)
Net cash used in investing activities		**(63,141)**	(40,179)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2020	2019
	RMB million	RMB million
Cash flows from financing activities		
– Capital contributions from non-controlling shareholders of subsidiaries	**30,965**	3,616
– Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	**(757)**	(89)
– Proceeds from debentures	**11,996**	16,494
– Repayment of debentures	**(8,653)**	(915)
– Proceeds from issuance of perpetual notes	**23,986**	2,498
– Redemption of perpetual notes	**(9,000)**	(3,003)
– Proceeds from bank borrowings	**186,034**	151,349
– Repayments of bank borrowings	**(173,445)**	(118,523)
– Proceeds from other borrowings	**10,863**	8,264
– Repayment of other borrowings	**(12,166)**	(4,550)
– Interests paid	**(11,595)**	(10,464)
– Dividends paid to non-controlling shareholders of subsidiaries	**(979)**	(1,005)
– Dividends paid to owners of the Company	**(4,152)**	(2,924)
– Dividends paid to holders of perpetual notes	**(1,461)**	(1,646)
– Repayments of lease liabilities	**(1,435)**	(887)
Net cash generate from financing activities	**40,201**	38,215
Net increase in cash and cash equivalents	**8,054**	20,234
Cash and cash equivalents at beginning of the year	**138,186**	117,768
Effect of foreign exchange rate changes	**(776)**	184
Cash and cash equivalents at end of the year	**145,464**	138,186

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2021.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2020.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to IFRS 3 "Definition of a Business"	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

The adoption of above did not have any material impact on the Group's results for the year ended 31 December 2020 and the Group's financial position as at 31 December 2020. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group (Continued)

The Group also elected to adopt the following amendments early. Details of the early adoption are set out in Note 2.38.

	Effective for accounting periods beginning on or after
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	1 June 2020

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

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

	Effective for accounting periods beginning on or after
IFRS 17 "Insurance Contracts"	1 January 2023
Amendments to IFRS 3 "Reference to the Conceptual Framework"	1 January 2022
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before intended use"	1 January 2022
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2023
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	to be determined

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

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

(b) Associates

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

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

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Joint arrangements

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

Joint operations

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

Joint ventures

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

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

(d) Equity accounting

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

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

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

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

2.3 Business combinations

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

Merger accounting for common control combinations

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

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

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

Merger accounting for common control combinations (Continued)

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

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

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

Acquisition method of accounting for non-common control combinations

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

2.4 Separate financial statements

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

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

2. Summary of Significant Accounting Policies (Continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

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

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

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

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

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

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

2.8 Investment properties

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

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

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

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

2.9 Lease prepayments

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

2. Summary of Significant Accounting Policies (Continued)

2.10 Intangible assets

(a) Service concession arrangements

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

(b) Patent and non-patented technologies

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

(c) Computer software

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

2. Summary of Significant Accounting Policies (Continued)

2.11 Mining assets

(a) Exploration and evaluation assets

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

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

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

(b) Mining rights

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

2.12 Goodwill

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.13 Impairment of non-financial assets

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

2.14 Investments and other financial assets

2.14.1 Classification

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

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

- those to be measured at amortised cost.

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.2 Recognition and derecognition

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

2.14.3 Measurement

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

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

Debt instruments

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.3 Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

2.14.4 Impairment

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

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

2.15 Offsetting financial instruments

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

2. Summary of Significant Accounting Policies (Continued)

2.16 Financial Guarantee Contracts

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

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

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

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

2.17 Derivatives and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 3. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. Summary of Significant Accounting Policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(i) Cash flow hedge that quantity for hedge accounting

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(ii) Net investment hedges

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

2.18 Inventories

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

2.19 Properties held for sale/properties under development for sale

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

2. Summary of Significant Accounting Policies (Continued)

2.20 Trade receivables

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

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

2.21 Contract assets and liabilities

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

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

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

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

2.22 Cash and cash equivalents

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

2.23 Share capital

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

2. Summary of Significant Accounting Policies (Continued)

2.24 Financial instruments classified as equity

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

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

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

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

2.25 Trade payables

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

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

2.26 Borrowings

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.26 Borrowings (Continued)

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

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

2.27 Borrowing costs

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

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

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

2.28 Current and deferred income tax

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

(a) Current income tax

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

2. Summary of Significant Accounting Policies (Continued)

2.28 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2. Summary of Significant Accounting Policies (Continued)

2.29 Employee benefits

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

(a) Pension obligations

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.29 Employee benefits (Continued)

(b) Other post-employment obligations

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

(c) Termination benefits

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

(d) Short-term employee benefits

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

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

(e) Housing funds

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

2. Summary of Significant Accounting Policies (Continued)

2.30 Provisions

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

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

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

2.31 Government grants

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

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

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

2.32 Revenue recognition

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

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

2. Summary of Significant Accounting Policies (Continued)

2.32 Revenue recognition (Continued)

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

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

(b) Services rendered

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.32 Revenue recognition (Continued)

(c) Revenue from properties development

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

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

(d) Sale of goods

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

2.33 Interest income

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

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

2.34 Dividends

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

2. Summary of Significant Accounting Policies (Continued)

2.35 Leases

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

- amounts expected to be payable by the group under residual value guarantees,

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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

2. Summary of Significant Accounting Policies (Continued)

2.35 Leases (Continued)

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

For the lessor, the Group derecognises assets held under a finance lease in balance sheet and present them as a receivable at the present value of the lease payments. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2. Summary of Significant Accounting Policies (Continued)

2.36 Research and development

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

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

2.37 Dividend distribution

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

2.38 Changes in accounting policies

The Group has early adopted Amendments to IFRS 16 COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. The adoption did not have material impact on the Group's results for the year ended 31 December 2020. There is no impact on the opening balance of equity at 1 January 2020.

3. Financial Risk Management

3.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign currency risk

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

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

Details of the Group's other financial assets at amortised cost, trade and other receivables, restricted cash, cash and cash equivalents, trade and other payables and borrowings as at 31 December 2020, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 30, 33, 36, 37, 41 and 42 respectively.

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

As at 31 December 2020, if RMB had strengthened/weakened by 6% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB3 million higher/lower (2019: 2%, RMB19 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD-denominated cash and cash equivalents, trade and other receivables, other financial assets at amortised cost, restricted cash, borrowings, and trade and other payables.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

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

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

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

	2020	2019
Increase/decrease in quoted price in open markets	**12%**	19%

	2020 **RMB million**	2019 RMB million
Increase/(decrease) in post-tax profit for the year		
– as a result of increase in equity price	**10**	5
– as a result of decrease in equity price	**(10)**	(5)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**75**	158
– as a result of decrease in equity price	**(75)**	(158)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate borrowings and other financial assets at amortised cost. The cash flow interest rate risks of the Group relates primarily to floating-rate bank borrowing and unlisted debt related entrusted products classified in the balance sheet at FVPL. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed rate deposits are short-term. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in RMB and USD.

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

	2020	2019
Increase/decrease in interest rate	**25 basis points**	25 basis points

	2020 **RMB million**	2019 RMB million
(Decrease)/increase in post-tax profit for the year		
– as a result of increase in interest rate	**(135)**	(158)
– as a result of decrease in interest rate	**135**	158

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 10% (2019: 12%) and 28% (2019: 27%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other financial assets at amortised cost as the Group's largest other financial assets at amortised cost and the five largest other financial assets at amortised cost represent 11% (2019: 5%) and 32% (2019: 15%) of the total other financial assets at amortised cost respectively.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- contract assets
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

The Group holds substantially all of bank deposits in major financial institutions located in the PRC and certain overseas banks with proper credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

For trade receivables and contract assets which have impaired, the Group assessed individually and provided for credit losses allowance. If no reasonable and supportable information is available without undue cost for expected credit losses measurement, the trade receivables and contract assets were grouped by reference to the credit risk characteristics and assessed collectively for credit losses allowance. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors.

Debt investments

The Group assesses the loss allowance for debt investments at amortised costs and FVOCI based on expected credit loss model. The management assesses whether the credit risk of debt investments have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit loss. For debt investments classified into stages 1 for which credit risk has not increased significantly since initial recognition, the management assesses loss allowance at an amount equal to 12-month expected credit loss. For debt investments classified into stages 2 for which credit risk has increased significantly since initial recognition but that are not credit-impaired, and debt investments classified into stages 3 that are credit-impaired since initial recognition, the management assesses loss allowance at an amount equal to lifetime expected credit loss. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Financial guarantees

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The maximum exposure of these financial guarantees to the Group is as follows:

	2020		2019	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Joint ventures	**5,048**	**2022-2042**	7,239	2020-2042
An associate	**2,441**	**2023**	2,325	2023
Government-related entities	**480**	**2021-2030**	570	2020-2030
Property purchasers	**44,684**	**2021-2046**	36,075	2020-2038
	52,653		46,209	

(c) Liquidity risk

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

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

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2020						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 41)*	**456,959**	**4,926**	**2,465**	**996**	**465,346**	**464,900**
Borrowings *(Note 42)*	**89,018**	**52,562**	**63,007**	**92,090**	**296,677**	**250,055**
Lease liabilities *(Note 19)*	**550**	**632**	**390**	**329**	**1,901**	**1,763**
Financial guarantee contracts	**52,653**	**–**	**–**	**–**	**52,653**	**–**
Financial liabilities at FVPL *(Note 35)*	**65**	**–**	**–**	**–**	**65**	**65**
	599,245	**58,120**	**65,862**	**93,415**	**816,642**	**716,783**
At 31 December 2019						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 41)*	417,025	5,697	2,110	240	425,072	424,659
Borrowings *(Note 42)*	119,234	38,198	61,684	38,603	257,719	231,245
Lease liabilities *(Note 19)*	1,098	713	551	425	2,787	2,487
Financial guarantee contracts	46,209	–	–	–	46,209	–
Financial liabilities at FVPL *(Note 35)*	85	–	–	–	85	85
	583,651	44,608	64,345	39,268	731,872	658,476

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

As at 31 December 2020, there is no bank borrowing that contains a repayment on demand clause.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

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

(d) Capital risk management

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

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

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

	2020 **RMB million**	2019 RMB million
Total liabilities	**886,931**	810,713
Total assets	**1,199,977**	1,056,041
Asset-liability ratio	**73.91%**	76.77%

The asset-liability ratio as at 31 December 2020 decreased by 2.86% percentage points compared with that in 2019 primarily attributable to the issuance of perpetual notes and capital contribution from non-controlling interests in 2020.

3. Financial Risk Management (Continued)

3.2 Fair value estimation

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

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

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

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

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2020		2019		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
1) Derivative financial instruments	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 3	Option pricing model	Risk-free interest, Volatility	3.54%, 30.99%	The higher the risk-free interest rate, the higher the option value. The higher the volatility, the higher the option value.
	Assets	**160**	Assets	–					
2) Listed equity securities and money – market securities investment funds at FVPL	**Held-for-trading financial assets in Mainland China:**		Held-for-trading financial assets in Mainland China:		Level 1	Quoted bid prices in active markets.	N/A	N/A	N/A
	Industry	**Amount**	Industry	Amount					
	Finance	**2,437**	Finance	2,332					
	Manufacturing	**46**	Manufacturing	58					
	Mining	**–**	Mining	1					
	Others	**2**	Others	2					
		2,485		2,393					
	Finance	**1,175**	Finance	941	Level 3	Market valuation method by reference to discount rate that reflects the liquidity level.	Discount rates that correspond to the expected liquidity level.	4.02%	The lower the discount rate, the higher the fair value.
	Total	**3,660**	Total	3,334					

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2020	Fair value as at (RMB million) 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
3) Listed equity securities at fair value through other comprehensive income ("FVOCI")	**Listed equity securities in Mainland China:** **Industry — Amount** **Finance — 568**	Listed equity securities in Mainland China: Industry — Amount Finance — 629	Level 1	Quoted bid prices in active markets.	N/A	N/A	N/A
	Listed equity securities in Hong Kong: **Industry — Amount** **Manufacturing — 269**	Listed equity securities in Hong Kong: Industry — Amount Manufacturing — 480	Level 1	Quoted bid prices in active markets.	N/A	N/A	N/A

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2020		Fair value as at (RMB million) 2019		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
4) Unlisted open-end equity funds at FVPL	**Unlisted opened equity funds in Mainland China:**		Unlisted open-end equity funds in Mainland China:						
	Assets Industry	**Amount**	Assets Industry	Amount					
	Finance	**1,381**	Finance	2,193	Level 1	Quoted bid prices in active markets.	N/A	N/A	N/A
	Finance	**1,384**	Finance	749	Level 3	Discounted cash flow. Future cash flows are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.	2.30%	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**2,765**	Total	2,942					
	Liabilities Industry	**Amount**	Liabilities Industry	Amount					
	Finance	**65**	Finance	85	Level 3	Discounted cash flow. Future cash flows are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.	2.30%	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2020		Fair value as at (RMB million) 2019		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
5) Unlisted entrusted products and other financial assets at FVPL	**Unlisted entrusted products in Mainland China:**		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow. Future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.	7.35%-10.22%	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount					
	Real estate	**1,583**	Real estate	1,444					
	Construction	**1,543**	Construction	2,239					
	Finance	**1,428**	Finance	2,619					
	Mining	**10**	Mining	10					
	Manufacturing	**–**	Manufacturing	3					
	Others	**456**	Others	762					
	Total	**5,020**	Total	7,077					

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2020		2019		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
6) Unlisted equity investments at FVOCI	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio, P/E ratio and discount rate that reflects the liquidity level.	P/B ratio, P/S ratio, P/E ratio, Discount rates that reflects the liquidity level	0.53-1.67, 0.66-3.93, 16.40, 9.91%	The higher the P/B ratio, P/S ratio, P/E ratio, the higher the fair value. The lower discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount					
	Construction	**6,433**	Construction	6,025					
	Finance	**834**	Finance	2,189					
	Manufacturing	**80**	Manufacturing	80					
	Real estate	**11**	Real estate	33					
	Mining	**5**	Mining	5					
	Others	**1,468**	Others	1,031					
	Total	**8,831**	Total	9,363					
7) Unlisted equity investments at FVPL	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio and discount rate that reflects the liquidity level.	P/B ratio, Discount rates that reflects the liquidity level	0.89, 9.91%	The higher the P/B ratio, the higher the fair value. The lower discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount					
	Finance	**4,177**	Finance	725					
8) Bills receivables at FVOCI	**Bills receivables in Mainland China:**		Bills receivables in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.	4.75%	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount					
	Construction	**522**	Construction	393					

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

There were no transfer between Level 1 and 2 during the year.

Reconciliation of Level 3 fair value measurements:

	Unlisted entrusted products RMB million	Unlisted open-end funds RMB million	Unlisted equity investments RMB million	Listed equity securities RMB million	Others RMB million	Total RMB million
Opening balance at 1 January 2020	**6,132**	**664**	**10,088**	**941**	**1,195**	**19,020**
Acquisitions	**2,706**	**1,834**	**6,383**	**–**	**967**	**11,890**
Gains/(losses) recognised in profit or loss	**147**	**(31)**	**9**	**234**	**(241)**	**118**
Losses recognised in other comprehensive income	**–**	**–**	**2**	**–**	**–**	**2**
Disposals	**(4,928)**	**(1,148)**	**(3,474)**	**–**	**(276)**	**(9,826)**
Closing balance at 31 December 2020	**4,057**	**1,319**	**13,008**	**1,175**	**1,645**	**21,204**

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

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

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

	2020		2019	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial assets				
Other financial assets at amortised cost – fixed rate	**25,467**	**26,960**	23,559	24,855
Financial liabilities				
Long-term bank borrowings – fixed rate	**28,267**	**28,863**	24,591	25,913
Long-term debentures – fixed rate	**49,443**	**48,952**	46,848	46,505
Other long-term borrowings – fixed rate	**259**	**259**	3,338	3,439

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

4. Critical Accounting Estimates, Assumptions and Judgments

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

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

(a) Critical judgements in application of accounting policies

(i) Revenue from sale of properties

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

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

(ii) Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities or acted as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls these structured entities usually focuses on the assessment of the power of the Group, its variable returns (including but not limited to any carried interests and commission income or management fees earned) and the ability to exercise its power to influence the variable returns from these structured entities.

Management considers a number of factors to assess if the Group has control over these structured entities, including the Group acts as a principal or an agent through analysis of the scope of the decision-making authority of the Group, its remuneration entitlement, other interests the Group held, and the rights held by other parties. Based on the assessment following the accounting policies set out in Notes 2.2 and 2.3, the Group consolidates certain structured entities that it has control, accounts for as joint ventures or associates when it has joint control or significant influence over the structured entities. For those that the Group has neither control, joint control nor significant influence, the Group accounts for as financial assets. Judgement is involved when performing the assessment. Should those joint ventures, associates and financial assets be consolidated, net assets, revenue and profit of the Group could be affected.

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

(a) Critical judgements in application of accounting policies (Continued)

(ii) Determination of control over structured entities (Continued)

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

(iii) Classification of financial assets

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

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

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

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

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

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

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

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

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

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

(b) Critical accounting estimates and assumptions

The following critical accounting estimates and assumptions have important risks that will cause significant adjustments to the value of assets and liabilities in the next year:

(i) Revenue recognition from infrastructure construction contracts

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

(ii) Expected credit losses of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For trade receivables and contract assets which have impaired, the Group assessed individually and provided for credit losses allowance. If no reasonable and supportable information is available without undue cost for expected credit losses measurement, the trade receivables and contract assets were grouped by reference to the credit risk characteristics and assessed collectively for credit losses allowance. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors.

In assessing forward-looking information, the Group considers different macroeconomic scenarios and weightings. In 2020, the weights of the three economic scenarios of "baseline", "unfavourable" and "favourable" are 50%, 40% and 10% respectively. The Group regularly monitors and reviews critical macroeconomic assumptions and parameters related to the measurement of expected credit loss, including the economic policies, macroeconomic indicators, industry risks, and changes in customer conditions, etc. In 2020, the Group has considered the uncertainty caused by the COVID-19 outbreak and updated relevant assumptions and parameters accordingly. The benchmark macroeconomic parameters obtained from market forecast data were 9% of GDP and 1.4% of industrial producer price index, which were used to calculate systemic risk factors that affect the probability of default. The systemic risk factor under unfavourable and favourable scenarios deviate amount to 10% of that under baseline scenario. The impact of macro-economy on the probability of default under three economic scenarios is calculated respectively, and the forward-looking impact is calculated by weighting according to the three economic scenario weight.

The details of the expected credit losses of trade receivables and contract assets are set out in Note 33 and Note 34 respectively.

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

(b) Critical accounting estimates and assumptions (Continued)

(iii) Expected credit losses of debt investments at amortised cost and FVOCI

The Group assesses on a forward looking basis the expected credit losses associated with its debt investments at amortised cost and FVOCI using the risk parameters including exposure at default and expected credit loss rate, which is determined based on probabilities of default and default rates. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors.

In assessing forward-looking information, the Group adopted the method consistent with expected credit losses of trade receivables and contract assets.

To assess whether there is a significant increase in credit risks the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- past due information
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- internal and external credit rating
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

(iv) Impairment of properties held for sale and under development for sale

The Group measures properties held for sale and under development for sale at the lower of cost and net realisable value on the balance sheet date. The net realisable value calculation requires the use of assumptions and estimates on the selling price and the costs and expenses that will be incurred until completion. Where the expectation is different from the original estimate, such differences will have an impact on the net realisable value calculation and the provision for inventory impairment in the periods in which such estimate is changed.

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

(b) Critical accounting estimates and assumptions (Continued)

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is measured at quoted price. If the market for a financial instrument is not active, the Group determines fair value by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each end of the reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.2.

(vi) Income taxes

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

Certain subsidiaries of the Group are qualified as high-tech enterprises and are entitled to the preferential income tax rate of 15%. The qualification is valid 3 years, and upon expiry the subsidiaries are required to submit the application to relevant government authorities to certify the high-tech qualification. If the subsidiaries disqualified from the high-tech certification, they cannot enjoy the preferential income tax, and the change in tax rate will affect the current and deferred income taxes in the period in which the change takes place.

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

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

(b) Critical accounting estimates and assumptions (Continued)

(vii) Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 43.

(viii) Amortisation of service concession arrangements in relation to toll highways

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

5. Segment Information

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

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

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

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

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

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

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

Revenue between segments is carried out at actual transaction prices.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Information (Continued)

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

	For the year ended 31 December 2020						
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
External revenue	844,110	16,187	23,074	49,304	36,286	–	968,961
Inter-segment revenue	29,553	1,026	6,368	–	35,153	(72,100)	–
Other revenue	2,328	108	351	459	2,525	–	5,771
Inter-segment other revenue	319	–	–	–	219	(538)	–
Segment revenue	876,310	17,321	29,793	49,763	74,183	(72,638)	974,732
Segment results							
Profit before income tax	36,876	2,241	2,132	(4,096)	5,016	(8,785)	33,384
Segment results included:							
Share of profit/(losses) of joint ventures	430	5	106	140	(517)	–	164
Share of profit of associates	654	5	48	132	1,192	–	2,031
Interest income	935	70	56	333	2,272	(870)	2,796
Interest expenses	(2,400)	(189)	(69)	(1,612)	(2,852)	654	(6,468)
Losses from derecognition of financial assets at amortised cost	(3,172)	(8)	(64)	–	(58)	–	(3,302)

5. Segment Information (Continued)

	For the year ended 31 December 2019						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	731,562	16,172	16,974	43,031	37,205	–	844,944
Inter-segment revenue	26,950	502	6,860	181	31,713	(66,206)	–
Other revenue	3,276	357	488	450	1,328	–	5,899
Inter-segment other revenue	296	–	–	–	156	(452)	–
Segment revenue	762,084	17,031	24,322	43,662	70,402	(66,658)	850,843
Segment results							
Profit before income tax	20,936	962	1,999	3,652	8,950	(5,166)	31,333
Segment results included:							
Share of profit/(losses) of joint ventures	241	7	70	(21)	63	–	360
Share of profit of associates	944	9	59	36	1,052	–	2,100
Interest income	889	86	58	225	618	(1,014)	862
Interest expenses	(2,214)	(136)	(22)	(2,005)	(3,603)	2,641	(5,339)
Losses from derecognition of financial assets at amortised cost	(3,315)	(3)	(54)	–	5	–	(3,367)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Information (Continued)

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

	2020 RMB million	2019 RMB million
(i) Segment interest income, before inter-segment elimination	**3,666**	1,876
Inter-segment elimination	**(870)**	(1,014)
	2,796	862
Reconciling items:		
Reclassification of interest income obtained from other financial assets at amortised cost *(Note 10)*	**1,528**	1,338
Total consolidated finance income, as reported	**4,324**	2,200
(ii) Segment interest expenses, before inter-segment elimination	**7,122**	7,980
Inter-segment elimination	**(654)**	(2,641)
	6,468	5,339
Reconciling item:		
Imputed interest expenses on retention payables *(Note 10)*	**288**	235
Total consolidated finance costs, as reported	**6,756**	5,574
(iii) Segment results, before inter-segment elimination	**42,169**	36,499
Inter-segment elimination	**(8,785)**	(5,166)
	33,384	31,333
Reconciling item:		
Land appreciation tax *(Note (a))*	**2,228**	1,854
Total consolidated profit before income tax, as reported	**35,612**	33,187

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

5. Segment Information (Continued)

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

	As at 31 December 2020						
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	711,979	24,550	55,851	252,295	444,050	(300,532)	1,188,193
Investments in joint ventures	29,768	81	385	417	9,565	–	40,216
Investments in associates	31,899	816	607	322	4,489	–	38,133
Unallocated assets							11,784
Total assets							1,199,977
Segment liabilities	574,136	13,197	30,579	228,249	334,894	(300,247)	880,808
Unallocated liabilities							6,123
Total liabilities							886,931

5. Segment Information (Continued)

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

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

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

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

5. Segment Information (Continued)

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

	2020 RMB million	2019 RMB million
Segment assets, before inter-segment elimination	**1,488,725**	1,346,175
Inter-segment elimination	**(300,532)**	(300,022)
	1,188,193	1,046,153
Reconciling items:		
Deferred tax assets	**9,333**	8,012
Non-tradable shares reform of subsidiaries *(Note (a))*	**(148)**	(148)
Current income tax recoverable	**3,451**	2,641
Prepaid land appreciation tax included in current income tax recoverable	**(852)**	(617)
	11,784	9,888
Total consolidated assets, as reported	**1,199,977**	1,056,041
Segment liabilities, before inter-segment elimination	**1,181,055**	1,130,565
Inter-segment elimination	**(300,247)**	(324,809)
	880,808	805,756
Reconciling items:		
Deferred tax liabilities	**1,454**	1,784
Current income tax liabilities	**7,969**	5,824
Land appreciation tax payable included in current income tax liabilities	**(3,300)**	(2,651)
	6,123	4,957
Total consolidated liabilities, as reported	**886,931**	810,713

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Information (Continued)

Other segment information:

	Year ended 31 December 2020					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Capital expenditure:						
Property, plant and equipment	10,818	760	861	746	2,194	15,379
Lease prepayments	1,372	214	17	379	16	1,998
Investment properties	516	61	–	6	205	788
Intangible assets	359	50	48	109	36,995	37,561
Mining assets	–	–	–	–	116	116
Right-of-use assets	710	18	36	4	143	911
Total	13,775	1,103	962	1,244	39,669	56,753
Depreciation and amortisation:						
Property, plant and equipment	5,549	293	598	312	1,348	8,100
Lease prepayments	214	13	44	65	78	414
Investment properties	16	6	6	322	47	397
Intangible assets	88	27	37	1	309	462
Mining assets	–	–	–	–	262	262
Right-of-use assets	722	34	56	20	149	981
Other prepayments	65	1	27	1	66	160
Total	6,654	374	768	721	2,259	10,776
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(195)	2	(40)	(7)	12	(228)
Gains on disposal of lease prepayments	(180)	(181)	–	–	–	(361)
Increase in foreseeable losses on contracts	228	–	–	–	–	228
Impairment loss on trade and other receivables	783	(97)	11	2,389	(823)	2,263
Impairment loss on other financial assets at amortised cost	66	(38)	–	(112)	117	33
Impairment loss on contract assets	260	–	–	–	–	260
Impairment loss on property, plant and equipment	1	–	–	–	40	41
Impairment loss on investment properties	3	–	–	–	–	3

5. Segment Information (Continued)

Other segment information:

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

5. Segment Information (Continued)

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2020					
Type of services and products	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Infrastructure construction contracts	844,110	–	–	–	–	844,110
Manufacturing and sales of engineering equipment and component	–	–	23,074	–	–	23,074
Rendering of services	–	16,187	–	–	4,845	21,032
Sales of properties	–	–	–	49,304	–	49,304
Sales of goods and others	2,328	108	351	459	33,966	37,212
Total	846,438	16,295	23,425	49,763	38,811	974,732
Timing of revenue recognition:						
– At a point of time	2,328	108	16,378	46,775	36,951	102,540
– Over time	844,110	16,187	7,047	2,988	–	870,332
Rental income	–	–	–	–	1,860	1,860
Total revenue from contracts with customers	846,438	16,295	23,425	49,763	38,811	974,732

5. Segment Information (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

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

5. Segment Information (Continued)

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

	For the year ended 31 December	
	2020	2019
	RMB million	RMB million
Mainland China	**927,647**	805,766
Other regions (including Hong Kong and Macau)	**47,085**	45,077
	974,732	850,843

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

	2020	2019
	RMB million	RMB million
Mainland China	**269,900**	201,527
Other regions (including Hong Kong and Macau)	**12,479**	12,034
	282,379	213,561

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

6. Other Income and Expenses

	2020 **RMB million**	2019 RMB million
Other income from:		
Government subsidies *(a)*	**1,147**	1,012
Dividends from financial assets at FVPL	**398**	569
Compensation and claims	**139**	129
Dividends from financial assets at FVOCI	**58**	47
Relocation compensation	**43**	39
Others	**434**	200
	2,219	1,996
Other expenses on:		
Research and development expenditures	**21,838**	16,511

Notes:

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

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

7. Net Impairment Losses on Financial Assets and Contract Assets

	2020 **RMB million**	2019 RMB million
Trade and other receivables (excluding advance to suppliers)	**2,263**	1,873
Contract assets	**260**	433
Other financial assets at amortised cost *(Note 30(a))*	**33**	2,201
	2,556	4,507

8. Other Gains, Net

	2020 **RMB million**	2019 RMB million
(Losses)/gains on disposal and/or write-off of:		
– Interest in subsidiaries	**(133)**	4,961
– Interest in associates	**(27)**	(52)
– Interest in joint ventures	**–**	29
– Lease prepayments	**361**	524
– Property, plant and equipment	**228**	91
Gains/(losses) on disposal of financial assets/liabilities at FVPL	**58**	(32)
Gains arising on change in fair value of financial assets/ liabilities at FVPL *(Note 35(c))*	**218**	275
Gains on debt restructurings	**–**	15
Impairment loss recognised on:		
– Property, plant and equipment *(Note 18)*	**(41)**	(70)
– Advance to suppliers	**(39)**	(26)
– Investment properties *(Note 22)*	**(3)**	–
Foreign exchange losses, net	**(45)**	(40)
Others	**85**	30
	662	5,705

9. Losses from Derecognition of Financial Assets at Amortised Cost

	2020 **RMB million**	2019 RMB million
Asset-backed medium-term notes ("ABN") & Asset-backed securitisation ("ABS") *(Note 33)*	**2,619**	2,805
Factoring expense *(Note 33)*	**683**	562
	3,302	3,367

10. Finance Income and Costs

	2020 RMB million	2019 RMB million
Finance income from:		
Cash and cash equivalents and restricted cash	**767**	513
Other financial assets at amortised cost	**1,528**	1,338
Trade receivables and contract assets	**2,029**	349
Total finance income	**4,324**	2,200
Interest expenses on:		
Bank borrowings	**8,482**	7,623
Long-term debentures	**1,467**	1,584
Other long-term borrowings	**424**	628
Other short-term borrowings	**398**	243
Total borrowing costs	**10,771**	10,078
Less: amount capitalised	**(4,755)**	(5,231)
	6,016	4,847
Lease *(Note 19)*	**59**	69
Imputed interest expenses on retention payables	**288**	235
Imputed interest expenses on defined benefit obligations *(Note 43)*	**85**	104
Others	**308**	319
Total finance costs	**6,756**	5,574

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB4,755 million (2019: RMB5,231 million) were capitalised in the year ended 31 December 2020, of which approximately RMB3,808 million was charged to properties under development for sale, approximately RMB21 million was included in cost of construction-in-progress and approximately RMB926 million was included in the cost of intangible assets (2019: RMB4,775 million was charged to properties under development for sale, approximately RMB21 million was included in cost of construction-in-progress and approximately RMB435 million was included in the cost of intangible assets). A general capitalisation rate of 2.50%-9.50% per annum (2019: 1.42%-8.79%) was used, representing the costs of the borrowings used to finance the qualifying assets.

11. Expenses by Nature

The additional information of cost of sales and services, selling and marketing expenses and administrative expenses is as follows:

	2020 RMB million	2019 RMB million
Employee benefit expenses & subcontracting costs	**382,846**	329,395
Raw materials and consumables used	**367,594**	315,452
Cost of property development	**37,864**	30,485
Equipment usage costs	**34,312**	31,666
Depreciation of property, plant and equipment *(Note 18)*, right-of-use assets *(Note 19)* and investment properties *(Note 22)*	**9,478**	9,633
Taxes and surcharges	**3,496**	3,521
Transportation costs	**2,404**	2,313
Amortisation of:		
Intangible assets *(Note 23)*	**462**	1,255
Lease prepayments *(Note 20)*	**414**	371
Mining assets *(Note 24)*	**262**	166
Other prepayments	**160**	140
Advertising and publication costs	**1,342**	1,355
Auditors' remuneration	**39**	39

12. Employee Benefit Expenses

	2020 RMB million	2019 RMB million
Salaries, wages and bonuses	**47,999**	43,392
Welfare, medical and other expenses	**19,998**	17,159
Pension costs – defined contribution plans	**5,978**	7,106
Housing benefits	**4,324**	3,806
	78,299	71,463

13. Income Tax Expense

	2020 RMB million	2019 RMB million
Current income tax		
– Enterprise income tax ("EIT")	**7,838**	6,405
– Land appreciation tax ("LAT")	**2,228**	1,854
– Over provision in prior years	**(87)**	(11)
Deferred income tax	**(1,617)**	(440)
Income tax expense	**8,362**	7,808

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2019: 25%) is applied to the Group except for certain subsidiaries which were mainly either exempted from EIT or entitled to the preferential tax rate of 20% and 15% (2019: 20% and 15%) for the year ended 31 December 2020.

Certain of the Group's overseas entities are located in Republic of Singapore, The Lao People's Democratic Republic, Malaysia, Democratic Republic of the Congo, Republic of Indonesia, People's Republic of Bangladesh, United Republic of Tanzania and Federal Democratic Republic of Ethiopia. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 17%, 24%, 24%, 30%, 20%, 25%, 30% and 30% (2019: 18%, 24%, 24%, 30%, 22%, 25%, 30% and 30%) are applied to these entities respectively.

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

13. Income Tax Expense (Continued)

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

	2020 RMB million	2019 RMB million
Profit before income tax	**35,612**	33,187
Tax at PRC EIT rate of 25% (2019: 25%)	**8,903**	8,297
Tax effect of:		
Non-deductible expenses	**93**	310
Non-taxable income	**(123)**	(200)
Share of profit of joint ventures	**(41)**	(90)
Share of profit of associates	**(508)**	(525)
Tax losses not recognised as deferred tax assets	**891**	248
Utilisation of tax losses previously not recognised as deferred tax assets	**(99)**	(161)
Other deductible temporary differences not recognised as deferred tax assets	**1,350**	798
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(126)**	(355)
Preferential tax rates on income of group entities and other income tax credits	**(3,149)**	(1,872)
Deferred tax (credit)/charges resulting from changes in applicable tax rates	**(166)**	175
LAT	**2,228**	1,854
Tax effect of LAT	**(557)**	(464)
Over provision in prior years	**(87)**	(11)
Deductible dividends on perpetual notes	**(356)**	(379)
Others	**109**	183
Income tax expense for the year	**8,362**	7,808

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

13. Income Tax Expense (Continued)

The tax charge relating to components of other comprehensive income is as follows:

	2020			2019		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	RMB million	**RMB million**	**RMB million**	RMB million	RMB million	RMB million
Actuarial gains/(losses) on retirement and other supplemental benefit obligations	**1**	**2**	**3**	(16)	–	(16)
Changes in fair value of financial assets at FVOCI	**(260)**	**63**	**(197)**	(94)	17	(77)
Fair value gains on cash flow hedging instrument	**–**	**–**	**–**	1	–	1
Share of other comprehensive income of associates	**(189)**	**–**	**(189)**	42	–	42
Exchange differences	**(500)**	**–**	**(500)**	114	–	114
Other comprehensive expenses	**(948)**	**65**	**(883)**	47	17	64
Current income tax		**–**			–	
Deferred income tax *(Note 45)*		**65**			17	
		65			17	

14. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB17,987 million (2019: RMB13,330 million).

15. Earnings per Share

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amount of the cumulative distributions were deducted in arriving at earnings for the purposes of the EPS calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary shareholders.

	2020	2019
Profit attributable to owners of the Company (RMB million)	**25,188**	23,678
Less: dividends attributable to the perpetual notes (RMB million) *(Note (i))*	**1,520**	1,559
Profit used to determine basic earnings per share (RMB million)	**23,668**	22,119
Weighted average number of ordinary shares in issue (millions)	**24,571**	23,276
Basic earnings per share (RMB per share)	**0.963**	0.950

(i) The perpetual notes issued by the Company were classified as equity instruments with deferrable cumulative interest distribution and payment. The perpetual notes interests which have been generated and attributable to the year ended 31 December 2020, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2020.

(b) Diluted

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

16. Dividends

	2020	2019
	RMB million	RMB million
Proposed final dividend of RMB0.180 per ordinary share (2019: RMB0.169)	**4,423**	4,152

The dividends paid in 2020 and 2019 were RMB4,152 million (RMB0.169 per ordinary share) and RMB2,924 million (RMB0.128 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2020 of RMB0.180 per ordinary share, amounting to a total dividend of RMB4,423 million, is to be approved at the 2020 annual general meeting of the Company. These financial statements do not reflect this dividend payable.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees

(a) Directors', Chief Executives and Supervisors' Emoluments

	2020	2019
	RMB'000	RMB'000
Directors, chief executives and supervisors		
– Basis salaries, housing allowances and other allowances	**4,104**	3,261
– Fees	**260**	260
– Contributions to pension plans	**336**	411
– Discretionary bonuses *(note)*	**4,143**	6,296
	8,843	10,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2020 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 (note)	Total RMB'000
Executive directors					
Chen Yun *(i)*	427	–	39	461	927
Wang Shiqi *(ii)*	307	–	29	497	833
Zhang Zongyan *(iii)*	427	–	39	641	1,107
Zhang Xian *(iv)*	371	–	34	534	939
Independent directors					
Guo Peizhang	–	60	–	–	60
Wen Baoman	–	60	–	–	60
Zheng Qingzhi	–	60	–	–	60
Chung Shui Ming Timpson	–	80	–	69	149
Non-executive director					
Ma Zonglin *(v)*	–	–	–	–	–
Directors' remunerations	1,532	260	141	2,202	4,135

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

Name	Basis salaries, housing allowances and other allowances	Fees	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note)	
Supervisors					
Zhang Huijia	**401**	**–**	**39**	**535**	**975**
Liu Jianyuan	**405**	**–**	**39**	**537**	**981**
Chen Wenxin	**570**	**–**	**39**	**327**	**936**
Fan Jinghua	**599**	**–**	**39**	**198**	**836**
Yuan Baoyin	**597**	**–**	**39**	**344**	**980**
Supervisors' remunerations	**2,572**	**–**	**195**	**1,941**	**4,708**
Total	**4,104**	**260**	**336**	**4,143**	**8,843**

(i) Mr. Chen Yun was appointed as the chairman of the Company on 22 December 2020.

(ii) Mr. Wang Shiqi was appointed as a director of the Company on 29 April 2020.

(iii) Mr. Zhang Zongyan resigned from his position as the chairmen of the Company on 22 December 2020.

(iv) Mr. Zhang Xian resigned from his position as a director of the Company on 4 November 2020.

(v) Mr. Ma Zonglin resigned from his position as a non-executive director of the Company on 26 August 2020.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2019 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors					
Zhang Zongyan *(i)*	367	–	50	1,257	1,674
Chen Yun *(ii)*	137	–	19	138	294
Zhang Xian	342	–	50	1,110	1,502
Li Changjin *(iii)*	187	–	27	1,091	1,305
Zhou Mengbo *(iv)*	106	–	23	222	351
Independent directors					
Guo Peizhang	–	60	–	–	60
Wen Baoman	–	60	–	–	60
Zheng Qingzhi	–	60	–	–	60
Chung Shui Ming Timpson	–	80	–	51	131
Non-executive director					
Ma Zonglin	–	–	–	–	–
Directors' remunerations	1,139	260	169	3,869	5,437

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Supervisors					
Zhang Huijia	324	–	50	462	836
Liu Jianyuan	329	–	50	1,050	1,429
Wang Hongguang *(v)*	285	–	27	118	430
Chen Wenxin	515	–	50	337	902
Fan Jinghua	496	–	50	332	878
Yuan Baoyin *(vi)*	173	–	15	128	316
Supervisors' remunerations	2,122	–	242	2,427	4,791
Total	**3,261**	**260**	**411**	**6,296**	**10,228**

(i) Mr. Zhang Zongyan was appointed as the chairman of the Company on 25 August 2019.

(ii) Mr. Chen Yun was appointed as the CEO of the Company on 25 August 2019 and a director of the Company on 30 October 2019.

(iii) Mr. Li Changjin resigned from his position as the chairmen of the Company on 19 June 2019.

(iv) Mr. Zhou Mengbo resigned from his position as a director of the Company on 19 June 2019.

(v) Mr. Wang Hongguang resigned from his position as a supervisor of the Company on 20 September 2019.

(vi) Mr. Yuan Baoyin was appointed as a supervisor of the Company on 20 September 2019.

The executive directors', chief executive's and supervisors' emolument shown above were mainly for their services in connection with the management affairs of the Company and the Group. The independent directors' emoluments shown above were mainly for their services as directors of the Company.

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(b) Five Highest Paid Individuals

None of the directors and supervisors was amongst the five highest paid individuals during both years. The emoluments of the five highest paid individuals in the Group during the year are as follows:

	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**9,543**	3,833
Contributions to pension plans	**13**	182
Discretionary bonuses *(note)*	**7,742**	11,945
	17,298	15,960

The emoluments of the above individuals fall within the following bands:

	2020	2019
– HKD3,000,000 to HKD3,500,000 (equivalent to approximately RMB2,524,920 to RMB2,945,740)	**1**	2
– HKD3,500,001 to HKD4,000,000 (equivalent to approximately RMB2,945,741 to RMB3,366,560)	**1**	1
– HKD4,000,001 to HKD4,500,000 (equivalent to approximately RMB3,366,561 to RMB3,787,380)	**2**	2
– HKD4,500,001 to HKD5,000,000 (equivalent to approximately RMB3,787,381 to RMB4,208,200)	**1**	–

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

18. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2019								
Cost	32,420	49,757	12,855	8,300	3,521	5,141	9,922	121,916
Accumulated depreciation and impairment	(7,549)	(27,745)	(9,665)	(4,056)	(2,474)	(3,163)	(563)	(55,215)
Net book amount	24,871	22,012	3,190	4,244	1,047	1,978	9,359	66,701
Year ended 31 December 2019								
Opening net book amount	24,871	22,012	3,190	4,244	1,047	1,978	9,359	66,701
Adjustment for change in accounting policy	–	(280)	–	–	–	–	–	(280)
Restated opening net book amount	24,871	21,732	3,190	4,244	1,047	1,978	9,359	66,421
Additions	610	3,611	961	700	406	645	4,559	11,492
Transfers	5,617	314	24	141	50	81	(6,227)	–
Transferred from investment properties *(Note 22)*	100	–	–	–	–	–	–	100
Transferred from properties held for sale *(Note 31(b))*	91	–	–	–	–	–	–	91
Acquisition of subsidiaries	53	–	3	–	5	1	–	62
Disposal of subsidiaries	(25)	11	(4)	(1)	–	(3)	(5)	(27)
Disposals	(63)	(528)	(49)	(33)	(11)	(121)	(852)	(1,657)
Transferred to investment properties *(Note 22)*	(108)	–	–	–	–	–	–	(108)
Depreciation charge *(Note 11)*	(1,274)	(4,068)	(883)	(691)	(348)	(689)	–	(7,953)
Impairment losses recognised *(Note 8)*	–	(70)	–	–	–	–	–	(70)
Exchange differences	12	10	5	16	1	1	10	55
Closing net book amount	29,884	21,012	3,247	4,376	1,150	1,893	6,844	68,406
At 31 December 2019								
Cost	38,647	51,036	13,308	9,291	3,861	5,609	7,407	129,159
Accumulated depreciation and impairment	(8,763)	(30,024)	(10,061)	(4,915)	(2,711)	(3,716)	(563)	(60,753)
Net book amount	29,884	21,012	3,247	4,376	1,150	1,893	6,844	68,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Property, Plant and Equipment (Continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2020								
Opening net book amount	29,884	21,012	3,247	4,376	1,150	1,893	6,844	68,406
Additions	141	3,865	1,739	703	407	843	4,510	12,208
Transfers	2,307	797	38	183	10	131	(3,466)	–
Transferred from investment properties *(Note 22)*	10	–	–	–	–	–	–	10
Transferred from properties under development for sale and properties held for sale *(Note 31)*	215	58	–	1	–	–	1,169	1,443
Acquisition of subsidiaries	1,600	20	23	1,289	20	15	204	3,171
Disposal of subsidiaries	(2)	(10)	(1)	–	(1)	–	–	(14)
Disposals	(109)	(732)	(16)	(68)	(19)	(87)	(1,279)	(2,310)
Transferred to investment properties *(Note 22)*	(166)	–	–	–	–	–	–	(166)
Depreciation charge *(Note 11)*	(1,358)	(3,545)	(1,170)	(1,021)	(356)	(650)	–	(8,100)
Impairment losses recognised *(Note 8)*	–	–	–	–	–	–	(41)	(41)
Exchange differences	(81)	(49)	(9)	(62)	(1)	(15)	(6)	(223)
Closing net book amount	32,441	21,416	3,851	5,401	1,210	2,130	7,935	74,384
At 31 December 2020								
Cost	42,554	52,747	14,353	11,135	4,124	6,292	8,531	139,736
Accumulated depreciation and impairment	(10,113)	(31,331)	(10,502)	(5,734)	(2,914)	(4,162)	(596)	(65,352)
Net book amount	32,441	21,416	3,851	5,401	1,210	2,130	7,935	74,384

18. Property, Plant and Equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,899 million (2019: RMB6,712 million) has been charged to cost of sales, RMB179 million (2019: RMB188 million) to other expenses, RMB971 million (2019: RMB1,009 million) to administrative expenses, and RMB51 million (2019: RMB44 million) to selling and marketing expenses.

(b) As at 31 December 2020, bank borrowings amounting to RMB367 million (2019: RMB7 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB1,022 million (2019: RMB3 million) (Note 42).

(c) As at 31 December 2020, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB3,565 million (2019: RMB3,408 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) The category of infrastructure construction equipment, transportation equipment and other equipment leased by the Group to third parties under operating leases with the following carrying amounts:

	2020 RMB million	2019 RMB million
Cost	**98**	99
Accumulated depreciation	**(41)**	(47)
Net book amount	**57**	52

19. Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets	2020 RMB million	2019 RMB million
Buildings	**1,109**	1,062
Infrastructure construction equipment	**651**	1,032
Transportation equipment	**79**	79
Manufacturing equipment	**–**	1
Other equipment	**53**	55
	1,892	2,229

Lease liabilities	2020 RMB million	2019 RMB million
Current	**526**	1,037
Non-current	**1,237**	1,450
	1,763	2,487

Additions to the right-of-use assets during the year ended 31 December 2020 were RMB911 million. Maturity and modification to the right-of-use assets during the year ended 31 December 2020 were RMB907 million.

19. Lease (Continued)

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2020 RMB million	2019 RMB million
Buildings	**393**	278
Infrastructure construction equipment	**504**	941
Transportation equipment	**77**	86
Manufacturing equipment	**1**	2
Other equipment	**6**	3
	981	1,310
Interest expenses (included in finance cost) *(Note 10)*	**59**	69
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in cost of sales and services and administrative expenses)	**23,108**	18,732

The total cash outflow for leases in the year ended 31 December 2020 was RMB23,822 million (2019: RMB16,346 million).

(c) The Group's leasing activities and how these are accounted for

The Group leases buildings, infrastructure construction equipment, transportation equipment, manufacturing equipment and other equipment. Rental contracts are made for fixed periods, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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20. Lease Prepayments

	2020 **RMB million**	2019 RMB million
At 1 January		
Cost	**16,394**	15,613
Accumulated amortisation and impairment	**(2,840)**	(2,569)
Net book amount	**13,554**	13,044
For the year ended 31 December		
Opening net book amount	**13,554**	13,044
Additions	**896**	1,381
Transferred from properties held for sale *(Note 31(b))*	**169**	42
Acquisition of subsidiaries	**1,102**	7
Disposals	**(117)**	(414)
Disposal of subsidiaries	**(2)**	(84)
Transferred to properties held for sale *(Note 31(b))*	**(43)**	(51)
Amortisation charge *(Note 11)*	**(414)**	(371)
Closing net book amount	**15,145**	13,554
At 31 December		
Cost	**18,357**	16,394
Accumulated amortisation and impairment	**(3,212)**	(2,840)
Net book amount	**15,145**	13,554
Analysed for reporting purpose as:		
– Non-current	**14,826**	13,198
– Current	**319**	356
	15,145	13,554

(a) Amortisation of the Group's lease prepayments of RMB188 million (2019: RMB196 million) has been charged to cost of sales and services, and RMB226 million (2019: RMB175 million) to administrative expenses.

(b) As at 31 December 2020, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB299 million (2019: RMB151 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

(c) As at 31 December 2020, bank borrowings amounting to RMB197 million (2019: nil) were secured by lease prepayments with carrying amount of approximately RMB309 million (2019: nil).

21. Deposits for Investments

	2020 **RMB million**	2019 RMB million
Deposits for investments accounted for using the equity method	**453**	1,098

22. Investment Properties

	2020 **RMB million**	2019 RMB million
At 1 January		
Cost	**12,856**	9,913
Accumulated depreciation and impairment	**(1,689)**	(1,370)
Net book amount	**11,167**	8,543
For the year ended 31 December		
Opening net book amount	**11,167**	8,543
Additions	**217**	594
Acquisition of subsidiaries	**571**	–
Transferred from property, plant and equipment *(Note 18)*	**166**	108
Transfer from properties held for sale *(Note 31(b))*	**631**	2,475
Transfer to property, plant and equipment *(Note 18)*	**(10)**	(100)
Transfer to properties held for sale *(Note 31(b))*	**(270)**	(62)
Disposals	**(8)**	(21)
Depreciation charge *(Note 11)*	**(397)**	(370)
Impairment losses recognised *(Note 8)*	**(3)**	–
Exchange difference	**(18)**	–
Closing net book amount	**12,046**	11,167
At 31 December		
Cost	**14,119**	12,856
Accumulated depreciation and impairment	**(2,073)**	(1,689)
Net book amount	**12,046**	11,167
Fair value at end of the year *(a)*	**21,960**	21,395

22. Investment Properties (Continued)

(a) As at 31 December 2020, the fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers. The investment properties, mainly located in the Mainland China, are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate, or by the comparison approach by making reference to comparable market transactions, which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows, capitalisation rate and current prices in an active market for similar properties.

(b) Rental income and depreciation of the Group's investment properties of RMB775 million and RMB397 million (2019: RMB728 million and RMB370 million), respectively, was recognised as "revenue" and "cost of sales and services" in the consolidated income statement for the year ended 31 December 2020.

(c) As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: nil).

(d) The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB1,870 million (2019: RMB2,891 million) as at 31 December 2020. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

(e) Minimum lease payments receivable on leases of investment properties are as follows:

	2020 **RMB million**	2019 RMB million
Within 1 year	**599**	536
Between 1 and 2 years	**291**	287
Between 2 and 3 years	**315**	233
Between 3 and 4 years	**257**	191
Between 4 and 5 years	**159**	161
Later than 5 years	**372**	474
	1,993	1,882

23. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
At 1 January 2019						
Cost	50,914	95	14	585	882	52,490
Accumulated amortisation and impairment	(5,735)	(83)	(10)	(325)	(137)	(6,290)
Net book amount	45,179	12	4	260	745	46,200
Year ended at 31 December 2019						
Opening net book amount	45,179	12	4	260	745	46,200
Additions	8,851	5	–	252	5	9,113
Acquisition of subsidiaries	7,648	566	–	4	6	8,224
Disposals	(4,446)	–	–	(1)	–	(4,447)
Amortisation charge *(Note 11)*	(990)	(144)	(1)	(101)	(19)	(1,255)
Disposals of subsidiaries	(32,274)	–	–	(2)	–	(32,276)
Closing net book amount	23,968	439	3	412	737	25,559
At 31 December 2019						
Cost	24,132	666	13	829	873	26,513
Accumulated amortisation and impairment	(164)	(227)	(10)	(417)	(136)	(954)
Net book amount	23,968	439	3	412	737	25,559
Year ended at 31 December 2020						
Opening net book amount	**23,968**	**439**	**3**	**412**	**737**	**25,559**
Additions	**33,021**	**–**	**2**	**255**	**8**	**33,286**
Acquisition of subsidiaries	**4,217**	**–**	**5**	**16**	**37**	**4,275**
Disposals	**(13)**	**–**	**–**	**(1)**	**–**	**(14)**
Amortisation charge *(Note 11)*	**(273)**	**(52)**	**(1)**	**(119)**	**(17)**	**(462)**
Exchange differences	**(45)**	**–**	**–**	**–**	**–**	**(45)**
Closing net book amount	**60,875**	**387**	**9**	**563**	**765**	**62,599**
At 31 December 2020						
Cost	**61,305**	**666**	**23**	**1,109**	**911**	**64,014**
Accumulated amortisation and impairment	**(430)**	**(279)**	**(14)**	**(546)**	**(146)**	**(1,415)**
Net book amount	**60,875**	**387**	**9**	**563**	**765**	**62,599**

23. Intangible Assets (Continued)

(a) The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations, sewage plants and other constructions. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads, sewage plants and other constructions, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads, the sewage plants and other construction upon completion for a specified remaining concession period from 12 to 40 years (2019: from 19 to 40 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads, the sewage plants and other constructions upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

(b) As at 31 December 2020, the cost of service concession arrangements have been put into operations amounted to RMB12,437 million (2019: RMB4,402 million). The cost of service concession arrangements where the related projects were under construction amounted to RMB48,868 million (2019: RMB19,730 million).

(c) Amortisation of the Group's intangible assets of RMB349 million (2019: RMB1,123 million) has been charged to cost of sales and services, and RMB113 million (2019: RMB132 million) to administrative expenses.

(d) As at 31 December 2020, bank borrowings amounting to RMB39,104 million (2019: RMB12,238 million) are secured by concession assets with carrying amount of approximately RMB50,991 million (2019: RMB21,802 million) (Note 42).

24. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
At 1 January 2019			
Cost	5,126	130	5,256
Accumulated amortisation and impairment	(1,383)	–	(1,383)
Net book amount	3,743	130	3,873
Year ended at 31 December 2019			
Opening net book amount	3,743	130	3,873
Additions	24	–	24
Amortisation charge *(Note 11)*	(166)	–	(166)
Exchange differences	1	–	1
Closing net book amount	3,602	130	3,732
At 31 December 2019			
Cost	**5,151**	**130**	**5,281**
Accumulated amortisation and impairment	**(1,549)**	**–**	**(1,549)**
Net book amount	**3,602**	**130**	**3,732**
Year ended at 31 December 2020			
Opening net book amount	**3,602**	**130**	**3,732**
Additions	**116**	**–**	**116**
Amortisation charge *(Note 11)*	**(262)**	**–**	**(262)**
Exchange differences	**(4)**	**–**	**(4)**
Closing net book amount	**3,452**	**130**	**3,582**
At 31 December 2020			
Cost	**5,263**	**130**	**5,393**
Accumulated amortisation and impairment	**(1,811)**	**–**	**(1,811)**
Net book amount	**3,452**	**130**	**3,582**

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Mongolia, and the Democratic Republic of the Congo.

25. Subsidiaries

(a) Details of the principal subsidiaries as at 31 December 2020 are shown in Note 51.

(b) Material non-controlling interests

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	中鐵高新工業股份有限公司 China Railway Hi-Tech Industry Co., Ltd. ("China Railway Industry")
Principal activities	Engineering Equipment and Component Manufacturing
Country/place of establishment and operation	PRC

	2020 RMB million	2019 RMB million
Particulars of issued share capital	**2,222**	2,222
Proportion of interest and voting power held by non-controlling interests	**50.88%**	50.88%
Accumulated non-controlling interests	**12,503**	10,372
Total comprehensive income allocated to non-controlling interests	**956**	800

25. Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Financial information on subsidiaries with material non-controlling interests

Set out below is summarised financial information for China Railway Industry in which there is non-controlling interests that are material to the Group.

The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2020 RMB million	2019 RMB million
Current		
Assets	**32,482**	28,052
Liabilities	**21,489**	19,071
Total current net assets	**10,993**	8,981
Non-current		
Assets	**11,708**	10,832
Liabilities	**812**	919
Total non-current net assets	**10,896**	9,913
Net assets	**21,889**	18,894

Summarised income statement	2020 RMB million	2019 RMB million
Revenue	**24,292**	20,575
Profit for the year attributable to owners of company	**1,826**	1,627
Other comprehensive (expenses)/income attributable to owners of company	**(15)**	40
Total comprehensive income attributable to owners of company	**1,811**	1,667
Total comprehensive income attributable to non-controlling interests	**956**	800
Dividends paid to non-controlling interests	**13**	142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarised cash flows	2020 RMB million	2019 RMB million
Net cash generated from operating activities	**1,074**	1,424
Net cash used in investing activities	**(831)**	(1,055)
Net cash generated from financing activities	**1,142**	996
Effect of foreign exchange rate changes	**(7)**	1
Net increase in cash and cash equivalents	**1,378**	1,366

(c) Consolidation of the structured entities

To determine whether to consolidate the structured entities (mainly the unlisted entrust products) or not, the main factor considered by the Group is the ability to control these structured entities. For those structured entities managed and invested by China Railway Trust Co., Ltd. ("China Railway Trust"), the directly owned subsidiary of the Company, the Group consolidated those structured entities when the Group is exposed to significant variable returns and has the ability to affect the variable returns, including the returns of its interests in these structured entities as investor and trust commission fee earned from these structured entities as manager.

As at 31 December 2020, the total assets of the consolidated structured entities amounted to RMB9,015 million (2019: RMB9,108 million), and the interests of other investors in these structured entities amounted to RMB3,499 million (2019: RMB4,056 million).

As at 31 December 2020 and 2019, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the consolidated structured entities.

(d) Interests in unconsolidated structured entities

(i) China Railway Trust serves as manager of unconsolidated structured entities (mainly the unlisted entrust products) and earns trust commission fee. In the opinion of the Directors, the Group did not consolidate these structured entities that it has no control over these structured entities.

As at 31 December 2020, the scale of the unconsolidated structured entities established with interest held by the Group amounted to RMB38,311 million (2019: RMB37,665 million). As at 31 December 2020, the maximum exposure to the loss of the Group's investments and the amount recognised as financial assets at fair value through profit or loss in the consolidated financial statements over these unconsolidated structured entities which the Group has interests in amounted to RMB1,550 million (2019: RMB2,349 million).

As at 31 December 2020, the scale of the unconsolidated structured entities established with no interest held by the Group amounted to RMB363,292 million (2019: RMB425,412 million).

25. Subsidiaries (Continued)

(d) Interests in unconsolidated structured entities (Continued)

(ii) The Group and several unlisted entrust products ("Investee Entrust Products"), which the Group has interests in, invested in certain limited liability partnership funds (the "Funds"). The Funds are mainly engaged in infrastructure activities. Some asset managers (related parties of the Group), or together with the Group, acted as general partners of the Fund, and applied various investment strategies to accomplish the respective investment objectives of the Funds. A number of Investee Entrust Products acted as limited partners of the Funds to finance the operation activities of the Funds.

The Directors of the Company are of the opinion that the Group did not have control over Investee Entrust Products and the Funds and therefore, these Investee Entrust Products and the Funds were deemed as structured entities and were not consolidated by the Group.

As at 31 December 2020, the scale of these unconsolidated structured entities amounted to RMB23,771 million (2019: RMB18,231 million).

The maximum exposure to the loss of the Group's investments in the unconsolidated structured entities as at 31 December 2020 is disclosed in the following table.

	2020	2019
	RMB million	RMB million
Investments in joint ventures	**4,931**	936
Financial assets at fair value through profit or loss	**1,314**	1,823
	6,245	2,759

As at 31 December 2020 and 2019, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Investments Accounted for Using The Equity Method

The amounts recognised in the consolidated balance sheet are as follows:

	2020 RMB million	2019 RMB million
Associates	**38,133**	30,565
Joint ventures	**40,216**	29,314
	78,349	59,879

The amounts recognised in the consolidated income statement are as follows:

	2020 RMB million	2019 RMB million
Associates	**2,031**	2,100
Joint ventures	**164**	360
	2,195	2,460

(a) Investments in associates

	2020 RMB million	2019 RMB million
At 1 January	**30,565**	15,672
Additions	**10,517**	14,544
Disposals	**(2,260)**	(762)
Share of profit or loss, net	**2,031**	2,100
Dividend distribution	**(547)**	(635)
Share of other comprehensive income of associates	**(189)**	42
Share of other reserves of associates	**(1,984)**	(396)
At 31 December	**38,133**	30,565

26. Investments Accounted for Using The Equity Method (Continued)

(a) Investments in associates (Continued)

(i) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2020, the Group acts as the guarantors for various external borrowings made by an associate amounted to RMB2,441 million (2019: RMB2,325 million).

(iii) Details of Group's material associates as at 31 December 2020 and 2019 are as follows:

Name of associate	Country/place of establishment/ operations	Proportion of ownership interest held by the Group		Principal activities
		2020	2019	
雲南省滇中引水工程有限公司 Yunnan Dianzhong Water Diversion Engineering Co., Ltd. ("Dianzhong Water")	PRC	**9.47%**	9.47%	Build-operate-transfer service concession arrangement
華剛礦業股份有限公司 LA Sino-Congolaise Des Mines S.A. ("SICOMINGS S.A.")	Democratic Republic of the Congo	**41.72%**	41.72%	Mining

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Investments Accounted for Using The Equity Method (Continued)

(a) Investments in associates (Continued)

	2020		2019	
	Dianzhong Water RMB million (Unaudited)	**SICOMINGS S.A. RMB million (Unaudited)**	Dianzhong Water RMB million (Unaudited)	SICOMINGS S.A. RMB million (Unaudited)
Current assets	**6,721**	**10,707**	7,732	5,170
Non-current assets	**10,837**	**17,896**	3,898	17,719
Current liabilities	**316**	**2,020**	28	1,897
Non-current liabilities	**–**	**18,472**	–	14,379
Revenue	**–**	**5,917**	–	5,545
Profit for the year	**–**	**2,805**	–	2,456
Other comprehensive income for the year	**–**	**(447)**	–	101
Total comprehensive income for the year	**–**	**2,358**	–	2,557
Dividends received	**–**	**359**	–	406

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2020		2019	
	Dianzhong Water RMB million (Unaudited)	**SICOMINGS S.A. RMB million (Unaudited)**	Dianzhong Water RMB million (Unaudited)	SICOMINGS S.A. RMB million (Unaudited)
Net assets of associates	**17,242**	**8,111**	11,602	6,613
Proportion of the Group's ownership in associates	**9.47%**	**41.72%**	9.47%	41.72%
Other adjustments	**4,272**	**(574)**	4,138	(490)
Carrying amount of the Group's interests in associates	**5,904**	**2,810**	5,236	2,270

26. Investments Accounted for Using The Equity Method (Continued)

(a) Investments in associates (Continued)

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2020 RMB million	2019 RMB million
Aggregate carrying amount of the Group's interests in these associates	**29,419**	23,059
The Group's share of profits	**860**	1,075
The Group's share of other comprehensive expenses	**(2)**	–
The Group's share of total comprehensive income	**858**	1,075

(b) Investments in joint ventures

	2020 RMB million	2019 RMB million
At 1 January	**29,314**	19,597
Additions	**11,469**	11,350
Disposals	**(171)**	(4,645)
Share of profit or loss, net	**164**	360
Dividend distribution	**(560)**	(378)
Share of other reserves of joint ventures	**–**	3,030
At 31 December	**40,216**	29,314

(i) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2020, the Group acts as the guarantor for external borrowing made by a joint venture amounted to RMB5,048 million (2019: RMB7,239 million).

26. Investments Accounted for Using The Equity Method (Continued)

(b) Investments in joint ventures (Continued)

(iii) Details of Group's material joint ventures as at 31 December 2020 and 2019 are as follows:

Name of joint venture	Country/place of establishment/ operations	Proportion of ownership interest held by the Group		Principal activities
		2020	2019	
招商中鐵控股有限公司 China Merchants Railway Co., Ltd. (Formerly "Guangxi China Railway Expressway Management Co., Ltd.")	PRC	**49.00%**	49.00%	Build-operate-transfer service concession arrangement
昆明軌道交通四號線土建項目建設管理有限公司 Kunming Rail Transit Line 4 Construction Management Co., Ltd. ("Kunming Line 4")	PRC	**75.73%**	75.73%	Subway construction management
四川天府機場高速公路有限公司 Sichuan Tianfu Airport Expressway Co., Ltd. ("Sichuan Tianfu")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement

26. Investments Accounted for Using The Equity Method (Continued)

(b) Investments in joint ventures (Continued)

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in the consolidated financial statements.

	2020			2019		
	China Merchants Railway Co., Ltd.	**Kunming Line 4**	**Sichuan Tianfu**	China Merchants Railway Co., Ltd.	Kunming Line 4	Sichuan Tianfu
	RMB million	**RMB million**	**RMB million**	RMB million	RMB million	RMB million
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
Current assets	**980**	**100**	**201**	1,211	71	887
Including: cash and cash equivalents	**680**	**73**	**200**	596	5	886
Non-current assets	**40,977**	**17,231**	**32,873**	39,202	15,151	27,949
Current liabilities	**8,332**	**711**	**254**	10,258	1,213	228
Non-current liabilities	**20,080**	**10,440**	**25,796**	16,107	7,865	22,408
Revenue	**2,462**	**–**	**–**	2,933	–	–
Interest expenses	**1,259**	**–**	**–**	1,237	–	–
Losses and total comprehensive expenses for the year	**(788)**	**–**	**–**	(138)	–	–
Dividends received	**–**	**–**	**–**	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Investments Accounted for Using The Equity Method (Continued)

(b) Investments in joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	2020			2019		
	China Merchants Railway Co., Ltd.	Kunming Line 4	Sichuan Tianfu	China Merchants Railway Co., Ltd.	Kunming Line 4	Sichuan Tianfu
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
Net assets of joint ventures	10,976	6,180	7,024	11,763	6,144	6,200
Proportion of the Group's ownership in joint ventures	49.00%	75.73%	50.00%	49.00%	75.73%	50.00%
Other adjustments	–	–	(112)	–	27	–
Carrying amount of the Group's interests in joint ventures	5,378	4,680	3,400	5,764	4,680	3,100

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2020 RMB million	2019 RMB million
Aggregate carrying amount of the Group's interests in these joint ventures	26,758	15,770
The Group's share of profits	550	361
The Group's share of total comprehensive income	550	361

27. Joint Operations

In 2020, the Group has one joint operation in Hong Kong (2019: one) and has 30% share (2019: 30%) in the ownership of this construction project. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

28. Goodwill

	2020 **RMB million**	2019 RMB million
Cost		
At beginning of year	**1,068**	929
Addition	**374**	243
Disposal	**(2)**	(104)
At end of year	**1,440**	1,068
Impairment		
At beginning of year	**(28)**	(30)
Disposal	**–**	2
At end of year	**(28)**	(28)
Net book amount		
At beginning of year	**1,040**	899
At end of year	**1,412**	1,040

28. Goodwill (Continued)

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 51) and sub-groups headed by these subsidiaries:

	2020 **RMB million**	2019 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**64**	66
China Railway No.2 Engineering Group Co., Ltd.	**77**	77
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**195**	195
China Railway No.5 Engineering Group Co., Ltd.	**82**	82
China Railway No.6 Engineering Group Co., Ltd.	**12**	12
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**48**	48
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**100**	100
China Railway Construction Group Co., Ltd.	**62**	62
China Railway Tunnel Group Co., Ltd.	**19**	19
China Railway Trust	**24**	24
China Railway No.6 Survey and Design Institute Group Co., Ltd.	**206**	206
China Railway Prefabricate Construction Co., Ltd. *(Note 47(b))*	**333**	–
China Railway Changjiang Transport Design Group Co., Ltd. *(Note 47(d))*	**36**	–
China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd. *(Note 47(c))*	**5**	–
Other Subsidiaries	**18**	18
	1,412	1,040

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust, which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on fair value less costs of disposal. The key assumptions in determining the fair value is the publicly disclosed value ratio of comparable transactions and estimated costs of disposal. Management believes that any reasonably possible change in the assumptions would not cause the carrying amount of this subsidiary to exceed its recoverable amount.

28. Goodwill (Continued)

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 10% (2019: 10%). One of the key assumptions in preparing cash flow projections is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the cash flow projections is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the subsidiaries to exceed its recoverable amounts.

29. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely payments of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

29. Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

(a) Financial assets at FVOCI include the following:

	2020	2019
	RMB million	RMB million
Non-current assets		
Unlisted equity investments	**8,831**	9,363
Listed equity securities		
– Mainland China	**568**	629
– Hong Kong	**269**	480
	9,668	10,472
Current assets		
Bills receivables	**522**	393

On disposal of these equity instruments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In 2020, the Group disposed certain listed equity securities and unlisted equity investments at a fair value of RMB402 million (2019: RMB348 million). The Group realised a gain of RMB12 million (2019: RMB31 million), which had already been included in other comprehensive income before disposal. The gain has been transferred to retained earnings.

29. Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

(b) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains were recognised in profit or loss and other comprehensive income:

	2020 **RMB million**	2019 RMB million
Gains recognised in other comprehensive income	**(248)**	(63)
Gains reclassified from other comprehensive income to retained earnings upon disposal of financial assets at FVOCI	**(12)**	(31)
Dividends from equity instruments held at FVOCI recognised in profit or loss in other income *(Note 6)*:		
– Related to instruments held at the end of the year	**57**	44
– Related to instruments derecognised during the year	**1**	3

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.2.

The loss allowance for debt instruments at FVOCI as a result of applying the expected credit risk model is immaterial.

Financial assets at FVOCI are denominated in the following currencies:

	2020 **RMB million**	2019 RMB million
RMB	**9,921**	10,385
HKD	**269**	480
	10,190	10,865

30. Other Financial Assets at Amortised Cost

	2020 **RMB million**	2019 RMB million
Debt investments		
– Short-term	**10,579**	10,667
– Long-term	**23,316**	18,292
	33,895	28,959
Less: Loss allowance for debt investments *(a)*	**(5,428)**	(5,400)
Total other financial assets at amortised cost	**28,467**	23,559
Less: Amount due within one year included in current assets	**(9,694)**	(9,630)
Amount due after one year	**18,773**	13,929

(a) Movements in impairment on debt instruments are as follows:

	2020 **RMB million**	2019 RMB million
At 31 December in prior year	**5,400**	3,196
Impairment losses recognised during the year *(Note 7)*	**33**	2,201
Exchange differences	**(5)**	3
At 31 December	**5,428**	5,400

(b) The other financial assets at amortised cost carry fixed-rate interests within a range of 1.31% to 24.00% (31 December 2019: 2.91% to 24.00%) per annum.

(c) As at 31 December 2020, other financial assets at amortised cost amounting to RMB5,355 million (31 December 2019: RMB4,938 million) are secured by property, plant and equipments, investment properties or guaranteed by a third party.

30. Other Financial Assets at Amortised Cost (Continued)

(d) Other financial assets at amortised cost are denominated in the following currencies:

	2020 **RMB million**	2019 RMB million
RMB	**27,958**	22,954
USD	**509**	605
	28,467	23,559

31. Properties Held for Sale/Properties Under Development for Sale

(a) Properties under development for sale

	2020 **RMB million**	2019 RMB million
As at 1 January	**134,747**	99,563
Additions	**37,595**	64,462
Properties completed during the year	**(49,152)**	(29,278)
Transfers to property, plant and equipment *(Note 18)*	**(1,169)**	–
Disposal of subsidiaries	**(850)**	–
	121,171	134,747
Less: provision for impairment	**(3,595)**	(971)
As at 31 December	**117,576**	133,776

	2020 **RMB million**	2019 RMB million
Properties under development for sale comprise:		
Land use rights	**90,068**	97,235
Construction cost	**17,322**	23,177
Borrowing costs capitalised	**13,781**	14,335
	121,171	134,747

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31. Properties Held for Sale/Properties Under Development for Sale (Continued)

(b) Properties held for sale

	2020 RMB million	2019 RMB million
As at 1 January	**25,746**	27,420
Additions	**49,152**	29,278
Transferred from investment properties *(Note 22)*	**270**	62
Transferred from lease prepayments *(Note 20)*	**43**	51
Properties sold during the year	**(37,348)**	(28,457)
Transferred to investment properties *(Note 22)*	**(631)**	(2,475)
Transferred to lease prepayments *(Note 20)*	**(169)**	(42)
Transferred to property, plant and equipment *(Note 18)*	**(274)**	(91)
	36,789	25,746
Less: provision for impairment	**(2,646)**	(728)
As at 31 December	**34,143**	25,018

Properties under development for sale amounting to RMB37,371 million (2019: RMB33,637 million) have been pledged to secure bank borrowings amounting to RMB11,769 million (2019: RMB14,346 million) granted to the Group (Note 42).

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

32. Inventories

	2020 RMB million	2019 RMB million
Raw materials and consumables	**26,919**	27,304
Work in progress	**7,383**	6,724
Finished goods	**6,641**	6,917
	40,943	40,945

33. Trade and Other Receivables

	2020 RMB million	2019 RMB million
Trade and bills receivables	**169,235**	148,525
Less: Loss allowance	**(10,461)**	(9,445)
Trade and bills receivables – net	**158,774**	139,080
Other receivables (net of impairment)	**70,854**	67,143
Advance to suppliers (net of impairment)	**30,291**	27,716
	259,919	233,939
Less: Amount due after one year included in non-current assets	**(48,351)**	(30,683)
Amount due within one year included in current assets	**211,568**	203,256

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

	2020 RMB million	2019 RMB million
Less than 1 year	**134,643**	121,708
1 year to 2 years	**16,642**	12,399
2 years to 3 years	**6,238**	4,643
3 years to 4 years	**2,815**	2,354
4 years to 5 years	**1,695**	1,319
More than 5 years	**7,202**	6,102
Total	**169,235**	148,525

Majority of the Group's revenues are generated through infrastructure construction, survey, design and consulting, engineering equipment and component manufacturing contracts. The settlements are made in accordance with the terms specified in the contracts governing the relevant transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Trade and Other Receivables (Continued)

(b) Trade and bills receivables of RMB13,807 million (31 December 2019: RMB4,491 million) were pledged to secure borrowings amounting to RMB6,535 million (31 December 2019: RMB2,911 million) (Note 42).

(c) As at 31 December 2020, trade receivables of RMB55,142 million (31 December 2019: RMB51,508 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB16,854 million (31 December 2019: RMB16,062 million) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(d) As at 31 December 2020, bills receivables – bank acceptance and commercial acceptance notes of RMB640 million (31 December 2019: RMB315 million) were endorsed to suppliers, and RMB520 million (31 December 2019: RMB21 million) were discounted with banks. In the opinion of the Directors, as the counter party bears higher credit risk, such transactions did not qualify for derecognition. In addition, as at 31 December 2020, bills receivables – bank acceptance notes of RMB2,142 million (31 December 2019: RMB1,754 million) were endorsed to suppliers, and RMB170 million (31 December 2019: RMB570 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

(e) As at 31 December 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows:

Central-governmental enterprises

	As at	
	31 December 2020	31 December 2019
	RMB million	RMB million
Less than 1 year	**7,438**	7,431
1 year to 2 years	**975**	1,053
2 years to 3 years	**389**	382
3 years to 4 years	**215**	231
4 years to 5 years	**150**	112
More than 5 years	**104**	78
Total	**9,271**	9,287

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Locally-administrated state-owned enterprises

	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million
Less than 1 year	**45,212**	42,974
1 year to 2 years	**6,557**	5,154
2 years to 3 years	**2,297**	2,307
3 years to 4 years	**1,266**	1,011
4 years to 5 years	**653**	364
More than 5 years	**509**	362
Total	**56,494**	52,172

China State Railway Group Co., Ltd.

	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million
Less than 1 year	**12,418**	13,519
1 year to 2 years	**1,412**	2,016
2 years to 3 years	**653**	421
3 years to 4 years	**225**	261
4 years to 5 years	**146**	99
More than 5 years	**108**	83
Total	**14,962**	16,399

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Overseas enterprises

	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million
Less than 1 year	**1,864**	2,075
1 year to 2 years	**641**	870
2 years to 3 years	**466**	55
3 years to 4 years	**34**	17
4 years to 5 years	**8**	2
More than 5 years	**7**	6
Total	**3,020**	3,025

Other entities

	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million
Less than 1 year	**16,175**	13,159
1 year to 2 years	**2,686**	2,095
2 years to 3 years	**1,375**	696
3 years to 4 years	**372**	289
4 years to 5 years	**200**	148
More than 5 years	**181**	175
Total	**20,989**	16,562

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

As at 31 December 2020, the amount of individually impaired trade receivables was RMB6,509 million (31 December 2019: RMB9,615 million) with the provision for loss allowance of RMB3,368 million (31 December 2019: RMB3,348 million).

As at 31 December 2020, bills receivables – bank acceptance notes of RMB501 million (31 December 2019: RMB533 million) were not impaired. Commercial acceptance notes, which were collectively assessed for impairment, were RMB5,048 million (31 December 2019: RMB2,766 million) with the provision for loss allowance of RMB12 million (31 December 2019: RMB7 million).

As at 31 December 2020, the amount of collectively impaired long-term trade receivables was RMB44,131 million (31 December 2019: RMB31,188 million) with the provision for loss allowance of RMB198 million (31 December 2019: RMB152 million). The amount of individually impaired long-term trade receivables was RMB4,850 million (31 December 2019: RMB4,261 million) with the provision for loss allowance of RMB3,423 million (31 December 2019: RMB3,221 million).

(f) Movements on loss allowance of trade and other receivables are as follows:

	2020 **RMB million**	2019 RMB million
At 31 December in prior year	**23,664**	22,084
Increase in loss allowance recognised in profit or loss during the year	**4,899**	3,370
Amount reversed	**(2,597)**	(1,472)
Receivables written off during the year as non-collectible	**(1,577)**	(348)
Others	**30**	30
At 31 December	**24,419**	23,664

The increase and reversal in loss allowance of trade and other receivables have been included in net impairment losses on financial assets and other gains/(losses) in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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33. Trade and Other Receivables (Continued)

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

	2020 **RMB million**	2019 RMB million
RMB	**249,453**	223,077
USD	**3,963**	5,964
HKD	**3,075**	16
West African CFA Franc	**291**	327
Ethiopian Birr	**174**	246
EUR	**217**	177
Other currencies	**2,746**	4,132
	259,919	233,939

As at 31 December 2020, other currencies mainly comprised of Bangladesh Taka, Malaysian Ringgit and South African Rand.

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

34. Assets and Liabilities Related to Contracts with Customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
	RMB million	RMB million
Contract assets		
– Amount due from contract customers for contract work and Retentions	**185,136**	182,650
– Primary land development	**6,679**	6,234
– Financial assets under concession arrangements	**65,407**	30,876
	257,222	219,760
Less: loss allowance *(a)*	**(2,109)**	(1,720)
Less: Amount due after one year included in non-current assets	**111,209**	87,885
Amount due within one year included in current assets	**143,904**	130,155
Contract liabilities		
– Sale of properties	**49,530**	36,961
– Infrastructure construction and engineering contracts	**42,562**	36,837
– Amount due to contract customers for contract work	**20,026**	24,471
– Design and consulting services	**3,120**	2,784
– Sales of manufacturing products	**5,466**	4,976
– Sales of materials	**759**	1,392
– Others	**3,197**	2,949
Total current contract liabilities	**124,660**	110,370

34. Assets and Liabilities Related to Contracts with Customers (Continued)

(a) As at 31 December 2020, the impairment of contract assets is determined as follows:

Contract assets	Expected loss rate	Gross carrying amount RMB million	Loss allowance RMB million
Amounts due from customers for contract work			
– Less than 1 year	**0.20%**	**107,404**	**210**
– 1 year to 2 years	**4.00%**	**8,599**	**344**
– 2 years to 3 years	**8.00%**	**1,587**	**127**
– 3 years to 4 years	**12.00%**	**1,283**	**154**
– 4 years to 5 years	**16.00%**	**200**	**32**
– Over 5 years	**20.00%**	**355**	**71**
Total		**119,428**	**938**
Primary land development	**0.50%**	**6,679**	**33**
Retentions	**0.50%**	**62,453**	**310**
Financial assets under concession arrangements	**0.50%**	**65,407**	**325**
Total		**253,967**	**1,606**

The amount of individually impaired contract assets was RMB3,255 million (31 December 2019: RMB3,705 million) with the provision of RMB503 million (31 December 2019: RMB356 million).

(b) As at 31 December 2020, bank borrowings amounting to RMB22,298 million (2019: RMB11,281 million) are secured by contract assets with carrying amount of approximately RMB34,842 million (2019: RMB26,926 million) (Note 42).

35. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss

The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI (Note 29);
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

35. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss (Continued)

(a) Financial assets at FVPL include the following:

	2020 RMB million	2019 RMB million
Non-current assets		
Equity instruments		
Equity securities listed in Mainland China	**1,215**	977
Unlisted equity investments	**4,177**	725
	5,392	1,702
Debt instruments		
Unlisted entrusted products	**3,169**	4,684
Unlisted open-end equity funds	**1,130**	1,325
Others	**873**	926
	5,172	6,935
	10,564	8,637
Current assets		
Equity instruments		
Listed equity securities		
– Mainland China	**68**	138
Debt instruments		
Money-market securities investment funds	**2,377**	2,219
Unlisted open-end equity funds	**1,635**	1,617
Unlisted entrusted products	**888**	1,448
Others	**90**	19
	4,990	5,303
Derivative financial instruments		
– Option Contract	**160**	–
	5,218	5,441
Total	**15,782**	14,078

35. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss (Continued)

(b) Financial liabilities at FVPL include the following:

	2020 RMB million	2019 RMB million
Current liabilities		
Unlisted open-end equity funds	**65**	85

(c) Amounts recognised in profit or loss

	2020 RMB million	2019 RMB million
Fair value gains on financial assets at FVPL	**198**	291
Fair value gains/(losses) on financial liabilities at FVPL	**20**	(16)
	218	275

(d) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 3.1.

For information about the methods and assumptions used in determining fair value refer to Note 3.2.

36. Restricted Cash

	2020 RMB million	2019 RMB million
Restricted bank deposits	**23,389**	17,786
Term deposits with initial term of over three months	**5,916**	2,187
	29,305	19,973

As at 31 December 2020, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with People's Bank of China.

Term deposits with initial term of over three months are excluded from cash and cash equivalents, as management are of the opinion that these term deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

The carrying amount of restricted cash are denominated in the following currencies:

	2020 RMB million	2019 RMB million
RMB	**29,219**	19,457
USD	**30**	391
Other currencies	**56**	125
	29,305	19,973

37. Cash and Cash Equivalents

	2020 RMB million	2019 RMB million
Cash on hand	**88**	152
Bank deposits	**145,376**	138,034
Cash and cash equivalents	**145,464**	138,186

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the end of the reporting period.

The weighted average effective interest rate on bank deposits was 0.44% per annum as at 31 December 2020 (2019: 0.55% per annum).

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2020 RMB million	2019 RMB million
RMB	**131,600**	125,030
USD	**11,355**	10,546
Others	**2,509**	2,610
	145,464	138,186

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2020, less than 0.94% (2019: less than 1.33%) of the cash and cash equivalents balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

38. Share Capital and Premium

	Number of shares		Nominal value	
	2020	2019	**2020**	2019
	(thousands)	(thousands)	**RMB million**	RMB million
Registered, issued and fully paid				
A shares of RMB1.00 each				
At beginning and end of year	**20,363,540**	20,363,540	**20,364**	20,364
H shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	24,570,930	24,570,930	**24,571**	24,571

As at 31 December 2020, the A Shares (20,363,540 thousands shares) and H Shares (4,207,390 thousands shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

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39. Statutory Reserves

The statutory reserves comprise the statutory surplus reserve, trust compensation reserve and general risk reserve.

According to the PRC Company Law and the Company's article of association, the Company is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the relevant PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of the Company. The statutory surplus reserve can only make up losses or use to increase the registered capital of the Company and is not distributable.

According to the relevant laws and regulations for financial institutions and trust management entities in the PRC, certain subsidiaries of the Company are required to set aside certain amounts to trust compensation reserve and general risk reserve to address unidentified potential impairment risks.

40. Perpetual Notes

	2019 RMB million	Additions RMB million	Redemption/ Declaration RMB million	**2020** **RMB million**
Public medium notes *(Note (a))*	18,447	4,032	(6,958)	**15,521**
Private perpetual notes *(Note (b))*	2,000	–	(2,000)	**–**
Public renewable corporate bonds *(Note (c))*	10,997	19,954	–	**30,951**
Dividends	91	1,520	(1,345)	**266**
Total	31,535	25,506	(10,303)	**46,738**

40. Perpetual Notes (Continued)

(a) In January and June 2020, the Company redeemed the public medium notes ("Medium Notes") issued on 21 January 2015 and 11 June 2015 in cash consideration of RMB4 billion and RMB3 billion, respectively.

From 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and 17 December 2018 to 18 December 2018, the Company issued three tranches of Medium Notes with an aggregate principal amount of RMB3 billion, RMB3 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.56%, 4.53% and 4.60% per annum (category one), respectively and 4.80%, 4.80% and 4.80% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

From 21 November 2019 to 22 November 2019, the Company issued two tranches of Medium Notes with an aggregate principal amount of RMB2.5 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.11% per annum (category one), respectively and 4.41% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

From 16 September 2020 to 29 December 2020, the Company issued two tranches of Medium Notes with an aggregate principal amount of RMB1.5 billion and RMB2.5 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.45% per annum and 3.94% per annum, respectively, and has no maturity date. The interest rate will be reset every three years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

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40. Perpetual Notes (Continued)

(b) In April 2020, the Company redeemed the private perpetual notes issued on 3 April 2015 in cash consideration of RMB2 billion.

(c) On 6 November 2018, 15 November 2018, 27 November 2018 and 18 December 2018, the Company issued four tranches of public renewable corporate bonds ("Renewable Bonds") with an aggregate principal amount of RMB3 billion, RMB3 billion, RMB3 billion and RMB2 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 4.69%, 4.59%, 4.55% and 4.55% per annum (category one), respectively, and 4.99%, 4.90%, 4.80% and 4.78% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

On 27 May 2020, 24 June 2020, 24 July 2020 and 19 August 2020, the Company issued four tranches of Renewable Bonds with an aggregate principal amount of RMB2.6 billion, RMB1 billion, RMB3.5 billion, RMB3.5 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 3.11% per annum, 3.60% per annum, 3.95% per annum and 3.95% per annum and has no maturity date. The interest rate will be reset every three years from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

40. Perpetual Notes (Continued)

(c) (Continued)

On 16 June 2020, 19 October 2020 and 29 October 2020, the Company issued three tranche of Renewable Bonds with an aggregate principal amount of RMB3.5 billion, RMB3 billion and RMB2.9 billion. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 3.50% per annum, 4.20% per annum and 3.62% per annum (category one), and 3.99% per annum, 4.47% per annum, 3.94% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years, two years and one year (category one), respectively and every five years, three years and two years (category two), respectively from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bond are subject to redemption in whole, at the option of the Company, three years, two years and one year (category one), respectively and five years, three years and two years (category two), respectively after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bond, the Renewable Bond should be classified as equity.

41. Trade and Other Payables

	2020	2019
	RMB million	RMB million
Trade and bills payables *(a)*	**384,565**	353,258
Dividend payables	**453**	530
Accrued payroll and welfare	**3,777**	3,671
Other taxes	**3,859**	4,133
Deposit received in advance	**950**	952
Deposits *(b)*	**3,396**	1,141
Advance from customers	**393**	293
Other payables	**98,894**	89,740
	496,287	453,718
Analysed for reporting purposes:		
Non-current	**7,983**	7,681
Current	**488,304**	446,037
	496,287	453,718

41. Trade and Other Payables (Continued)

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB10,791 million (31 December 2019: RMB9,697 million). Retention payables are interest-free and payable at the end of the retention period of the respective infrastructure construction and products manufacturing and installation contracts.

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

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

	2020 **RMB million**	2019 RMB million
Less than 1 year	**354,958**	328,356
1 year to 2 years	**19,725**	14,270
2 years to 3 years	**4,933**	5,153
More than 3 years	**4,949**	5,479
	384,565	353,258

(b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from related parties and third parties. These deposits were due within one year with average annual interest rate of 1.286%.

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

	2020 **RMB million**	2019 RMB million
RMB	**482,438**	437,279
USD	**7,389**	5,348
Other currencies	**6,460**	11,091
	496,287	453,718

At 31 December 2020, other currencies mainly consist of West African Franc, Ethiopian Birr, and HKD.

42. Borrowings

	2020 **RMB million**	2019 RMB million
Bank borrowings:		
– Secured	**80,127**	40,756
– Unsecured	**102,340**	123,919
	182,467	164,675
Long-term debentures, unsecured *(a)*	**49,443**	46,848
Other borrowings:		
– Secured	**262**	688
– Unsecured	**17,883**	19,034
	67,588	66,570
	250,055	231,245
Analysed for reporting purposes:		
Non-current	**166,997**	118,934
Current	**83,058**	112,311
	250,055	231,245

42. Borrowings (Continued)

(a) On 27 January 2020, the first tranche of the medium-term note of a principal amount of RMB5,000 million issued on 27 January 2010 has been fully paid off.

On 19 October 2010, the Company issued the second tranche of the medium-term note, including 10-year medium-term note in a principal amount of RMB2,500 million (category 1) and 15-year medium-term note in a principal amount of RMB3,500 million (category 2). The interest rate are 4.34% (category 1) and 4.50% (category 2) per annum, payable annually in arrears. At 19 October 2020, these debentures are fully paid off (category 1). At 31 December 2020, the Company continued holding the medium-term note of a principal amount of RMB3,500 million (category 2).

On 15 April 2019, the Company issued the second tranche of the corporate bond of a principle amount of RMB3,500 million with a maturity date of 15 April 2022, including RMB1,300 million for category 1 with investors' put options and issuer's coupon rate adjustment options at the end of the first year and the second year and RMB2,200 million for category 2 with investors' put options and issuer's coupon rate adjustment options at the end of the second year. The interest rates are 3.40% (category 1) and 3.70% (category 2) per annum, payable annually in arrears. In March 2020, the Company exercised the coupon rate adjustment option and adjust the interest rate from 3.40% to 2.70% (category 1). In April 2020, the investors partially exercised put option and RMB1,153 million was paid off to the investors (category 1). At 31 December 2020, the Company continued holding the corporate bond of a principal amount of RMB147 million (category 1).

On 8 April 2020, the Company issued the first tranche of the medium-term note of a principle amount of RMB3,000 million with a maturity date of 10 April 2023, including RMB1,500 million for category 1 with investors' put options and issuer's coupon rate adjustment options at the end of the second year and RMB1,500 million for category 2. The interest rates are 2.33% (category 1) and 2.48% (category 2) per annum, payable annually in arrears.

On 24 April 2020, the Company issued the second tranche of the medium-term note of a principle amount of RMB3,000 million with a maturity date of 24 April 2023. The notes bear interest at a coupon rate of 2.28% per annum, payable annually in arrears.

On 15 May 2020, the Company issued the third tranche of the medium-term note of a principle amount of RMB3,000 million with a maturity date of 15 May 2023 and investors' put options and issuer's coupon rate adjustment options at the end of the second year. The notes bear interest at a coupon rate of 2.14% per annum, payable annually in arrears.

On 5 June 2020, the Company issued the fourth tranche of the medium-term note of a principle amount of RMB3,000 million with a maturity date of 5 June 2023 and investors' put options and issuer's coupon rate adjustment options at the end of the second year. The notes bear interest at a coupon rate of 2.85% per annum, payable annually in arrears.

On 28 January 2021, the first tranche of the corporate bond of a principal amount of RMB1,135 million issued on 28 January 2016 has been fully paid off.

On 23 March 2021, the first tranche of the medium-term note of a principal amount of RMB4,659 million issued on 23 March 2011 has been fully paid off.

42. Borrowings (Continued)

(b) Bank borrowings carry interest at rates ranging from 0.75% to 9.55% (31 December 2019: 0.75% to 9.50%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.14% to 4.50% (31 December 2019: 2.88% to 4.88%) per annum.

Other borrowings carry interest at rates ranging from 3.85% to 7.00% (31 December 2019: 4.35% to 7.00%) per annum.

(c) The details of secured borrowings are set out below:

	2020		2019	
	Secured borrowings	**Carrying amount of pledged assets and contract value of certain rights**	Secured borrowings	Carrying amount of pledged assets and contract value of certain rights
	RMB million	**RMB million**	RMB million	RMB million
Property, plant and equipment *(Note 18)*	**367**	**1,022**	7	3
Lease prepayments *(Note 20)*	**197**	**309**	–	–
Intangible assets *(Note 23)*	**39,104**	**50,991**	12,238	21,802
Properties under development for sale *(Note 31)*	**11,769**	**37,371**	14,346	33,637
Trade and bills receivables *(Note 33)*	**6,535**	**13,807**	2,911	4,491
Trade receivables from fellow subsidiaries of the Group	**119**	**375**	661	1,357
Contract assets *(Note 34)*	**22,298**	**34,842**	11,281	26,926
	80,389	**138,717**	41,444	88,216

42. Borrowings (Continued)

(d) The exposure of the Group's variable rate bank borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2020	2019
	RMB million	RMB million
6 months or less	**47,772**	19,743
6 -12 months	**81,316**	72,948
1-5 years	**288**	836
	129,376	93,527

(e) The Group's borrowings were repayable as follows:

	2020	2019
	RMB million	RMB million
Within 1 year	**83,058**	112,311
Between 1 and 2 years	**46,920**	33,644
Between 2 and 5 years	**52,212**	54,970
Over 5 years	**67,865**	30,320
	250,055	231,245

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2020	2019
	RMB million	RMB million
RMB	**239,539**	230,655
USD	**10,501**	173
EUR	**2**	25
Others	**13**	392
	250,055	231,245

42. Borrowings (Continued)

(g) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	2020 RMB million	2019 RMB million
Carrying amount		
– Bank borrowings	**119,970**	71,710
– Long-term debentures	**41,705**	38,314
– Other borrowings	**5,322**	8,910
	166,997	118,934
Fair value		
Level 3		
– Bank borrowings	**121,511**	75,541
– Long-term debentures	**41,214**	37,970
– Other borrowings	**5,322**	9,011
	168,047	122,522

(h) The Group has the following undrawn borrowing facilities:

	2020 RMB million	2019 RMB million
Expiring within one year	**95,962**	134,105
Expiring beyond one year	**1,096,468**	826,115
	1,192,430	960,220

43. Retirement Benefit Obligations

(a) State-managed retirement plans and supplementary defined contribution retirement schemes

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute a certain percentage of payroll costs, depending on the applicable local regulations to the state-managed retirement plans. The Group also participates in supplementary defined contribution retirement schemes. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary defined contribution retirement schemes is to make the specified contributions. The total costs charged to profit or loss during the year were RMB4,186 million and RMB1,792 million respectively (2019: RMB5,864 million and RMB1,242 million respectively).

As at 31 December 2020, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary defined contribution retirement schemes, and included in trade and other payables were RMB155 million and RMB46 million respectively (2019: RMB175 million and RMB51 million respectively).

(b) Retirement and other supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment medical benefits to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

43. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2020 were carried out by an independent firm of actuaries, Willis Towers Watson. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate	**3.25%**	3.25%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost growth rate	**8.00%**	8.00%

Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	2020 **RMB million**	2019 RMB million
Net finance costs *(Note 10)*	**85**	104
Components of defined benefit costs recognised in profit or loss	**85**	104
Remeasurement on the net defined benefit obligations:		
Actuarial (gains)/losses arising from experience adjustments	**(1)**	16
Components of defined benefit costs recognised in other comprehensive income	**(1)**	16
Total	**84**	120

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

43. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2020 **RMB million**	2019 RMB million
Present value of unfunded defined benefit obligations	**2,805**	3,129
Net liability arising from defined benefit obligations	**2,805**	3,129
Less: Amount due within one year	**(323)**	(359)
Amount due after one year	**2,482**	2,770

Movements in the present value of the retirement and other supplemental benefit obligations in the current year were as follows:

	2020 **RMB million**	2019 RMB million
Opening defined benefit obligations	**3,129**	3,398
Finance costs	**85**	104
Remeasurement losses		
Actuarial (gains)/losses arising from experience adjustments	**(1)**	16
Benefits paid	**(408)**	(389)
Closing defined benefit obligations	**2,805**	3,129

43. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit inflation rate and the average medical expense rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases or decreases by 0.25 percentage point, the defined benefit obligation would have been decreased by RMB46 million or increased by RMB48 million (2019: decreased by RMB53 million or increased by RMB55 million).

- If the benefit inflation rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB101 million or decreased by RMB88 million (2019: increased by RMB115 million or decreased by RMB101 million).

- If the average medical expenses rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB8 million or decreased by RMB7 million (2019: increased by RMB10 million or decreased by RMB9 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

43. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

The average expected future lifetime of the defined benefit obligation as at 31 December 2020 is 10.4 years (2019: 10.9 years). This number can be analysed as follows:

- civil retirees: 3.8 years (2019: 4.0 years);
- retired members: 10.4 years (2019: 10.9 years); and
- beneficiaries: 11.4 years (2019: 12.0 years).

The duration of the defined benefit obligation as at 31 December 2020 is 6.8 years (2019: 6.9 years).

44. Provisions

	2020 **RMB million**	2019 RMB million
Lawsuits	**116**	606
Foreseeable losses on contracts	**686**	458
	802	1,064
Analysed for reporting purpose as:		
Non-current	**562**	1,053
Current	**240**	11
	802	1,064

44. Provisions (Continued)

Movements in each class of provision during the financial year are set out below:

	Toll highways' repair and maintenance obligation RMB million	Foreseeable losses on contracts RMB million	Doubtful trust RMB million	Lawsuits RMB million	Total RMB million
At 1 January 2019	527	394	28	71	1,020
Charged/(credited) to the consolidated income statement:					
– Additional provisions	163	273	–	535	971
– Utilised/reversed during the year	(690)	(209)	(28)	–	(927)
At 31 December 2019	–	458	–	606	1,064
At 1 January 2020	**–**	**458**	**–**	**606**	**1,064**
Charged/(credited) to the consolidated income statement:					
– Additional provisions	**–**	**442**	**–**	**45**	**487**
– Utilised/reversed during the year	**–**	**(214)**	**–**	**(535)**	**(749)**
At 31 December 2020	**–**	**686**	**–**	**116**	**802**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. Deferred Taxation

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020		2019	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	**RMB million**	RMB million	RMB million
The balances before offsetting	**9,935**	**(2,056)**	8,442	(2,214)
Offsetting	**(602)**	**602**	(430)	430
	9,333	**(1,454)**	8,012	(1,784)

(b) The gross movement on the deferred income tax account is as follows:

	2020	2019
	RMB million	RMB million
At 31 December in prior year	**6,228**	5,703
Recognised in the income statement *(Note 13)*	**1,451**	615
Recognised in other comprehensive income *(Note 13)*	**65**	17
Effect of change in tax rate charged to profit or loss *(Note 13)*	**166**	(175)
Acquisition of subsidiaries	**(160)**	(55)
Disposal of subsidiaries	**(11)**	124
Exchange differences	**140**	(1)
At 31 December	**7,879**	6,228

45. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Financial assets/ liabilities measured at fair value RMB million	Unrealised loss from intercompany transactions RMB million	Depreciation and amortisation RMB million	Acquisition of subsidiaries RMB million	Others RMB million	Total RMB million
At 1 January 2019	(114)	(54)	(500)	(562)	(137)	(1,367)
(Charged)/credited to the consolidated income statement	(578)	26	(2)	147	(628)	(1,035)
Credited to other comprehensive income	5	–	–	–	–	5
Acquisition of subsidiaries	–	–	–	(63)	(5)	(68)
Disposal of subsidiaries	–	–	183	68	1	252
Effect of change in tax rate credited to profit or loss	–	–	2	–	2	4
Exchange differences	–	–	(5)	–	–	(5)
At 31 December 2019	(687)	(28)	(322)	(410)	(767)	(2,214)
At 1 January 2020	**(687)**	**(28)**	**(322)**	**(410)**	**(767)**	**(2,214)**
Credited/(charged) to the consolidated income statement	**–**	**4**	**(19)**	**29**	**(6)**	**8**
Credited to other comprehensive income	**9**	**–**	**–**	**–**	**–**	**9**
Acquisition of subsidiaries	**–**	**–**	**–**	**(152)**	**(60)**	**(212)**
Effect of change in tax rate credited to profit or loss	**–**	**–**	**–**	**–**	**205**	**205**
Exchange differences	**–**	**–**	**148**	**–**	**–**	**148**
At 31 December 2020	**(678)**	**(24)**	**(193)**	**(533)**	**(628)**	**(2,056)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred Tax Assets:

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Financial assets/ liabilities measured at fair value RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Unrealised profit from intercompany transactions RMB million	Other RMB million	Total RMB million
At 1 January 2019	2,844	12	218	528	1,173	1,839	456	7,070
Credited/(charged) to the consolidated income statement	722	11	(59)	(41)	687	224	106	1,650
Credited/(charged) to other comprehensive income	–	–	13	(1)	–	–	–	12
Acquisition of subsidiaries	8	–	–	–	5	–	–	13
Disposal of subsidiaries	(4)	–	–	–	(23)	–	(101)	(128)
Effect of change in tax rate credited to profit or loss	(52)	–	–	(29)	(5)	(105)	12	(179)
Exchange differences	1	–	–	–	2	–	1	4
At 31 December 2019	3,519	23	172	457	1,839	1,958	474	8,442
At 1 January 2020	**3,519**	**23**	**172**	**457**	**1,839**	**1,958**	**474**	**8,442**
Credited/(charged) to the consolidated income statement	**288**	**28**	**79**	**(39)**	**340**	**442**	**305**	**1,443**
Credited/(charged) to other comprehensive income	**–**	**–**	**54**	**2**	**–**	**–**	**–**	**56**
Acquisition of subsidiaries	**46**	**–**	**–**	**–**	**4**	**2**	**–**	**52**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**
Effect of change in tax rate credited to profit or loss	**(8)**	**–**	**–**	**8**	**(37)**	**–**	**(2)**	**(39)**
Exchange differences	**–**	**–**	**–**	**–**	**(8)**	**–**	**–**	**(8)**
At 31 December 2020	**3,845**	**51**	**305**	**428**	**2,127**	**2,402**	**777**	**9,935**

45. Deferred Taxation (Continued)

(d) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred tax assets of RMB2,491 million (2019: RMB2,050 million) in respect of tax losses amounting to RMB11,363 million (2019: RMB8,830 million) as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2020, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2020 **RMB million**	2019 RMB million
Year of expiry of tax losses		
2020	**N/A**	489
2021	**1,733**	1,842
2022	**2,651**	2,675
2023	**2,601**	2,645
2024	**755**	1,062
2025-2029	**3,623**	117
	11,363	8,830

(e) As at 31 December 2020, the Group did not recognise deferred tax assets of RMB5,782 million (2019: RMB4,826 million) in respect of deductible temporary differences amounting to RMB27,346 million (2019: RMB22,608 million) as the Directors believe it is not probable that such deductible temporary differences would be utilised.

46. Cash Generated from Operations

(a) Cash Generated from Operations

	2020 **RMB million**	2019 RMB million
Profit for the year	**27,250**	25,379
Adjustments for:		
– Income tax expense	**8,362**	7,808
– Interest income	**(1,528)**	(1,338)
– Dividends from financial assets at FVPL	**(115)**	(99)
– Dividends from financial assets at FVOCI	**(58)**	(47)
– (Gains)/losses on disposal and/or write-off of:		
Property, plant and equipment	**(228)**	(91)
Lease prepayments	**(361)**	(524)
Interests in associates	**27**	52
Interests in a joint venture	**–**	(29)
Interests in subsidiaries	**133**	(4,961)
Financial assets/liabilities at FVPL	**(7)**	–
– Negative goodwill arising from acquisition of a subsidiary	**–**	(22)
– Foreign exchange losses, net	**45**	40
– Fair value increase on financial assets/liabilities at FVPL	**(218)**	(275)
– Gain on debt restructuring	**–**	(15)
– Net impairment losses recognised on:		
Trade and other receivables (excluding advance to suppliers)	**2,263**	1,873
Other financial assets at amortised cost	**33**	2,201
Contract assets	**260**	433
– Impairment losses recognised on:		
Property, plant and equipment	**41**	70
Inventories	**(64)**	1
Properties under development for sale	**1,727**	829
Properties held for sale	**3,657**	602
Advance to suppliers	**39**	26
Investment properties	**3**	–
– Increase in provision	**272**	273
– Interest expenses	**6,662**	5,468
– Losses from derecognition of financial assets at amortised cost	**3,302**	3,367

46. Cash Generated from Operations (Continued)

(a) Cash Generated from Operations (Continued)

	2020 RMB million	2019 RMB million
– Share of profits of joint ventures	**(164)**	(360)
– Share of profits of associates	**(2,031)**	(2,100)
– Charge to retirement benefit obligations	**85**	104
– Government subsidies	**87**	(166)
– Depreciation and amortisation	**10,776**	11,565
Operating cash flows before movements in working capital	**60,250**	50,064
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Increase in other prepayments	**(220)**	(98)
– Increase in properties held for sale	**(12,783)**	(827)
– Decrease (increase) in properties under development for sale	**16,351**	(30,430)
– Decrease (increase) in inventories	**137**	(2,253)
– Increase in trade and other receivables	**(29,393)**	(7,389)
– Decrease in retirement and other supplemental benefit obligations	**(389)**	(389)
– Increase in trade and other payables	**38,670**	26,803
– (Increase) decrease in other financial assets at amortised cost	**(5,232)**	2,624
– Decrease in payables arising from consolidated structured entities	**(659)**	(208)
– Increase in contract assets	**(38,417)**	(22,355)
– Increase in contract liabilities	**13,985**	18,384
– (Decrease) increase in provisions	**(535)**	411
– Increase in government grant	**(40)**	(355)
– Decrease (increase) in financial assets at FVPL	**466**	(149)
– Increase in deposits in CREC Finance	**2,255**	318
– Restricted bank deposits	**(5,617)**	(3,527)
Cash generated from operations	**38,829**	30,624

46. Cash Generated from Operations (Continued)

(b) Non-cash investing and financing activities

	2020 **RMB million**	2019 RMB million
Addition of right-of-use assets	**898**	1,338
Trade and other receivables paid for purchase	**4,427**	3,923
Total	**5,325**	5,261

(c) Net debt reconciliation

This section sets out an analysis of net debt for each of the periods presented.

	2020 **RMB million**	2019 RMB million
Cash and cash equivalents *(Note 37)*	**145,464**	138,186
Restricted cash *(Note 36)*	**29,305**	19,973
Financial assets at FVPL *(Note 35)*	**5,218**	5,441
Borrowings – repayable within one year *(Note 42)*	**(83,058)**	(112,311)
Borrowings – repayable after one year *(Note 42)*	**(166,997)**	(118,934)
Net debt	**(70,068)**	(67,645)

	2020 **RMB million**	2019 RMB million
Cash and Financial assets at FVPL	**179,987**	163,600
Gross debt – fixed interest rates	**(120,679)**	(137,718)
Gross debt – variable interest rates	**(129,376)**	(93,527)
Net debt	**(70,068)**	(67,645)

No change in financial assets are included in cash flows of financing activities during the year of 2020.

47. Business Combinations

(a) Acquisition of Yinchuan China Railway Water Group Co., Ltd.

Yinchuan China Railway Water Group Co., Ltd. ("Yinchuan Water") was a then associate of the Group, in which the Group indirectly held 49% equity interests. In June 2019, the Group entered into the share transfer agreement with the third party investor, Yinchuan Tonglian Capital Investment Operation Co., Ltd., in which the Group would acquire additional 30.97% of equity interests in Yinchuan Water at a cash consideration of approximately RMB383 million, and increase the capital by cash injection of RMB1,240 million in Yinchuan Water. As at 31 December 2019, the capital injection was not completed and Yinchuan Water was still accounted for as an associate of the Group. In 2020, the Group continued the capital injection and obtained the control over Yinchuan Water on 28 April 2020, being the completion date of the acquisition. Upon completion of the acquisition, Yinchuan Water became a subsidiary of the Group.

Yinchuan Water was incorporated in Ningxia Province, PRC, and is mainly engaged in water supplies in Yinchuan.

The following table summarises the consideration paid or payable for Yinchuan Water and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 28 April 2020 RMB million
Purchase consideration	
– Fair value of 90% equity interests held at the acquisition date	**2,359**
Amounts of identifiable assets acquired and liabilities assumed:	
Yinchuan Water	
Cash and cash equivalents	**369**
Inventory	**20**
Contract assets	**65**
Trade and other receivables	**1,131**
Lease prepayment	**33**
Property, plant and equipment	**1,451**
Intangible assets	**4,122**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Business Combinations (Continued)

(a) Acquisition of Yinchuan China Railway Water Group Co., Ltd. (Continued)

	At 28 April 2020 RMB million
Other prepayment	30
Deferred tax assets	4
Borrowings	(3,431)
Trade and other payables	(1,083)
Deferred tax liabilities	(90)
Non-controlling interests	(262)
Net assets acquired by the Group	2,359
Goodwill	–
Net cash inflow in respect of the acquisition of the Yinchuan Water is analysed as follows:	
Purchase consideration	
— cash paid by the Group during the year ended 31 December 2020	100
Less: cash and cash equivalents in acquired subsidiary	369
Net cash inflow on acquisition	269

Yinchuan Water contributed revenue of RMB848 million and net profit of RMB16 million to the Group for the period from the acquisition date to 31 December 2020. If the acquisition had occurred on 1 January 2020, unaudited revenue and net profit for the year ended 31 December 2020 would have been RMB960 million and RMB10 million, respectively.

(b) Acquisition of China Railway Prefabricated Construction Co., Ltd.

In May 2019, the Company entered into the share transfer agreement with Sun Zhiqiang, the former largest shareholder and Zhucheng Chenguang Jingtai Equity Investment Fund Co., Ltd., the former second largest shareholder of China Railway Prefabricate Construction Co., Ltd. ("CRPCC", previously named as Beijing Hengtong Innovation Luxwood Technology Co., Ltd.), in which the Company would acquire 26.51% of shares in CRPCC at a cash consideration of approximately RMB782 million. On 31 July 2020, the share transfer and registration procedures has been completed. Upon the waiver of voting rights by the then controlling shareholder, the Company obtained control over China Railway Prefabricated Construction. As a result, CRPCC became a subsidiary of the Group.

47. Business Combinations (Continued)

(b) Acquisition of China Railway Prefabricated Construction Co., Ltd. (Continued)

CRPCC was incorporated in Beijing, PRC, and is mainly engaged in installation and sales of prefabricated assembly products.

The following table summarises the consideration paid or payable for CRPCC and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 31 July 2020 RMB million
Purchase consideration	
– Fair value of 26.51% shares held at the acquisition date	782
Amounts of identifiable assets acquired and liabilities assumed:	
CRPCC	
Cash and cash equivalents	118
Inventory	99
Contract assets	118
Trade and other receivables	883
Property, plant and equipment	1,158
Right-of-use assets	13
Lease prepayment	127
Investment properties	482
Intangible assets	84
Financial assets at fair value through other comprehensive income	12
Deferred tax assets	21
Borrowings	(799)
Trade and other payables	(494)
Contract liabilities	(54)
Lease liabilities	(14)
Deferred government grants and income	(5)
Deferred tax liabilities	(53)
Non-controlling interests	(1,247)
Net assets acquired by the Group	449
Goodwill	333

47. Business Combinations (Continued)

(b) Acquisition of China Railway Prefabricated Construction Co., Ltd. (Continued)

	At 31 July 2020 RMB million
Net cash outflow in respect of the acquisition of the CRPCC is analysed as follows:	
Purchase consideration	
– cash paid by the Group during the year ended 31 December 2020	**626**
Less: cash and cash equivalents in acquired subsidiary	**118**
Net cash outflow on acquisition	**508**

CRPCC contributed revenue of RMB600 million and net profit of RMB401,762 to the Group for the period from the acquisition date to 31 December 2020. If the acquisition had occurred on 1 January 2020, unaudited revenue and net profit for the year ended 31 December 2020 would have been RMB991 million and RMB14 million, respectively.

(c) Acquisition of China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd.

In 2020, the Group acquired the 65% equity interests of China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd. ("CRWCH", previously named as Jiangxi Water Conservancy Planning and Design Institute Co., Ltd.) at a cash consideration of approximately RMB883 million. The acquisition was completed on 31 October 2020, being the date of the Group obtaining control over Jiangxi Institute. Upon completion of the acquisition, CRWCH became a subsidiary of the Group.

CRWCH was incorporated in Jiangxi Province, PRC, and is primarily engaged in research, design and construction of water conservancy and hydropower.

47. Business Combinations (Continued)

(c) Acquisition of China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd. (Continued)

The following table summarises the consideration paid or payable for CRWCH and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 31 October 2020 RMB million
Purchase consideration	
– Fair value of 65% equity interests held at the acquisition date	883
Amounts of identifiable assets acquired and liabilities assumed:	
CRWCH	
Cash and cash equivalents	862
Inventory	24
Contract assets	14
Trade and other receivables	354
Property, plant and equipment	164
Lease prepayment	212
Investment properties	61
Intangible assets	6
Investments in associates	10
Deferred tax assets	8
Trade and other payables	(220)
Contract liabilities	(97)
Deferred tax liabilities	(47)
Non-controlling interests	(473)
Net assets acquired by the Group	878
Goodwill	5

47. Business Combinations (Continued)

(c) Acquisition of China Railway Water Conservancy & Hydropower Planning and Design Group Co., Ltd. (Continued)

	At 31 October 2020 RMB million
Net cash outflow in respect of the acquisition of the CRWCH is analysed as follows:	
Purchase consideration	
– cash paid by the Group during the year ended 31 December 2020	**883**
Less: cash and cash equivalents in acquired subsidiary	**862**
Net cash outflow on acquisition	**21**

CRWCH contributed revenue of RMB219 million and net loss of RMB4 million to the Group for the period from the acquisition date to 31 December 2020. If the acquisition had occurred on 1 January 2020, unaudited revenue and net profit for the year ended 31 December 2020 would have been RMB675 million and RMB34 million, respectively.

(d) Acquisition of China Railway Changjiang Transport Design Group Co., Ltd.

In 2020, the Group acquired the 66% equity interests of China Railway Changjiang Transport Design Group Co., Ltd. ("China Railway Changjiang Institute", previously named as "Chongqing Transport Reconnaissance Design Institute Co., Ltd.") at a cash consideration of approximately RMB1,376 million. The acquisition was completed on 31 December 2020, being the date of the Group obtaining control over Changjiang Institute. Upon completion of the acquisition, Changjiang Institute became a subsidiary of the Group.

China Railway Changjiang Institute was incorporated in Chongqing, PRC, and is primarily engaged in survey, design and management of communications.

47. Business Combinations (Continued)

(d) Acquisition of China Railway Changjiang Transport Design Group Co., Ltd. (Continued)

The following table summarises the consideration paid or payable for China Railway Changjiang Institute and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 31 December 2020 RMB million
Purchase consideration	
–Fair value of 66% equity interests held at the acquisition date	**1,376**
Amounts of identifiable assets acquired and liabilities assumed:	
China Railway Changjiang Institute	
Cash and cash equivalents	**1,714**
Financial assets at fair value through profit or loss	**4**
Inventory	**37**
Trade and other receivables	**755**
Property, plant and equipment	**275**
Intangible assets	**8**
Investments in associates	**9**
Financial assets at fair value through other comprehensive income	**11**
Deferred tax assets	**20**
Borrowings	**(8)**
Trade and other payables	**(648)**
Contract liabilities	**(124)**
Deferred government grants and income	**(1)**
Deferred tax liabilities	**(23)**
Non-controlling interests	**(690)**
Net assets acquired by the Group	**1,339**
Goodwill	**37**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Business Combinations (Continued)

(d) Acquisition of China Railway Changjiang Transport Design Group Co., Ltd. (Continued)

	At 31 December 2020 RMB million
Net cash inflow in respect of the acquisition of the China Railway Changjiang Institute is analysed as follows:	
Purchase consideration	
– cash paid by the Group during the year ended 31 December 2020	**1,376**
Less: cash and cash equivalents in acquired subsidiary	**1,714**
Net cash inflow on acquisition	**338**

China Railway Changjiang Institute contributed none of revenue and net profit to the Group for the period from the acquisition date to 31 December 2020. If the acquisition had occurred on 1 January 2020, unaudited revenue and net profit for the year ended 31 December 2020 would have been RMB546 million and RMB24 million, respectively.

48. Contingent Liabilities

	2020 RMB million	2019 RMB million
Pending lawsuits *(a)*		
– arising in the ordinary course of business	**3,073**	3,446

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

49. Commitments

(a) Capital expenditure

Significant capital expenditure contracted for at the end of reporting period but not recognised as liabilities is as follows:

	2020 RMB million	2019 RMB million
Property, plant and equipment	**3,544**	4,886

(b) Investment commitment

According to relevant agreements, the Group has the following commitments:

	2020 RMB million	2019 RMB million
Investment commitment to a subsidiary, associates, joint ventures and others	**51,393**	23,700

It includes the Group's investment in certain mining projects (including development and construction expenditures) of an associate in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.

(c) Operating Lease Commitments – as lessor

As the lessor, the Group's undiscounted amount of lease receivables after the balance sheet date are summarized as follows:

	2020 RMB million	2019 RMB million
No later than 1 year	**599**	536
Later than 1 year and no later than 5 years	**1,022**	871
Later than 5 years	**372**	475
	1,993	1,882

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50. Related-Party Transactions

The Company is controlled by the following entity:

Name	Relationship	Place of incorporation and operation	Ownership interest 2020	Ownership interest 2019
CREC	Parent and ultimate holding company	PRC	**47.21%**	47.21%

The Company is controlled by CREC, the parent company and a state-owned enterprise established in the PRC. CREC is controlled by the PRC government (CREC and its subsidiaries other than the Group are referred to as the "CREC Group"). The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities").

During the year, the Group had transactions with government-related entities including, but not limited to, the provision of infrastructure construction services, survey, design and consulting services and sales of goods. The Directors consider that the transactions with these government-related entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties during the year and balances arising from related party transactions at the end of the reporting period.

50. Related-Party Transactions (Continued)

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	2020 RMB million	2019 RMB million
Transactions with the CREC Group		
– Service expenses paid	**7**	24
– Revenue from rendering of services	**–**	22
– Rental expense	**17**	24
– Interest income	**36**	112
– Interest expense	**10**	5
– Provision of borrowings	**1,870**	2,150
– Repayment of borrowings	**150**	3,950
Transactions with joint ventures		
– Revenue from construction contracts	**35,629**	32,271
– Revenue from sales of goods	**519**	411
– Purchase	**1,539**	2,247
– Rental income	**2**	2
– Rental expense	**38**	–
– Interest income	**463**	377
– Interest expense	**1**	–
– Lending funds	**4,615**	3,720
Transactions with associates		
– Revenue from construction contracts	**24,014**	19,703
– Revenue from sales of goods	**1,582**	848
– Purchase	**1,104**	5,800
– Rental income	**2**	3
– Rental expense	**6**	5
– Interest income	**63**	102
– Interest expense	**–**	1
– Lending funds	**1,943**	–

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. Related-Party Transactions (Continued)

(b) Balances with related parties

	2020 RMB million	2019 RMB million
Balances with the CREC Group		
Trade and bills receivables	**2**	11
Other receivables	**–**	–
Other financial assets at amortised cost	**1,840**	147
Trade payables	**–**	13
Other payables	**68**	108
Deposits	**1,307**	265
Right-of-use assets	**1**	11
Lease liabilities	**1**	16
Contract liabilities	**1**	–
Balances with joint ventures		
Trade and bills receivables	**2,403**	8,846
Other receivables	**1,193**	335
Advance to suppliers	**136**	52
Other financial assets at amortised cost	**5,245**	3,888
Contract assets	**2,978**	3,479
Trade payables	**963**	1,046
Other payables	**222**	691
Contract liabilities	**6,585**	6,169
Advance from customers	**323**	14
Deposits	**985**	626
Balances with associates		
Trade and bills receivables	**4,903**	3,990
Other receivables	**1,233**	328
Contract assets	**3,558**	2,202
Advance to suppliers	**71**	13
Trade payables	**501**	604
Other payables	**544**	585
Contract liabilities	**1,720**	1,261
Advance from customers	**3**	96
Deposits	**77**	10
Right-of-use assets	**–**	12
Lease liabilities	**–**	6

50. Related-Party Transactions (Continued)

(c) Guarantees

	2020	2019
	RMB million	RMB million
Outstanding loan guarantees provided by the Group to		
– Joint ventures	**5,048**	7,239
– An associate	**2,441**	2,325
– Government-related entities	**480**	570
Outstanding debentures guarantees provided by MCREC to the Group	**3,500**	11,000

(d) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2020	2019
	RMB' 000	RMB' 000
Basic salaries, housing allowances and other allowances	**5,137**	4,128
Fees	**260**	260
Contributions to pension plans	**512**	620
Others	**7,175**	10,070
	13,084	15,078

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

51. Particulars of Principal Subsidiaries

(a) General information of principal subsidiaries

As at 31 December 2020 and 2019, the Company had the following principal subsidiaries:

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
Listed-							
中鐵高新工業股份有限公司 China Railway Industry *(i)*	PRC	RMB2,221,552	**49.12%**	49.12%	**50.88%**	50.88%	Engineering Equipment and Component Manufacturing
中鐵裝配式建築股份有限公司 CRPCC *(Note 47(b))*	PRC	RMB245,912	**26.51%**	NA	**73.49%**	NA	Installation and sales of prefabricated assembly products
Unlisted-							
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB6,152,100	**100%**	100%	**–**	–	Infrastructure construction
中鐵二局集團有限公司 China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB7,692,920	**100%**	100%	**–**	–	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB5,213,991	**100%**	100%	**–**	–	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB8,272,699	**100%**	100%	**–**	–	Infrastructure construction
中鐵五局集團有限公司 China Railway No.5 Engineering Group Co., Ltd.	PRC	RMB5,615,152	**100%**	100%	**–**	–	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB2,200,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB2,611,810	**100%**	100%	**–**	–	Infrastructure construction

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
中鐵八局集團有限公司 China Railway No.8 Engineering Group Co., Ltd.	PRC	RMB5,906,056	**100%**	100%	**–**	–	Infrastructure construction
中鐵九局集團有限公司 China Railway No.9 Engineering Group Co., Ltd.	PRC	RMB2,500,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB3,836,510	**100%**	100%	**–**	–	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB4,278,453	**100%**	100%	**–**	–	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB4,409,280	**100%**	100%	**–**	–	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB9,611,430	**100%**	100%	**–**	–	Infrastructure construction
中鐵隧道局集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,997,688	**100%**	100%	**–**	–	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB2,500,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵二局建設有限公司 China Railway No.2 Construction Co., Ltd.	PRC	RMB8,263,820	**100%**	100%	**–**	–	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,246,138	**100%**	100%	**–**	–	Survey and design

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
中鐵北京工程局集團有限公司 China Railway Beijing Engineering Group Co. Ltd.	PRC	RMB3,485,846	**100%**	100%	**–**	–	Infrastructure construction
中鐵廣州工程局集團有限公司 China Railway Guangzhou Engineering Group Co. Ltd.	PRC	RMB3,050,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵上海工程局集團有限公司 China Railway Shanghai Engineering Group Co. Ltd.	PRC	RMB2,276,368	**100%**	100%	**–**	–	Infrastructure construction
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB6,508,410	**100%**	100%	**–**	–	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	**100%**	100%	**–**	–	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB8,049,920	**100%**	100%	**–**	–	Build-operate-transfer service concession arrangement
中鐵南方投資集團有限公司 China Southern Investment Group Co..Ltd.	PRC	RMB2,919,977	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵投資集團有限公司 China Railway Investment Group Co., Ltd.	PRC	RMB2,572,768	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵開發投資有限公司 China Railway Development & Investment Co., Ltd.	PRC	RMB4,094,814	**100%**	100%	**–**	–	Infrastructure construction and asset management

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
中鐵城市發展投資集團有限公司 China Railway City Development and Investment Group Co. Ltd.	PRC	RMB4,354,240	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵(上海)投資集團有限公司 China Railway (Shanghai) Investment Group Co., Ltd.	PRC	RMB1,179,990	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵信託有限責任公司 China Railway Trust (ii)	PRC	RMB5,000,000	**93%**	93%	**7%**	7%	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB9,000,000	**95%**	95%	**5%**	5%	Comprehensive financial service
中鐵資本有限公司 China Railway Capital Co., Ltd.	PRC	RMB3,760,410	**100%**	100%	**–**	–	Asset Management
中鐵物貿集團有限公司 China Railway Material Trade Co., Ltd.	PRC	RMB3,000,000	**100%**	100%	**–**	–	Trade
中鐵文化旅遊投資有限公司 China Railway Cultural and Tourism Investment Co., Ltd.	PRC	RMB1,500,000	**100%**	100%	**–**	–	Tourism, sports and cultural projects investment
中鐵第六勘察設計院集團有限公司 China Railway Liuyuan Group Co., Ltd.	PRC	RMB600,000	**100%**	100%	**–**	–	Survey and design
中鐵工程設計諮詢集團有限公司 China Railway Engineering Consulting Group Co., Ltd.	PRC	RMB730,818	**70%**	70%	**–**	–	Survey and design

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2020	2019	2020	2019	
中鐵大橋勘測設計院集團有限公司 China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd. (iii)	PRC	RMB148,337	100%	100%	–	–	Survey and design
中鐵科學研究院有限公司 China Railway Academy Co., Ltd.	PRC	RMB600,000	100%	100%	–	–	Survey and design
中鐵華鐵工程設計集團有限公司 China Railway Huatie Engineering Designing Group Co., Ltd.	PRC	RMB217,084	100%	100%	–	–	Survey and design
中鐵貴陽投資發展有限公司 China Railway Guiyang Investment & Development Co., Ltd. (iv)	PRC	RMB300,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵人才交流諮詢有限責任公司 China Railway Talent Exchange Consulting Co., Ltd.	PRC	RMB500	100%	100%	–	–	Talent information network service
中鐵東方國際集團有限公司 China Railway Oriental International Group Co., Ltd	Malaysia	–	100%	100%	–	–	Infrastructure construction and real estate development
鐵工(香港)財資管理有限公司 CR (Hong Kong) Treasury Management Co., Ltd.	Hongkong	RMB69	100%	100%	–	–	asset management
中鐵(廣州)投資發展有限公司 China Railway (Guangzhou) Investment Development Co., Ltd.	PRC	RMB780,000	100%	100%	–	–	Infrastructure construction

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
中鐵武漢電氣化局集團有限公司 China Railway Wuhan Electrification Bureau Group Co., Ltd.	PRC	RMB902,960	**100%**	100%	**–**	–	Infrastructure construction
中鐵北方投資有限公司 China Railway North Investment Co., Ltd.	PRC	RMB1,510,487	**100%**	NA	**–**	NA	Infrastructure construction and asset management
中鐵發展投資有限公司 China Railway Development Investment Co., Ltd.	PRC	RMB4,672,620	**100%**	NA	**–**	NA	Infrastructure construction and asset management
中鐵雲網信息科技有限公司 China Railway Cloud Network Information Technology Co., Ltd.	PRC	RMB200,000	**100%**	NA	**–**	NA	Software and information technology services
中國鐵工投資建設集團有限公司 China Tiegong Investment and Construction Co., Ltd.	PRC	RMB4,749,147	**100%**	NA	**–**	NA	Infrastructure construction
中國中鐵匈牙利有限責任公司 China Railway Hungary Co., Ltd.	Hungary	–	**100%**	NA	**–**	NA	Infrastructure construction
中鐵站城融合投資發展有限公司 China Railway Station City Integration Investment Development Co., Ltd.	PRC	RMB100,000	**100%**	NA	**–**	NA	Infrastructure construction and asset management
中鐵水利水電規劃設計研究院集團有限公司 CRWCH *(Note 47(c))*	PRC	RMB12,000	**65%**	NA	**35%**	NA	Research, design and construction of water conservancy and hydropower

51. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2020**	2019	**2020**	2019	
中鐵長江交通設計集團有限公司 China Railway Changjiang Institute *(Note 47(d))*	PRC	RMB147,059	**66%**	NA	**34%**	NA	Survey, design and management of communications
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB1,608,070	**100%**	NA	**–**	NA	Infrastructure construction

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Unless otherwise stated, above subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group.

(i) At 31 December 2020, 28.57% (2019: 28.57%) of ordinary shares of China Railway Industry is indirectly held by the Group.

(ii) At 31 December 2020, 14% (2019: 14%) of ordinary shares of China Railway Trust is indirectly held by the Group.

(iii) At 31 December 2020, 35% (2019: 35%) of ordinary shares of China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd. is indirectly held by the Group.

(iv) At 31 December 2020, 45% (2019: 45%) of ordinary shares of China Railway Guiyang Investment & Development Co., Ltd. is indirectly held by the Group.

51. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities

As at 31 December 2020, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	3,500	19/10/2025
	4,659	23/03/2021
	1,135	28/01/2021
	2,120	28/01/2026
	2,500	17/01/2022
	1,000	21/01/2022
	1,000	27/01/2024
	147	15/04/2022
	2,200	15/04/2022
	1,000	29/04/2021
	1,500	29/04/2022
	2,500	18/06/2022
	500	18/06/2024
	1,900	16/07/2022
	1,100	16/07/2024
	1,500	10/04/2023
	1,500	10/04/2023
	3,000	24/04/2023
	3,000	15/05/2023
	3,000	05/06/2023
China Railway Resources Huitung Limited	3,488	05/02/2023
China Railway Xunjie Co. Limited	3,488	25/07/2022
	3,488	28/07/2026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities (Continued)

As at 31 December 2019, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	4,659	23/03/2021
	1,135	28/01/2021
	2,120	28/01/2026
	2,500	17/01/2022
	1,000	21/01/2022
	1,000	27/01/2024
	1,300	15/04/2022
	2,200	15/04/2022
	1,000	29/04/2021
	1,500	29/04/2022
	2,500	18/06/2022
	500	18/06/2024
	1,900	16/07/2022
	1,100	16/07/2024
China Railway Resources Huitung Limited	3,488	05/02/2023
China Railway Xunjie Co. Limited	3,488	25/07/2022
	3,488	28/07/2026

52. Events Occurring After the Balance Sheet Date

Subsequent to 31 December 2020, the following significant event took place:

(a) As approved by the Board meeting on 30 March 2021, the Company declared a dividend in respect of the year ended 31 December 2020 of RMB0.180 per ordinary share, amounting to a total dividend of RMB4,423 million. The dividend is to be approved at the 2020 annual general meeting in 2021.

53. Balance Sheet and Reserve Movement of the Company

	2020 RMB million	2019 RMB million
ASSETS		
Non-current assets		
Amounts due from subsidiaries	–	224
Other non-current assets	**51,575**	27,315
Investments in subsidiaries	**227,365**	187,502
	278,940	215,041
Current assets		
Amounts due from subsidiaries	**89,658**	92,072
Other current assets	**11,830**	6,025
Bank balances and cash	**47,486**	38,028
	148,974	136,125
Total assets	**427,914**	351,166
EQUITY		
Share capital	**24,571**	24,571
Perpetual notes	**46,738**	31,535
Share premium and reserves	**137,720**	125,428
Total equity	**209,029**	181,534
LIABILITIES		
Non-current liabilities		
Borrowings	**35,600**	27,898
Other non-current liabilities	**19,917**	4,231
	55,517	32,129
Current liabilities		
Amounts due to subsidiaries	**130,985**	99,204
Other current liabilities	**32,383**	38,299
	163,368	137,503
Total liabilities	**218,885**	169,632

The balance sheet of the Company was approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Director	*Director*
Chen Yun	Chen Wenjian

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

53. Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Share premium RMB million	Capital reserves RMB million	Statutory reserve RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2018	43,982	7,548	7,705	48,357	107,592
Profit and total comprehensive income for the year	–	39	–	13,330	13,369
Issuance of A shares	9,145	–	–	–	9,145
Redemption of perpetual notes	(18)	–	–	–	(18)
Transfer to reserves	–	–	1,360	(1,360)	–
Dividend recognised as distribution	–	–	–	(2,924)	(2,924)
Dividend declared to perpetual notes holders	–	–	–	(1,736)	(1,736)
At 31 December 2019	53,109	7,587	9,065	55,667	125,428
Profit and total comprehensive income for the year	**–**	**19**	**–**	**17,987**	**18,006**
Redemption of perpetual notes	**(42)**	**–**	**–**	**–**	**(42)**
Transfer to reserves	**–**	**–**	**1,847**	**(1,847)**	**–**
Dividend recognised as distribution	**–**	**–**	**–**	**(4,152)**	**(4,152)**
Dividend declared to perpetual notes holders	**–**	**–**	**–**	**(1,520)**	**(1,520)**
At 31 December 2020	**53,067**	**7,606**	**10,912**	**66,135**	**137,720**

SIGNIFICANT EVENTS

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

1. Formulation, implementation or adjustment of the cash dividend policy

(1) Specific policies for profit distribution

According to the Articles of Association of the Company, the specific policies for profit distribution of the Company are as follows:

(i) *Form of profit distribution:* The Company distributes profits in cash, stock or a combination of cash and stock. The Company can make interim profit distributions when conditions permit.

(ii) *Specific conditions, proportion and interval of the Company's cash dividends:* Under the premise of ensuring the Company's continuous operation and long-term development, if the Company is profitable in the year and the accumulated undistributed profit is positive and there are no major investment plans or other major cash expenditures, the Company will distribute the profits in cash after appropriation to the statutory reserves and other reserves in full. In any three consecutive years, the Company's accumulated profits distributed in cash shall not be less than 30% of the annual average distributable profits realized in the three years; the annual profits distributed in cash shall generally not be less than 10% of the distributable profits realized in the year. The Company may not distribute cash dividends under the following special circumstances:

① The auditors issue a non-standard unqualified audit report on the Company's financial report for the year.

② The operating net cash flow is negative in the year. If the abovementioned conditions for cash dividends are met, the Company in principle shall distribute cash dividends once a year, and the Company's Board of Directors can propose the Company to make interim cash dividends based on the Company's profitability and capital demand.

(iii) *Specific conditions for the Company to issue stock dividends:*

The Company can propose a stock dividend distribution plan when the Company is in good operating condition, and the Board of Directors believes that the Company's stock price does not match the Company's share capital and that issuing stock dividends is beneficial to the overall interests of all shareholders of the Company, under the premise that the abovementioned conditions for cash dividends are met.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

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

Profits are distributed in cash under the profit distribution plan of the Company for 2019. Pursuant to the profit distribution plan considered and passed at the 2019 annual general meeting convened on 23 June 2020, a cash dividend of RMB0.169 (tax inclusive) per share based on the total share capital of 24,570,929,283 shares before the implementation of the plan (the Company's total share capital has not changed since 31 December 2019) was declared by the Company, totaling RMB4,152,487,048.83 and representing 17.5% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the year of 2019 of the Company. The announcement on the profit distribution of H shares was published on 16 July 2020 on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crec.cn). The announcement on the profit distribution of A shares was published on 31 July 2020 on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn). As at 13 August 2020, the implementation of the profit distribution plan of the Company for 2019 has been completed.

(3) Profit distribution plan for 2020

Pursuant to the relevant requirements of the Company Law and the Articles of Association, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, and in accordance with the "Resolution on the Profit Distribution Plan for 2020 of the Company" which was passed at the second meeting of the fifth session of the Board, the details of the profit distribution plan are set out below: the retained profits of the Company at the beginning of 2020 were RMB57,487,757,704.41 based on the audited financial report prepared in accordance with CAS of the Company for 2020. After taking into account the added net profit realised by the Company of RMB18,470,703,277.03 during the year and deducting the cash dividends for 2020 and interest payments on perpetual notes amounting to RMB5,672,757,143.19, and with 10% of the net profit of the Company, i.e. RMB1,847,070,327.70, being appropriated to its surplus reserve, the distributable profit of the Company to shareholders amounted to RMB68,438,633,510.55 for the year. Based on the Company's total share capital of 24,570,929,283 shares as at 31 December 2020, a cash dividend of RMB1.80 per 10 shares (tax inclusive) is proposed to be distributed, and the total amount of such dividend is RMB4,422,767,270.94 (tax inclusive), representing 17.5% of net profit attributable to the Company's shareholders under the consolidated financial statements for the current year of the Company. Upon the distribution, the remaining retained profit of the Company amounting to RMB64,015,866,239.61 will be carried forward to the next year. The profit distribution will be based on the total share capital on the record date for payment of the cash dividend. In the event of change in total share capital of the Company before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. The Company will make a further announcement on the details of the adjustment.

The independent directors of the Company have expressed their opinions on the plan, and the above plan is still subject to the approval of the 2020 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2020 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(4) Information on the profit distribution for 2020

In 2020, the Company intends to make a cash dividend at 17.5% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the current year of the Company, which is lower than the proportion in the guidelines, mainly based on the following considerations:

(i) Situation and characteristics of the industry of the Company

From the perspective of external macro-economic environment, affected by the COVID-19 pandemic, domestic and international economic situations were severe and complicated. Internationally, the global economy was under tremendous pressure, and major developed economies showed varying reductions in growth. It will be a difficult and long journey to global economic recovery. Domestically, benefiting from the country's effective pandemic prevention and control measures, China has become the only major economy in the world achieving growth, demonstrating results of the new development pattern. However, China's economic development is currently facing new risks and challenges, and the downward pressure on the domestic economy is still large.

From the perspective of domestic and overseas infrastructure market, the Company is still in a period of promising opportunities. Firstly, a series of national strategies and new-type urbanization arrangements have laid a solid foundation for the sound development of infrastructure industry in the future. Regional development strategies such as the co-development of Beijing-Tianjin-Hebei, integration of the Yangtze River Delta, and construction of Guangdong-Hong Kong-Macao Greater Bay Area, and a series of major national strategies such as ecological civilization, building China into a strong transportation country, building China into a strong maritime country, and rural revitalization have been accelerated. The "Two New One Major" has huge market space. Major projects such as the Sichuan-Tibet Railway, the new land-sea corridor in western China, and the national water network have accelerated construction, bringing huge business growth space for the Company. Secondly, the supply-side reform of the construction industry has been intensified. Project organization models such as EPC and whole-process engineering consulting have accelerated development. New technologies, new materials, and new processes have profoundly affected traditional construction production methods. The qualification reform of construction enterprises has accelerated, and workers of construction industry have quickened their cultivation so as to create a good environment for high-quality development of the Company. Thirdly, fixed asset investment under pressure will remain stable. In the context of export and consumption difficulties, investment will continue to grow. Infrastructure investment is characterized by regional and structural opportunities. The central and western regions of China have a large room for infrastructure investment, and there is a strong demand for new infrastructure, public facilities for people's livelihood, transportation and water conservancy and other major projects. Fourthly, new generation of information technology has accelerated the development. The rapid promotion of new technology applications represented by green buildings, smart buildings, digital construction, etc., and the acceleration of construction of an intelligent construction industry system integrating the entire industry chain including scientific research, design, production and processing, construction and assembly, and operations have facilitated the digital transformation of the Company. Fifthly, the scale of the construction industry market continues to expand, but the growth rate will decline in volatility. With the improvement of the level of urbanization, the construction industry will continue to expand in scale, and its pillar position in the national economy will be further consolidated, but the growth rate will slow down. Sixthly, model changes are accelerating, and integrated development has become a trend. Construction project investment and construction models, and project production organization models will accelerate reforms, and investment diversification and integration of investment, construction and operation will become the mainstream. PPP will still play an important role in the supply of public products. Models such as EPC and whole-process engineering consulting will accelerate promotion.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(4) Information on the profit distribution for 2020 (Continued)

(ii) The Company's development stage and its own business model

At present, the Company is at a stage of important strategic opportunities and strategic upgrade. While the business scale has been expanding year by year, the Company is on the path of transformation and upgrading, reform and innovation, and improving the quality of development, in particular, the scale of investment is increasing year by year, which causes more funding pressure on the Company.

(iii) Profitability level and demands on the funds of the Company

For the year of 2020, the Company's net profit attributable to shareholders of the Company increased by 6.38% year on year, and the basic earnings per share after deducting non-recurring profit and loss increased by 17.81% year on year. In recent years, the Company's profitability has been continuously improved, profits have increased year by year, and each year's annual profits have recorded the best in history. The Company's profits are from the steady growth of its operating scale and the sound operation of various types of business. In 2021, to successfully complete the Company's infrastructure construction contracts in hand and the new contracts expected to be signed in the year, the Company will need to purchase a certain scale of construction equipment and thus generate more capital expenditures. The Company will increase its investments in the PPP projects in hand in the field of infrastructure, which will require more investments and construction funds in 2021. At the same time, real estate projects under construction need more development efforts in order to quickly return funds. The Company will rationally arrange fund requirements according to business development needs, improve the efficiency of fund use and serve the Company's sustainable and healthy development, so as to create greater benefits for the Company.

(iv) Reasons for the Company's low level of cash dividends

The construction sector, to which the Company belongs, is a sector with adequate competition. In this sector, market competition is extremely intensified, general gross profit margin is low, asset-liability ratio is high, amounts of receivables and stocks are high and construction projects are all-sided, contract value is large and the production cycle is long, so the Company has large demands on the funds in order to maintain daily operation and turnover, and is not appropriate to adopt high cash dividend policies.

In order to seize market opportunities, continue to deepen the Company's strategies, enhance structural adjustments and transformation and upgrading, and seek new growth points for benefits, a large amount of capital investment is required in the areas of infrastructure business and overseas business, and appropriate retained earnings need to be accumulated to resolve fund issues during development.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(4) Information on the profit distribution for 2020 (Continued)

(v) The exact purpose of the Company's retained undistributed profits and estimated earnings

In 2021, the Company will firmly seize new market opportunities and stabilize capital expenditures such as fixed assets, intangible assets, and equity investments to meet the needs of production and development. At the same time, the Company will continue to consolidate and expand shares on traditional advantageous markets such as the railways, highways and urban rails, increase investment in incremental markets, make good use of relevant national supportive policies, and effectively expand room for development in new areas and markets such as the urban construction, environmental governance, new infrastructure construction, public health service infrastructure and prefabricated buildings. The Company will further enhance the intensity of reform, proactively adapt to the investment and financing system reform and market situation, change the investment concept, and accelerate the transformation from a contractor to an "investor + builder + operator". The theme of development of the Company is to accelerate the adjustment of industrial structure based on adherence to the traditional core businesses of the infrastructure sector, strive to promote relevant diversified development and go all out to create more and greater value or returns for the Company and its shareholders.

(vi) All the independent directors of the Company express the following independent opinions on the reasonability of the above 2020 profit distribution plan: ① When formulating the 2020 profit distribution plan, the Company has considered the characteristics of the construction sector, to which the Company belongs, the development stage, the operation mode and funds demands of the Company and other relevant factors and the plan complies with the actual conditions of the Company. ② The proportion of the cash dividends in 2020 to the net profit attributed to the shareholders of the Company presented in the consolidated statement of profit of the year is 17.5%, consistent with the distribution proportion of 2019, and the net profit keeps rising in each year and the distribution base continues to grow, which, on one hand, guarantees the continuity and sustainable development of the profit distribution policy of the Company and complies with the policy specified in the Articles of Association on cash dividends and middle-and-long-term plans of returns to shareholders, and, on the other hand, not only brings reasonable returns to investment to investors, but also keeps the operation of the Company normal. Therefore, the 2020 profit distribution plan of the Company is reasonable, and the independent directors agree on the profit distribution plan.

SIGNIFICANT EVENTS

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

2. The plan or budgets for dividend distribution for ordinary shares or capitalisation of capital reserves of the Company for the latest three years (including the reporting period)

Unit: 100 million Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to the Company's ordinary shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the Company's ordinary shareholders under the consolidated financial statements *(%)*
2020	0	1.80	0	44.23	251.88	17.5
2019	0	1.69	0	41.52	236.78	17.5
2018	0	1.28	0	29.24	171.98	17

3. The inclusion of shares repurchased through cash offer in cash dividend

Not applicable

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

Not applicable

II. Performance Status of Undertakings

1. Undertakings made by undertaking parties, including the ultimate controller, shareholders, related parties, acquirers of the Company and the Company given or subsisting in the reporting period

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

II. Performance Status of Undertakings (Continued)

1. Undertakings made by undertaking parties, including the ultimate controller, shareholders, related parties, acquirers of the Company and the Company given or subsisting in the reporting period (Continued)

Note 1: For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as CRHIC in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.

Note 2: The Company issued the Letter of CREC on Changing Undertakings on Certain Contingencies to CRHIC on 25 November 2020, pursuant to which, the performance term of the original undertaking in relation to apply for ownership certificates for defective real estate was changed to long-term undertaking. The Letter was considered and approved by the 2020 first extraordinary general meeting of CRHIC on 25 December 2020. For details, please refer to the Announcement of CRHIC on Changing the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of the Company disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 8 December 2020. The Company is currently duly complying with the relevant undertaking.

Note 3: For details of the relevant undertakings made by the Company and CREC during the share issuance for asset acquisition, please refer to the Report on the Share Issuance for Asset Acquisition of China Railway Group Limited (Revision) disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 31 May 2019. The Company and CREC are currently duly complying with all the undertakings.

Note 4: In the course of acquiring the control over China Railway Prefabricated Construction, the Company and CREC issued the Letter of Undertaking to Avoid Horizontal Competition with Beijing Hengtong Innovation Luxwood Technology Co., Ltd., Letter of Undertaking to Regulate Related Party Transactions with Beijing Hengtong Innovation Luxwood Technology Co., Ltd., and Letter of Undertaking to Safeguard the Independence of Beijing Hengtong Innovation Luxwood Technology Co., Ltd. respectively. The above undertakings are continuously effective during the period in which the Company has control over Beijing Hengtong Innovation Luxwood Technology Co., Ltd. The Company and CREC are currently duly complying with the undertakings.

Note 5: In the course of spinning off CRHEEC to go listing on the STAR Market, the Company and CREC issued the Letter of Undertaking to Avoid Horizontal Competition, Letter of Undertaking to Reduce and Regulate Related Party Transactions, Letter of Undertaking to Make up for Diluted Immediate Returns, and other letters of undertakings. For details, please refer to the Plan for China Railway Group Limited on the Spin-off of Its Subsidiary China Railway High-speed Electrification Equipment Corporation Limited to Go Listing on the STAR Market (Revision) disclosed on the website of the Shanghai Stock Exchange on 30 September 2020. The Company and CREC are currently duly complying with all the undertakings.

2. If the Company has made a profit forecast to its assets or projects, and the profit estimate period is within the reporting period, the Company's explanation on whether its assets or projects would meet its profit forecast and the reasons thereof

Not applicable

3. Fulfillment of undertakings and its impact on goodwill impairment test

Not applicable

III. Fund Appropriation and Progress of Collection During the Reporting Period

Not applicable

IV. Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

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

1. **Analysis and explanation of the Company on the reasons for and impacts of the changes in accounting policies or accounting estimates**
   On 19 June 2020, the Ministry of Finance published the Notice on the Issue of Accounting Rules for Rent Reductions Related to the COVID-19 (the "Notice"), pursuant to which, rent deductions directly incurred by the COVID-19, agreed upon with the lessee and the lessor, and effective prior to 30 June 2021, might be processed with the simplified method in the above Notice. Based on the summary results, upon analysis, the above Notice did not have a material impact on the Company's 2020 financial statements.

2. **Analysis and explanation of the Company on the reasons for and impacts of correction of material accounting errors**
   Not applicable

3. **Communications with former auditors**
   Not applicable

4. **Others**
   Not applicable

VI. Appointment and Removal of Auditors

Unit: '0,000 Currency: RMB

	Current engagement
Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic accounting firm	3,110
Term of domestic accounting firm	4 years
Name of international accounting firm	PricewaterhouseCoopers
Remuneration of international accounting firm	220
Term of international accounting firm	4 years

	Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	180

VI. Appointment and Removal of Auditors (Continued)

Explanation on the appointment and removal of auditors

On 30 March 2020, two resolutions, namely the Resolution on the Appointment of Auditors for 2020 and Resolution on the Appointment of Internal Control Auditors for 2020 were considered and adopted at the thirty-sixth meeting of the fourth session of the Board of Directors. For details of the appointment of auditors, please refer to the Announcement of China Railway Group Limited on Renewal of Appointment of Auditors disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 31 March 2020. These resolutions were then considered and passed at the 2019 annual general meeting of the Company on 23 June 2020. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2020 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2020. For details, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2019 disclosed by the Company on the website of the Shanghai Stock Exchange on 24 June 2020.

VII. Risk of Suspension of Listing

1. **Reason for suspension of listing**

   Not applicable

2. **Response measures to be adopted by the Company**

   Not applicable

VIII. Delisting and the Reasons Thereof

Not applicable

IX. Matters Relating to Insolvency or Restructuring

Not applicable

X. Material Litigation and Arbitration

The Company had no material litigation or arbitration during the year.

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

Not applicable

XII. Integrity of the Company and its Controlling Shareholders and Ultimate Controllers during the Reporting Period

During the reporting period, the Company and its controlling shareholder and ultimate controller operated legally by strictly following the requirements of the laws and regulations and normative documents, such as the Company Law and the Securities Law, and duly fulfilled all the undertakings without committing any default. The Company was on the Credit List of Top 500 Listed Companies in China in 2020 as accredited by the China Cooperative Trade Enterprises Association and China Enterprise Reform and Development Society.

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

1. **Incentives which were disclosed in announcement without subsequent progress or changes**
   Not applicable

2. **Incentives which were undisclosed in announcement or might have had subsequent progress**
   Not applicable

XIV. Significant Related Party Transactions

1. Related party transactions in ordinary course of business

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

Not applicable

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

Unit: RMB'000 Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	16,656	16,656	Less than 1%
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	7,216	7,216	Less than 1%
Total					**23,872**	**23,872**	

Description of related party transactions	The above two transactions resulted from the implementation during the reporting period of the Premises Leasing Agreement and Comprehensive Services Agreement renewed by the Company and CREC on 27 December 2018. Each of the two agreements has a term of three years. The total transaction amount involved was within the decision-making authority of the Board of Directors and was considered and approved at the 18th meeting of the fourth session of the Board of Directors, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Premises Leasing Agreement and Comprehensive Services Agreement were exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules.

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

2. Related party transactions in relation to acquisition and disposal of assets

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

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

Not applicable

3. Significant related party transactions in relation to joint external investment

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

4. Amounts due from/to related parties

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

SIGNIFICANT EVENTS

XIV. Significant Related Party Transactions (Continued)

5. Others

(1) Related party guarantees

Unit: RMB'000 Currency: RMB

Guarantor	Guarantee	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
CREC *(Note)*	China Railway	5,000,000	January 2010	July 2020	Yes
CREC *(Note)*	China Railway	3,500,000	October 2010	April 2026	No
CREC *(Note)*	China Railway	2,500,000	October 2010	April 2021	No

Notes: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 and the 15-year 2010 Corporate Bonds (Tranche 2) and 10-year 2010 Corporate Bonds (Tranche 2) issued in October 2010. According to the guarantee period specified in the Company's Prospectus on Public Offering of Corporate Bonds, the guarantee period for the guarantor shall be from the first day of bond offering to six months after the bond maturity date. As at 31 December 2020, 10-year 2010 Corporate Bonds (Tranche 1) and 10-year 2010 Corporate Bonds (Tranche 2) were due and fully settled while the guarantee responsibility of CREC as guarantor of 15-year 2010 Corporate Bonds (Tranche 2) was not yet expired. As at 31 December 2020, the remaining payable amount of abovementioned bonds was RMB3,522,859,000 (31 December 2019: RMB11,266,893,000).

As at 26 July 2020, the related party guarantees provided by CREC for the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 has been expired and released.

(2) Related party transactions in respect of financial services

Unit: RMB'000 Currency: RMB

Item	Related Party	**31 December 2020**	31 December 2019
Loans	CREC	**1,870,000**	150,000
Deposit-taking	CREC	**1,132,021**	154,569
Deposit-taking	China Railway State Assets Management Co., Ltd.	**175,004**	110,025

Note: In order to increase the Company's utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and passed at the 18th meeting of the fourth session of the Board convened by the Company on 7 December 2018, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement (the agreement would expire on 31 December 2021) with CREC, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CREC and its subsidiaries pursuant to the agreement. For details, please refer to the relevant announcement of the Company dated 28 December 2018 disclosed on the website of the Shanghai Stock Exchange. As at 31 December 2020, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC was RMB1.87 billion. During the reporting period, the daily loan balance (including interest accrued) obtained by CREC from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to CREC and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

XIV. Significant Related Party Transactions (Continued)

5. Others (Continued)

(3) Other related party transactions

Unit: RMB'000 Currency: RMB

Item	Related Party	Amount of the current period	Amount of the corresponding period last year
Interest Income	CREC	35,529	112,266
Interest Expense	CREC	8,031	3,344
Interest Expense	China Railway State Assets Management Co., Ltd.	1,893	1,701
Interest expense on lease liabilities	China Railway State Assets Management Co., Ltd.	347	416

Note: The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from CREC for the loans to CREC. The interest expenses represent the interest payable by China Railway Finance Co., Ltd. to CREC and China Railway State Assets Management Co., Ltd. for deposit-taking.

XV. Material Contracts and Their Performance

1. Trusteeship, Contracting and Leasing

(1) Trusteeship

Not applicable

(2) Contracting

Not applicable

(3) Leasing

Not applicable

SIGNIFICANT EVENTS

XV. Material Contracts and Their Performance (Continued)

2. Guarantees

Unit: RMB'000 Currency: RMB

Guarantee provided by the Company (excluding those provided to subsidiaries)												
Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related relationship
China Railway	The Company	Linha Railway Co., Ltd.	41,789	2008/6/30	2008/6/30	2027/6/20	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway	The Company	Yunnan Fuyan Expressway Co., Ltd.	68,900	2015/4/12	2015/4/12	2027/11/1	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway	The Company	Shaanxi Yulin Shen-jia-mi Expressway Co., Ltd.	128,340	2015/7/31	2015/7/31	2037/8/1	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway No.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Xuzhou Yingbin Expressway Construction Co., Ltd.	119,000	2018/10/22	2018/10/30	2028/10/29	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	244,103.25	2015/12/24	2015/12/24	2023/6/27	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	2,761.53	2019/11/11	2019/11/11	2039/8/23	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	5,741.91	2012/12/29	2012/12/29	2021/6/30	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway Shanghai Group Co., Ltd.	Wholly-owned subsidiary	Fangchenggang China Railway Diluyuan Investment Development Co., Ltd.	500	2019/5/8	2019/5/8	2030/12/31	Suretyship of joint and several liability	No	No	-	No	No	/
China Railway International Group Co., Ltd.	Wholly-owned subsidiary	MontagProp Proprietary Limited	6,687	2015/7/3	2015/7/3	2023/11/3	Suretyship of joint and several liability	No	No	-	No	No	/
China Southern Investment Group Co., Ltd.	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	179,105.82	2019/8/7	2019/8/7	2042/8/23	Suretyship of joint and several liability	No	No	-	No	No	/

XV. Material Contracts and Their Performance (Continued)

2. Guarantees (Continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	-216,491.18
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	796,928.51
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	-365,212.97
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	4,022,370.19
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	4,819,298.70
Percentage of aggregate guarantee to net assets of the Company (%)	18.87
Representing:	
Amount of guarantee provided to shareholders, ultimate controller and their related parties (C)	0
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	4,282,385.17
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three categories (C+D+E)	4,282,385.17
Statement on the contingent joint and several liability in connection with unexpired guarantee	Not applicable
Statement on guarantee	As at 31 December 2020, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB44,683,490,600.

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties

(1) Entrusted wealth management

(i) Overview of entrusted wealth management

Unit: '0,000 Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Trust financial product	Self-owned funds	222,375.66	221,375.66	1,000.00

(ii) Breakdown of entrusted wealth management

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate (%)	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
CCB Trust Co., Ltd.	Trust financial product	2,925.00	2016/9/3	2021/9/3	Self-owned funds	Chengdu Metro Line No. 1, 3 & 7	By agreement	-	-	-	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014/9/5	2021/9/5	Self-owned funds	Chongqing Metro Line No. 10	By agreement	-	-	-	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014/3/11	2021/3/11	Self-owned funds	Chongqing Metro Line No. 5	By agreement	-	-	-	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	1,000.00	2015/12/18	2021/6/18	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	10.00	100.00	613.28	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	9,200.00	2018/6/12	2037/9/15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing	By agreement	6.10	561.20	688.22	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	4,390.00	2020/6/21	2025/6/21	Self-owned funds	PPP project of Hancheng National Highway 327	By agreement	6.80	280.96	-	-	Yes	No	-
China Railway Trust Co., Ltd.	Trust financial product	40,000.00	2016/8/3	2022/8/3	Self-owned funds	Shandong Tai'an-Dong'e Expressway project	By agreement	4.75	12,335.47	10,543.01	20,000.00	Yes	No	-518.77
China Railway Trust Co., Ltd.	Trust financial product	25,666.67	2016/11/23	2022/11/23	Self-owned funds	Shandong Weifang-Rizhao Expressway project	By agreement	4.75	12,784.45	2,256.18	25,666.67	Yes	No	-294.89
CITIC Trust Co., Ltd.	Trust financial product	100.00	2014/11/1	2021/12/31	Self-owned funds	BT project of Jiangxi Nanchang Jiulong Lake Tunnel	By agreement	2.00	8.00	-	-	Yes	No	-
CITIC Trust Co., Ltd.	Trust financial product	54,220.00	2019/5/20	2022/5/20	Self-owned funds	Shanghai Chunfeng Project in Kunming	By agreement	9.50	-	2,003.91	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	6,400.00	2016/12/28	2031/12/27	Self-owned funds	PPP project of Liuzhou Guantang Bridge	By agreement	5.50	3,520.00	488.88	-	Yes	No	-
Zhonghai Trust Co., Ltd.	Trust financial product	300.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	-	-	-	Yes	No	-
Zhonghai Trust Co., Ltd.	Trust financial product	700.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	-	-	-	Yes	No	-
CITIC Trust Co., Ltd.	Trust financial product	27,110.00	2019/5/24	2022/5/24	Self-owned funds	Kunming Caohai Dong'an project	By agreement	9.50	7,733.41	-	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	720.00	2020/9/18	2026/10/18	Self-owned funds	Investment cooperation projects such as the road project of the Yanhua Road (East Ezhou Avenue-Wudu Avenue) in Ezhou City, Hubei Province, and the infrastructure project in the industrial park area on the west side of Huama Lake	By agreement	-	-	-	-	Yes	No	-

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(1) Entrusted wealth management (Continued)

(iii) Impairment provision of entrusted wealth

Not applicable

(2) Entrusted loans

(i) Overview of entrusted loans

Unit: '0,000 Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Entrusted loan	Self-owned funds	318,500.00	318,500.00	0.00

(ii) Breakdown of entrusted loans

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate (%)	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision (if any)
China Railway Finance Co., Ltd.	Entrusted loan	7,500.00	2020/3/10	2023/3/9	Self-owned funds	Payment of principal and interest by Cenxi-Cangwu Expressway	By agreement	4.75	1,068.75	292.92	-	Yes	No	134.43
China Railway Finance Co., Ltd.	Entrusted loan	16,500.00	2020/3/11	2023/3/10	Self-owned funds	Payment of principal and interest by Yulin-Shenmu highway	By agreement	4.75	2,351.25	642.24	-	Yes	No	295.74
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	21,700.00	2020/3/11	2023/3/10	Self-owned funds	Payment of principal and interest by Pingzheng	By agreement	4.75	3,092.25	844.64	-	Yes	No	388.94
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	67,000.00	2020/3/10	2023/3/9	Self-owned funds	Payment of principal and interest by Miansui Expressway	By agreement	4.75	9,547.50	2,616.72	-	Yes	No	1,200.87
China Railway Finance Co., Ltd.	Entrusted loan	27,200.00	2020/3/10	2021/3/9	Self-owned funds	Payment of principal and interest by the Zhong-Dianjiang Expressway	By agreement	4.79	1,301.52	1,070.14	-	Yes	No	268.62
China Railway Finance Co., Ltd.	Entrusted loan	7,500.00	2020/3/10	2023/3/9	Self-owned funds	Payment of principal and interest by the Qianzhou-Xing'an Expressway	By agreement	4.75	1,068.75	292.92	-	Yes	No	134.43
China Railway Finance Co., Ltd.	Entrusted loan	19,350.00	2020/3/11	2023/3/10	Self-owned funds	Proceeds from the acquisition of the Yulin- Shenmu Highway by China Merchants China Railway Holdings Co., Ltd. (招商中鐵控股有限公司)	By agreement	4.75	2,757.38	753.17	-	Yes	No	346.82
China Railway Finance Co., Ltd.	Entrusted loan	151,750.00	2020/3/10	2023/3/9	Self-owned funds	Gap of capital dividends from China Merchants China Railway Holdings Co., Ltd. (招商中鐵控股有限公司)	By agreement	5.23	23,786.81	6,519.35	-	Yes	No	2,722.39

SIGNIFICANT EVENTS

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(2) Entrusted loans (Continued)

(iii) Impairment provision of entrusted loans

Not applicable

(3) Others

Not applicable

4. Other material contracts

(1) Material contracts signed during the reporting period

(i) Infrastructure construction business

No.	Signatory	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway					
1	China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 7 Engineering, China Railway No. 10 Engineering, China Railway Beijing, China Railway Guangzhou	EPC contract of Sections GZZQ-10, GZZQ-5, GZZQ-8, GZZQ-7, GZZQ-6 and GZZQ-3 of the before-station project of the new Guangzhou-Zhanjiang High-speed Railway	2020.11	1,435,428	47.7-60 months
2	China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering	EPC contract of Sections SHCG-ZQ6, SHCG-ZQ1 and SHCG-ZQ4 of the before-station project of the Hengshui North-Huanghua Segment of the Shijiazhuang-Hengshui-Cangzhou-Huanghua Port Intercity Railway	2020.06	917,003	42 months
3	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway Guangzhou	Sections HSHZQ-7, HSHZQ-6 and HSHZQ-5 of the before-station project (excluding the early commencement segment) of the new Shanghai-Suzhou-Huzhou High-speed Railway	2020.06 2020.08	837,288	1,461 days
Highway					
1	China Railway No. 4 Engineering and China Railway No. 7 Engineering	Sections 12 and 9 of the construction of the Lhasa-Shigatse Heping Airport segment of the Ya'an-Yecheng Expressway	2020.04 2020.05	622,193	48 months
2	China Railway and certain subsidiaries	The project of the Wutong overpass-destination segment of the Eastern Transit Expressway in Shenzhen	2020.12	579,569	725 calendar days
3	China Railway Major Bridge Engineering and other parties	EPC of the Juhua Road West Extension Line project in Foshan City	2020.10	496,999	42 months
Municipal works and others					
1	China Railway and certain subsidiaries	Phase I project of Changchun Rail Transit Line 5	2020.06	914,767	66 months
2	China Railway and certain subsidiaries	Civil construction of phase I project of Zhengzhou Metro Line 7	2020.05	803,681	1,370 calendar days
3	China Railway and certain subsidiaries	EPC (second) of the rapid transformation project of Wanghai Road in Shenzhen city	2020.12	759,619	1,674 calendar days

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) Material contracts signed during the reporting period (Continued)

(ii) Survey, design and consulting services business

No.	Signatory	Name of contract	Date of contract	Contract sum *(RMB '0,000)*	Contract period
1	China Railway Eryuan	Pre-framework supplementary agreement for the survey and design of the Ya'an-Linzhi section project of the new Sichuan-Tibet Railway	2020.6	185,000	Accept upon completion of the project
2	China Railway Consulting	EPC section of the survey and design of the Shenzhen–Huizhou Intercity Railway	2020.11	117,528	Accept upon completion of the project
3	China Railway Eryuan	EPC of Chongqing Rail Transit Line 27 and Chongqing Rail Transit Line 24	2020.3	52,500	Accept upon completion of the project

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Name of contract	Date of contract	Contract sum *(RMB '0,000)*
Manufacturing and installation of steel structures				
1	China Railway Shanhaiguan Bridge	Manufacturing, transportation and assembly contracts of steel girders of the Niutianyang Expressway and the Jinsha West Road West Extension Line	2020.09	46,545
2	China Railway Baoji Bridge	Construction of the manufacturing and installation project of steel bridge structures of the Wuhu-Huangshan Expressway	2020.06	44,488
3	China Railway Shanhaiguan Bridge	Professional subcontracting contract of the construction project of steel truss for the Niutianyang Expressway in Shantou	2020.06	31,096
Turnout				
1	China Railway Baoji Bridge	Procurement contract of the owner-supply merchandise for the (high-speed turnout) of the before-station project of the new Beijing-Tangshan Railway	2020.02	21,288
2	China Railway Shanhaiguan Bridge	Procurement and sales contract of the owner-supply merchandise for the high-speed turnout of the new Dunhua-Bahe Railway	2020.01	15,602
3	China Railway Shanhaiguan Bridge	New Mile-Mengzi Railway	2020.04	12,704
Engineering machinery				
1	China Railway Engineering Equipment	Procurement contract of tunnel boring machine	2020.04	11,255
2	China Railway Engineering Equipment	Sales & purchase contract of shield tunneling machines	2020.04	11,200
3	China Railway Engineering Equipment	Procurement contract of earth pressure balance shield machines	2020.11	8,370

SIGNIFICANT EVENTS

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) Material contracts signed during the reporting period (Continued)

(iv) Real estate development business

No.	Project name	Project location	Project type	Planned area (0'000 square meters)
1	Shunan headquarters base in Yibin city and supporting residential projects	Sichuan	Commercial and residential	53.65
2	Phase II C settlement building project of Modian Jiayuan in High-tech Zone, Hefei city	Anhui	Residential	34.35
3	Phase II settlement building project of Beigang Garden in High-tech Zone, Hefei city	Anhui	Residential	32.62
4	Shangma Street project of Chengyang district, Qingdao city	Shandong	Commercial and residential	32.09
5	Settlement building in the eastern part of the central area of the Jimo district in Qingdao city	Shandong	Residential	30.74

(2) Material infrastructure investment projects (BOT and PPP projects) signed during the reporting period

No.	Name of contract	Signatory	Contract sum (RMB 100 million)	Shareholding of the project company	Construction period	Concession period	Signing date
1	PPP project contract of the Yiwang-Lingjingdian section of the G2003 Taiyuan Ring Expressway (Taiyuan northwest second ring)	China Railway Group Limited and other parties (project companies)	259.8	China Railway holds a 100% share	4	34	2020-03
2	Concession arrangement for the project of Cenxi (border of Guangdong and Guangxi)-Daxin Highway (Hengxian to Nanning section)	China Railway Communications Investment Group Co., Ltd. and other parties (project companies)	222.7	China Railway holds a 20% share	3	34	2020-04
3	PPP project contract for the national highway no. 109 new line expressway (west sixth ring road-municipal boundary section)	China Railway Group Limited and other parties (project companies)	220.9	China Railway holds a 45% share, Beijing Capital Highway Development Group Co., Ltd. holds a 40% share, and Beijing Uni.-Construction Group Co., Ltd., Beijing Construction Engineering Group Co., Ltd. and Beijing Municipal Road & Bridge Corporation Limited hold a 5% share respectively	4	29	2020-04
4	PPP project contract of Tianjin Metro Line No.4	China Railway Group Limited and other parties (project companies)	236.8	China Railway holds a 51% share, and Tianjin Rail Transit Group Co., Ltd. holds a 49% share	5	26	2020-06
5	PPP project contracts for the Dapuchaihe-Chimney Hill of the Yanji-Changchun Expressway, the Chimney Hill-Changchun section of the Yanji-Changchun Expressway, and the Huanren (province boundary)-Ji'an section of the Benxi-Ji'an Expressway	China Railway Group Limited and other parties (project companies)	280.4	China Railway holds a 51% share, and Jilin Provincial Expressway Group Co., Ltd. holds a 49% share	4	34	2020-12

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(3) Material infrastructure investment projects (BOT and PPP projects) operated during the reporting period

No.	Name of contract	Signatory	Contract sum *(RMB 100 million)*	Signing date	Time of entering the operation period	Operation period
1	PPP project of phase I project of Hohhot Metro Line 1	China Railway Group Limited and other parties	146.79	2016-9	2019-12-29	25 years
2	PPP project of the Dongchuan-Gele section of the S25 Kunming-Qiaojia Expressway	China Railway Group Limited and other parties	56.9	2017-04	1/1/2020	30 years
3	PPP project of the Xundian-Zhanyi Expressway (Kunming section)	China Railway Group Limited and other parties	61.1	2018-08	1/1/2020	30 years

(4) Strategic framework agreements signed during the reporting period

No.	Agreement name	Signing date	Main contents of agreements
1	Framework agreement on investment cooperation between China Railway Group Limited and the Changchun Municipal People's Government	2020.06	The two parties intend to actively innovate cooperation models and carry out in-depth cooperation in the fields of urban facilities construction, cultural tourism and health care, park development, ecological environment, old city renovation, environmental protection and water affairs, and airports to ensure high-quality implementation of projects.
2	Strategic cooperation agreement between the Daxing District People's Government in Beijing and China Railway Group Limited	2020.06	Cooperate with the Daxing District People's Government in Beijing in infrastructure construction, old city renovation, district development, ecological restoration and other fields
3	Strategic cooperation agreement between the People's Government of Heilongjiang Province and China Railway Group Limited	2020.06	The two parties intend to take infrastructure construction and other key projects as the first batch of projects in which they will cooperate, to carry out all-round cooperation in planning, surveying, design, investment and financing, construction, operation and management, industrial manufacturing and other fields across the whole industry chain.

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(4) Strategic framework agreements signed during the reporting period (Continued)

No.	Agreement name	Signing date	Main contents of agreements
4	Cooperation agreement on integrated development projects along the railway line between Hubei Province Railway Construction Investment Group Co., Ltd. and China Railway Group Limited	2020.06	The two parties intend to carry out in-depth cooperation in TOD development, district development, real estate development and emerging urbanization.
5	Strategic cooperation agreement between the Guangxi Zhuang Autonomous Region and China Railway Group Limited	2020.07	Around the investment and construction of infrastructure projects, public service projects and other projects in the Guangxi Zhuang Autonomous Region, the two parties carry out all-round cooperation in major urban infrastructure, rail transit, expressways, airports, port wharfs, water conservancy, environmental protection, industrial funds, characteristic towns, railways and integrated land development along railways, sponge cities and underground pipe corridors.
6	Strategic cooperation framework agreement between the People's Government of Baoding Municipality and China Railway Group Limited	2020.07	Cooperate with the People's Government of Baoding Municipality in industrial park construction, comprehensive urban development, comprehensive water environment remediation and ecological restoration.
7	Cooperation framework agreement between the People's Government of Jilin Province and China Railway Group Limited	2020.08	The two parties intend to cooperate on projects in the areas of urban infrastructure, national and provincial road networks, urban rail, municipal works, new infrastructure, old city renovation, environmental protection and water conservation, water management, industrial park, cultural tourism and health care, expo exhibition, urban area complex development and general airport.
8	Strategic cooperation agreement between the People's Government of Anhui Province and China Railway Group Limited	2020.09	The two parties intend to carry out extensive cooperation in the fields of new rail transit, high-end equipment manufacturing and intelligent manufacturing, infrastructure, financial innovation, the "Belt and Road", the integrated development of the Yangtze River Delta, and rural revitalization.

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(4) Strategic framework agreements signed during the reporting period (Continued)

No.	Agreement name	Signing date	Main contents of agreements
9	Strategic cooperation agreement between China Railway Group Limited and China Metallurgical Geology Bureau	2020.09	Cooperate with China Metallurgical Geology Bureau in industrial infrastructure construction, geological exploration of mineral resources, investment and development of mineral resources, geographic information, ecological improvement, superhard material, and manufacturing of mechanized equipment.
10	Strategic cooperation agreement between Shandong Port Group Co., Ltd. and China Railway Group Limited	2020.09	Cooperate with Shandong Port Group Co., Ltd. in special railway lines, logistics park development, inland port construction, port infrastructure construction and other fields.
11	Strategic cooperation framework agreement between the People's Government of Nanchang Municipality and China Railway Group Limited	2020.11	Cooperate with the People's Government of Nanchang Municipality in urban rail transit, municipal public works, urban renewal, highways, water conservancy, environmental protection, new infrastructure and other fields by means of equity cooperation, investment and financing construction, PPP, EPC, general contracting and other project construction models approved by both parties in an all-round way.

XV. Material Contracts and Their Performance (Continued)

5. Particulars of material properties

(i) Property held for development

Name of building or project	Address	Current land use	Area *(0'000 square meters)*	Floor area *(0'000 square meters)*	State of completion	Expected completion date	Interests of the Company and its subsidiaries
Sichuan Heilongtan International Eco Tourism Resort Project	Renshou County, Meishan, Sichuan	Comprehensive	2,266	1,418	Under construction	2027	100%
Guiyang China Railway Yueshan Lake	Guanshan Lake District, Guiyang, Guizhou	Commercial, residential	236	266	Under construction	2024	80%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	86.39	148.3	Under construction	2029	100%
Taiyuan China Railway Nuode Mall	Chaoyang Street, Yingze District, Taiyuan	Commercial, residential	27.66	125	Under construction	2024	100%
Guiyang Qingzhen Project	Xiangchou Residential Quarters, Vocational Education Area, Qingzhen, Guiyang City, Guizhou	Commercial, residential	45.47	104.8	Under construction	2027	90%

XV. Material Contracts and Their Performance (Continued)

5. Particulars of material properties (Continued)

(ii) Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Beijing Nuode Center Phase III Building S1, S2, 16 and 19	No. 1 South Yuren Road, Fengtai District, Beijing	Commercial	2054-11	100%
Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities	No. 50 Lvwei Road, Hebei District, Tianjin	Commercial	2054-01	100%
Beijing China Railway Mansion	No. 3 Yard, South Automobile Museum Road, Fengtai District, Beijing	Commercial	2065-11	100%
Guangzhou Nuode Center	No. 477 East Hanxi Avenue, Nancun Town, Panyu District, Guangzhou City, Guangdong	Commercial	2053-05	100%
Chengdu Nuode No. 1	Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu, Sichuan	Commercial	2065-01	100%
Shanghai Nuode International Plaza	3/5 Block, 219 Lane, Xinzhuang Town, Minhang District, Shanghai	Commercial	2064-03	100%
China Railway Real Estate Qingdao Center	No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong	Commercial	2046-07	100%
Reeda Plaza	No. 46 South Shengli Road, Heping District, Shenyang, Liaoning	Commercial	2051-04	100%
Wood-Plastic R&D Building	No. 86-5 Wanxing Road, Changyang Town, Fangshan District, Beijing	R&D and commercial	2053-06	100%
China Railway South Headquarters Building	No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong	Commercial	2046-12	100%

XVI. Explanation for Other Significant Events

Not applicable

XVII. Proactive Fulfilment of Social Responsibilities

1. Poverty relief efforts of the Company

(1) Targeted poverty alleviation planning

2020 was the year for achieving the goal of building a moderately prosperous society in all respects. It was also the final year for poverty alleviation. According to the national unified plan and responding to the call of the Party and the state, the Company actively fulfilled its obligations as a central enterprise, and regarding the key and difficult problems, carried out thematic research, initiated projects specifically, made centralized investments, and made major breakthroughs. The Company strengthened the construction of rural infrastructure, improves the quality of rural education, strengthened social security in rural areas, and improved public cultural services in rural areas. The Company took effective measures to shore up the weak spots of rural development. Focusing on helping build a mechanism of poverty alleviation, the Company promoted the effective combination of poverty alleviation through consumption and targeted assistance, to ensure that policies really benefited registered impoverished households. The Company stimulated the internal driving force for registering poverty-stricken households, to realize the goal of getting rid of poverty, not returning to poverty and becoming well-off. The Company took targeted measures to help those in need, arranged projects, used funds, and achieved poverty alleviation.

(2) Summary of annual targeted poverty alleviation

During the reporting period, 28 subordinate enterprises of the Company actively participated in poverty alleviation and invested in a total of RMB169.5035 million in poverty alleviation. They helped 1,326 registered impoverished people get rid of poverty, and financed 4,443 poor students. They purchased RMB15.1769 million of agricultural products from targeted poverty alleviation counties, RMB1.1287 million of agricultural products from other impoverished counties and RMB5.0554 million of agricultural products from Hubei province, and helped sell RMB1.6489 million of agricultural products. The Company invested RMB63.90 million of special funds in designated counties receiving assistance from the Company, attracted RMB79.94 million of assistance funds for targeted poverty alleviation counties, trained 213 grass-root cadres, and trained 7,226 professional and technical personnel for targeted poverty alleviation counties and other poverty-stricken areas.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(2) Summary of annual targeted poverty alleviation (Continued)

In 2020, after the three designated poverty alleviation counties got rid of poverty, the Company continued to maintain the efforts to alleviate poverty, comprehensively consolidate poverty alleviation results, and effectively link poverty alleviation with rural revitalization. **First**, China Railway's poverty alleviation has been praised and come to the notice of the General Secretary. General Secretary Xi Jinping praised Zhashui's fungus plantation as "small fungus, big business" when inspecting projects such as intelligent multi-block fungus greenhouses in Jinmi Village, Zhashui County, Shaanxi Province, which was invested in and built by the Company. He also went to the Shazhou Yaozu Village, Rucheng County (a designated poverty-stricken county receiving assistance from the Company), Hunan Province and visited an exhibition hall themed "warmth of half of a quilt". He commented that "half of a quilt warms the hearts of people, and the Party and the people are close as fish and water" and praised the poverty alleviation deeds of China Railway. **Second**, the Company's leaders have led a number of teams to investigate designated poverty alleviation counties, to understand the consolidation of poverty alleviation results and overcome practical difficulties. **Third**, the Company performed a solid job of construction of key projects, and promoted the effective linkage between poverty alleviation and rural revitalization. Staying focused on the weak spots of education and transportation infrastructure in poverty alleviation counties, the Company invested RMB60 million special funds in promoting the effective link between comprehensive poverty alleviation and rural revitalization. The Company assisted the construction of a school that implements the nine-year system in Zhaqian Town, Guidong County, Hunan Province, and donated 1 teaching building for the Vocational Skills Education Center in Rucheng County, Hunan Province. The Company joined hands with a local private enterprise in Baode County, Shanxi Province, to construct the north section of the "China Railway Xingfu Avenue". **Fourth**, the Company helped solve the problem of slow-selling of agricultural products in poor areas by intensifying poverty alleviation through consumption. The Company encouraged subordinate units and the vast number of cadres and employees to intensify purchase and consumption efforts. The Company set up a special section on its internal e-commerce platform (Luban Mall), to display and sell the agricultural products from targeted poverty alleviation counties for a long time, and issued agricultural products from impoverished counties instead of labour protection supplies, which gives a strong impetus to the sale of agricultural products from impoverished counties.

SIGNIFICANT EVENTS

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Effectiveness of targeted poverty alleviation efforts

Unit: '0,000 Currency: RMB

Indicators	Quantity & Implementation
I. General	
Including: 1. Fund	16,950.35
2. Materials converted into cash	522.57
3. Number of registered impoverished people relieved from poverty under the help offered (person)	1,326
II. Investment Breakdown	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial projects for poverty alleviation	✓ Agricultural and forestry poverty alleviation ✓ Tourism poverty alleviation ✓ E-commerce poverty alleviation ✓ Asset income poverty alleviation ☐ Science and technology poverty alleviation ✓ Others
1.2 Number of industrial projects for poverty alleviation	29
1.3 Amount of investment in industrial projects for poverty alleviation	970.30
1.4 Number of registered impoverished people relieved from poverty under the help offered (person)	638
2. Poverty alleviation through transferred employment	
Including: 2.1 Amount of investment in occupational skill training	189.71
2.2 Number of persons receiving vocational skill training (person/time)	7,226
2.3 Number of registered impoverished people getting employed under the help offered (person)	1,410

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Effectiveness of targeted poverty alleviation efforts (Continued)

Indicators	Quantity & Implementation
3. Poverty alleviation through relocation	
Including: 3.1 Number of employment for relocated household (person)	73
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in financing needy students	284.42
4.2 Number of poor students financed (person)	4,443
4.3 Amount of investment in improving the educational resources in poverty-stricken areas	12,783.60
5. Poverty alleviation through health	
Including: 5.1 Amount of investment in the medical and health resources of poverty-stricken areas	0.00
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of Project	✓ Commencing ecological protection and construction ✓ Devising ways of ecological protection compensation ✓ Setting up ecological charity job positions ☐ Others
6.2 Amount of investment	8.9
7. Baseline security	
Including: 7.1 Amount of investment in helping "the elderly people, women and left-behind children in rural areas"	7.19
7.2 Number of "elderly people, women and left-behind children in rural areas" helped (person)	121
7.3 Amount of investment in helping needy disabled people	15.17
7.4 Number of needy disabled people helped (person)	253

SIGNIFICANT EVENTS

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Effectiveness of targeted poverty alleviation efforts (Continued)

Indicators	Quantity & Implementation
8. Poverty alleviation through society	
Including: 8.1 Amount of investment in coordinated eastern-western poverty alleviation	0
8.2 Amount of investment in precision poverty alleviation	6,390
8.3 Public social charitable fund for poverty alleviation	18.60
9. Other projects	
Including: 9.1 Number of projects	38
9.2 Amount of investment	1,588.27
9.3 Number of registered impoverished people relieved from poverty under the help offered (person)	688
9.4 Description about other projects	/

III. Awards Received (Nature and Level)

1. The Labour Union of China Railway No. 1 Engineering has won the honorary title of National Advanced Collective of Poverty Alleviation (National level)
2. Liu Xiaoying from China Railway No. 3 Engineering who is a cadre staying at Tuanwo village for poverty alleviation has won the honorary title of National Advanced Individual of Poverty Alleviation (National level)
3. Zhang Zhongwen from China Railway No. 1 Engineering has won the "Contribution Award" for poverty alleviation in Shanxi Province and has been rated as a model worker in Xinzhou city (Provincial and ministerial level)
4. China Railway No. 1 Engineering has won the "Excellence Award for Boosting Poverty Alleviation in Shaanxi Province in 2019" (Provincial and ministerial level)
5. China Railway No. 1 Engineering has won the "Charitable Enterprise in Shaanxi Province" in the 3rd appraisal (Provincial and ministerial level)
6. He Zheng from China Railway No. 2 Engineering has won the honorary title of Advanced Individual in Poverty Alleviation for 2019 in Sichuan Province (Provincial and ministerial level)
7. Liu Xiaoying from China Railway No. 3 Engineering has won the honorary title of a Model Cadre in Assistance Work Staying at Villages in Shanxi Province and the First Secretary in Rural Areas (Provincial and ministerial level)
8. China Railway No. 3 Engineering has won the honorary title of "Model Unit in Assistance Work by Cadres Staying at Villages" in Shanxi Province (Provincial and ministerial level)
9. Zheng Jiawei from China Railway No. 4 Engineering who is a cadre staying at Wangli village for poverty alleviation has been rated as a "Good Person in Anhui Province" (Provincial and ministerial level)
10. Chen Tiandi from China Railway Eryuan has won the honorary title of "Good Person for Poverty Alleviation in Sichuan Province" (Provincial and ministerial level)
11. Dai Chang from China Railway Major Bridge Design Institute has won the honorary title of Provincial Excellent Lead of the Working Team Staying at Villages and First Secretary in 2019 and Provincial Excellent Member of the Working Team Staying at Villages in 2019 (Provincial and ministerial level)

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(4) Subsequent Targeted Poverty Alleviation Plan

2021 is the first year of the "14th Five-Year Plan". It is also the first year for transition from poverty alleviation to rural revitalization and for embarking on the road to building a modern socialist country in all respects. China Railway will conscientiously implement the new strategies and new requirements of the Party Central Committee, the State Council and SASAC for consolidating poverty alleviation results and linking poverty alleviation with rural revitalization, to see that the mechanism, policy and system of targeted assistance are implemented smoothly and in an orderly manner. First, the Company will perform the various aspects of work in an coordinated way and comprehensively consolidate poverty alleviation results. Based on the principle of "eliminating poverty without evading responsibilities, policies, assistance or supervision", the Company maintains the overall stability of the policy and level of support. Second, the Company will exert its utmost to provide targeted assistance to Tibet. The Company will carry out in-depth investigation, propose scheme and dispatch outstanding cadres to assume a temporary post, to support the economic development of Karuo District, Chamdo Prefecture, Tibet Autonomous Region. Third, the Company will provide guidance for and urges cadres assuming a temporary post to provide assistance well. The Company will deliver a good job in the re-election of the new round of cadres assuming a temporary post, to see that the assistance work is handed over smoothly. The Company will also actively provide trainings on those who take the lead in becoming prosperous through business startups, to lift the whole village from poverty with the help of these foregoers. Fourth, the Company will strengthen the asset management and supervision of poverty alleviation projects. The Company will implement the management and protection responsibilities, clearly define regulatory responsibilities, ensure the proper use of assets, and continue to carry out supervision and inspection in the field of assistance. The Company will take targeted measures to help those in need, arrange projects, use funds, and achieve poverty alleviation. Fifth, the Company will strengthen the assessment and placement of cadres assuming a temporary post for poverty alleviation. The Company will handle properly the assessment and post arrangement of cadres assuming a temporary post after they have accomplished their tasks, to make the assumption of a temporary post a platform for training and cultivating the cadres.

2. Social responsibility commitments

As a leading enterprise in the construction industry, the Company has always taken being a practitioner, promoter and leader as its corporate social responsibilities. Since 2008, China Railway has started setting up a scientific, regulated, systematic and effective mechanism for corporate social responsibility management system. Based on the ten aspects of social responsibility planning, namely legal corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous outstanding contribution to the society.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information

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

Not applicable

(2) Description of environmental protection efforts of companies other than highly polluting companies

The Company thoroughly implemented thoughts on ecological civilization, established the concept of green development, and implemented the decision-making of the Party Central Committee and the State Council on the construction of ecological civilization and environmental protection. Guided by "Ecological Priority and Green Development", the Company continued to improve the environmental management system and clarified the environmental protection management mode. With regards to environmental management, the Company upheld the principle of "Territorial Management", "Prevention First, Combined with Prevention and Control" and "Who Pollutes, Who Controls". As for the management mode, the Company implemented unified leadership while subsidiaries and branches at each level are responsible, to ensure the orderly and controllable environmental protection. In terms of assessment, the Company conscientiously implemented the reward and punishment system for energy conservation and ecological environmental protection, strengthened the assessment objectives, and implement accountability for ecological and environmental issues seriously. In terms of the systematic environmental management, the Company has obtained ISO14001 environmental management system certification from China Certification Center Inc.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information (Continued)

(2) Description of environmental protection efforts of companies other than highly polluting companies (Continued)

According to the requirements of the Notice of China Railway on Further Strengthening the Protection of the Ecological Environment, the Notice of China Railway on the Earnest Implementation of the "Three-Year Action Plan for the Fight to Defend the Blue Skies" to Strengthen the Prevention and Control of Air Pollution and other management documents, the Company further strengthened the protection of ecological environment throughout the Company. By identifying and evaluating environmental factors of construction projects and workplaces, the Company determined the environmental factors under key control, prepared environmental management plans for projects, established a monitoring system for ecological environmental protection, and strengthened control over the risk sources of ecological environment pollution and pollutant emissions during production, to protect and improve the living and ecological environment. Meanwhile, the Company strengthened the inspection of ecological environmental protection of projects during safe production, and supervised the units concerned to make rectifications within a prescribed time limit. In 2020, the Company organized member companies to prepare and revise the Administrative Measures for Ecological Environmental Protection of the Company, improved the supporting management system, and formulated and refined a series of bylaws including the Administrative Measures for Environmental Protection on Construction and Installation Sites, Administrative Measures for Environmental Protection on Construction, Regulations on Environmental Management for Boiler Houses, Administrative Measures for the Recovery and Utilization of Waste Materials, Regulations on Environmental Management for Metal Welding and Gas Cutting Operations, Administrative Measures for Environmental Management for Machinery and Equipment, Regulations on Environmental Management of Warehouses, Regulations on Management of Hazardous Wastes, Regulations on Environmental Sanitation Management on Production Sites, Regulations on the Management of Power Consumption and Regulations on the Management of Water Conservation, to ensure that there are rules to go by, the rules are observed, and supervision is conducted on good grounds in respect of the daily environmental management. The Company established a statistical monitoring platform for ecological environment protection and collected ecological environment monitoring data on a regular basis, to improve the intuitiveness and truthfulness of the information about ecological environment protection.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information (Continued)

(2) Description of environmental protection efforts of companies other than highly polluting companies (Continued)

In 2020, the Company supervised and inspected the environmental protection of project under constructions, environmental impact assessment system, and "three simultaneous" and environmental protection measures at all levels. First, the functions of ecological environment protection and energy conservation management were integrated, to promote the integrated construction of organization and management systems of environmental protection and energy conservation. According to the actual management of energy conservation and ecological environment protection of SASAC, the Company improved the organizational settings and revised and improved the management methods, to see that energy conservation and ecological environment protection were carried out in an all-round way. Second, the statistical monitoring system was comprehensively upgraded, and new report data filling online was achieved. Third, the Company strictly implemented the reward and punishment system for ecological environmental protection. At the beginning of 2020, the Company set out targets of ecological environmental protection, energy conservation and consumption reduction, requiring various subsidiaries to achieve the targets within all levels of organization. Reward and punishment measures have been taken seriously in order to give effective motivation to protect the environment. Fourth, the Company carried out the technical research and development of ecological environmental protection in an all-round way, and put a high premium on green construction, scientific and technological research, and exemplary role of engineering projects.

For the Company's specific environmental protection work in 2020 and the results achieved, please refer to the Social Responsibility Report and ESG (Environment, Social and Governance) of China Railway Group Limited for 2020 as disclosed on the website of Shanghai Stock Exchange together with this announcement by the Company.

(3) Explanation of reasons for the undisclosed environmental information of the Company other than highly polluting companies

Not applicable

(4) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the Reporting Period

Not applicable

(5) Others

Not applicable

XVIII. Convertible Corporate Bonds

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CREC	China Railway Engineering Group Company Limited, whose predecessor is China Railway Engineering Corporation
4	BOT	"Build-Operate-Transfer" mode
5	PPP	"Public-Private-Partnership" mode
6	TOD	Transit-Oriented Development
7	Shield Tunneling Machine	a full-section tunneling excavator which can complete tunneling, slag discharging, pipe segments assembling and other operations under the protection of a rigid shield
8	TBM	Tunnel Boring Machine
9	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
10	Engineering method	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

11	One Belt, One Road	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
12	Three transformations	Promotion on the transformation of Chinese manufacturing to Chinese creation, Chinese speed to Chinese quality, and Chinese products to Chinese brands
13	Double hundred action	According to the Notice on Selecting Enterprises for the "Double Hundred Actions on State-owned Enterprise Reform" issued by the State-owned Assets Supervision and Administration Commission in March 2018, the Office of the State-owned Enterprise Reform Leading Group of the State Council decided to select one hundred central enterprises' subsidiary enterprises and one hundred local state-owned backbone enterprises, on which the "Double Hundred Actions of State-owned Enterprise Reform" would be implemented from 2018 to 2020 to further promote reform

COMPANY INFORMATION

Directors

Executive directors
CHEN Yun *(Chairman)*
CHEN Wenjian
WANG Shiqi

Non-executive director
WEN Limin

Independent non-executive directors
CHUNG Shui Ming Timpson
ZHANG Cheng
XIU Long

Supervisors

JIA Huiping *(Chairman)*
YUAN Baoyin
LI Xiaosheng
WANG Xinhua

Joint company secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized representatives

WANG Shiqi
TAM Chun Chung *CPA, FCCA*

Audit and risk management committee

CHUNG Shui Ming Timpson *(Chairman)*
WEN Limin
ZHANG Cheng

Remuneration committee

XIU Long *(Chairman)*
WEN Limin
ZHANG Cheng

Strategy committee

CHEN Yun *(Chairman)*
CHEN Wenjian
WANG Shiqi
CHUNG Shui Ming Timpson
XIU Long

Nomination committee

CHEN Yun *(Chairman)*
CHEN Wenjian
CHUNG Shui Ming Timpson
ZHANG Cheng
XIU Long

Safety, health and environmental protection committee

CHEN Wenjian *(Chairman)*
WANG Shiqi
WEN Limin
ZHANG Cheng
XIU Long

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Place of listing: Shanghai Stock Exchange
Stock name: China Railway
Stock code: 601390

H Shares
Place of listing: The Stock Exchange of Hong Kong Limited
Stock name: China Railway
Stock code: 390

Principal bankers

The Export-Import Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

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