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

INTERIM REPORT 2018

The 40th Anniversary of
the Reform and Opening-up Policy

CONTENTS

COMPANY PROFILE

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**" or "**China**") 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 groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 56th on the 2018 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 other businesses such as property development and mining development.

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

Financial data presented in this Interim Report are prepared in accordance with International Financial Reporting Standard and, unless otherwise specified, are consolidated amounts of the Company and its subsidiaries and are denominated in Renminbi.

Summary of Interim Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June					Change 2018 vs
	2018	2017	2016	2015	2014	2017
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**276,636**	260,889	240,533	240,609	231,795	6.0
Survey, Design and Consulting Services	**7,553**	6,750	5,738	5,596	4,694	11.9
Engineering Equipment and Component Manufacturing	**9,615**	9,321	7,547	6,876	7,401	3.2
Property Development	**12,411**	11,113	10,873	8,308	10,547	11.7
Other Businesses	**29,237**	24,203	16,674	20,320	28,854	20.8
Inter-segment Eliminations and Adjustments	**(19,350)**	(13,723)	(12,918)	(17,191)	(15,911)	
Total	**316,102**	298,553	268,447	264,518	267,380	5.9
Gross Profit	**31,132**	27,447	21,968	21,531	20,124	13.4
Profit before Tax	**12,713**	10,844	7,804	6,665	6,327	17.2
Profit for the Period	**9,412**	7,549	5,394	4,405	4,299	24.7
Profit for the Period Attributable to Owners of the Company	**9,552**	7,707	5,463	4,577	4,061	23.9
Basic Earnings per Share *(RMB)*	**0.394**	0.310	0.224	0.215	0.191	27.1

Summary of Interim Condensed Consolidated Balance Sheet

	As at			Change	
	30 June 2018	31 December 2017 (Restated)	30 June 2017 (Restated)	30 June 2018 vs 31 December 2017	30 June 2018 vs 30 June 2017
		RMB million		*(%)*	*(%)*
Assets					
Current Assets	**655,075**	641,668	575,435	2.1	13.8
Non-current Assets	**226,465**	202,254	191,592	12.0	18.2
Total Assets	**881,540**	843,922	767,027	4.5	14.9
Liabilities					
Current Liabilities	**591,031**	579,303	509,088	2.0	16.1
Non-current Liabilities	**101,643**	95,061	97,392	6.3	4.4
Total Liabilities	**692,674**	674,364	606,480	2.7	14.2
Total Equity	**188,866**	169,558	160,547	11.4	17.6
Total Equity and Liabilities	**881,540**	843,922	767,027	4.5	14.9

CHAIRMAN'S REPORT

Dear Shareholders,

Amid the transitional transformation of the national economy, the ever-changing market environment and a challenging and strenuous reformative development mission in the first half of 2018, we strictly adhered to the decisions of the Central Committee of the Commission Party of China, State Council and SASAC. We insisted on working in an overall stable and progressive manner, actively implemented our new development concepts, coped with complex policies and market circumstances and strived to create a new situation of sustained, healthy and high-quality development of enterprises. Through the joint efforts of all members of the Company, we made progress and achievements in corporate governance, production and operation, comprehensive management and reformative development in the first half of the year, and successfully completed all our targets. We reached new milestones in key economic indicators, including the value of new contracts, total revenue and the net profit attributable to the Company.

Time is our witness of diligence. Looking back over the past six months, we continued to forge ahead with reforms by improving our corporate governance structure, optimizing corporate governance rules, actively introducing external investments, and gradually improving the incentive and restraint mechanism to inject new energy and vitality into the Group's development. We improved operational efficiency, took the initiative to adapt to market changes, focused on expansion and quality improvement of the major business, and deepened operational innovation. We also expanded room in new markets and developed new business areas through various models such as contracting operation, investment operation, asset operation and capital operation. Moreover, we promoted overseas operations by focusing construction work along the Belt and Road. We focused on enhancing quality and efficiency, strengthening the rigid constraints of assets and liabilities, and taking various measures for deleveraging to mitigate risk. We also actively optimized the business structure and accelerated the pace of industrial transformation and upgrading, continued to ease corporate pressure and eliminated excess capacity, insisted on revitalizing the stock of assets and optimizing the total assets at the same time. We also carried out comprehensive project management of laboratory activities to improve quality and efficiency, and strived to achieve high-quality development of the Company. We accelerated the pace of innovation, boosted technological innovation, and focused on developing forward-looking, innovative key technologies, as well as the transformation of scientific and technological achievements. We also carried out extensive cooperation with upstream and downstream companies along the industrial chain, promoted company management innovation, and broke through the bottleneck that restricted the Company's development. In order to promote the integration of industry and finance effectively, we improved the equity financing pipeline. We fulfilled our social responsibility, actively implemented and deeply participated in the "Three Tough Battles", further strengthened risk prevention and control in key areas and took targeted measures in poverty alleviation. We practised the concept of green development, improved the construction technology, and completed some "environmentally friendly and resource-saving" construction projects, reflecting the responsibility of central enterprises.

Reform is the key to a brighter future. Following Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era theory, we will firmly grasp the historical opportunities of supply-side structural reform and infrastructure to complement shortcomings, establish new development concepts, adhere to high-quality development, further promote innovation, to accomplish development through reforms. Finally, I would like to take this opportunity to extend my sincere gratitude to our shareholders for their support of the Group's reform and development, to our community for their concern and support, and to our employees for sharing the Group's journey.

LI Changjin
Chairman

Beijing, the PRC
30 August 2018

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 Changes in Share Capital

(1) Changes in share capital

(i) Changes in share capital

During the reporting period, there was no change in share capital and shareholding structure of the Company.

(ii) Explanation to the changes in share capital

Not applicable

(iii) Impact of changes in share capital after the reporting period and prior to the date of publication of the interim report on earnings per share, net asset value per share or other financial indicators for the latest year and latest period

Not applicable

(iv) Other information considered necessary by the Company or required by securities regulators that should be disclosed

Not applicable

(2) Changes in shares with selling restrictions

Not applicable

2 Information on Shareholders

(1) Number of shareholders

The total number of shareholders of ordinary shares as at the end of the reporting period	651,478
The total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0

2 Information on Shareholders *(continued)*

(2) Shareholdings of the top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restriction	Number of pledged or frozen shares: Condition of shares	Number of pledged or frozen shares: Number	Nature of shareholder
1	CREC *(Note 1)*	0	12,424,784,308	54.39	308,880,308	Nil	0	State-owned
2	HKSCC Nominees Limited *(Note 2)*	1,123,333	4,007,900,082	17.54	0	Nil	0	Other
3	China Securities Finance Corporation Limited	167,130,435	1,119,352,322	4.90	0	Nil	0	Other
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Product	0	468,805,172	2.05	0	Nil	0	Other
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	0	278,500,643	1.22	0	Nil	0	Other
6	Central Huijin Asset Management Ltd.	0	235,455,300	1.03	0	Nil	0	Other
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	0	196,986,916	0.86	0	Nil	0	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	0	92,183,237	0.40	0	Nil	0	Other
9	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	0	87,333,100	0.38	0	Nil	0	Other
9	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	0	87,333,100	0.38	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.

2 Information on Shareholders *(continued)*

(2) Shareholdings of the top ten shareholders *(continued)*

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

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

Note 3: The numbers shown in the table are based on the register of members of the Company as at 30 June 2018.

(3) Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares Type	Quantity
1	CREC *(Note 1)*	11,950,010,000	RMB-denominated ordinary shares	11,950,010,000
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 2)*	4,007,900,082	Overseas listed foreign shares	4,007,900,082
3	China Securities Finance Corporation Limited	1,119,352,322	RMB-denominated ordinary shares	1,119,352,322
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Product	468,805,172	RMB-denominated ordinary shares	468,805,172
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	278,500,643	RMB-denominated ordinary shares	278,500,643
6	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	196,986,916	RMB-denominated ordinary shares	196,986,916
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	92,183,237	RMB-denominated ordinary shares	92,183,237
9	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100

2 Information on Shareholders *(continued)*

(3) Shareholdings of the top ten shareholders without selling restrictions *(continued)*

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares Type	Quantity
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
Statement on the related relations and concerted actions between the shareholders above		CREC, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.		

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

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

Note 3: The numbers shown in the table are based on the register of members of the Company as at 30 June 2018.

2 Information on Shareholders *(continued)*

(4) Shareholdings of the top ten shareholders with selling restrictions and terms of selling restrictions

Unit: Shares

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

Note: On 11 July 2018, the Company published the Announcement of China Railway Group Limited on the Listing and Trading of Shares with Selling Restrictions from Non-public Issuance. The shares with selling restrictions held by CREC have been listed for trading on 14 July 2018, and all the Company's shares are tradable shares with no selling restrictions. On 14 July 2018, the Company published the Announcement Regarding Undertaking by Controlling Shareholder Not to Reduce Its Holding of Shares with Selling Restrictions in the Company, pursuant to which, CREC undertakes that it will not reduce its holding of the non-publicly issued 308,880,308 shares with selling restrictions it subscribed for in 2015 within 12 months from the date of listing and trading (i.e. from 16 July 2018 to 16 July 2019).

(5) Strategic investors or general legal persons becoming the top ten shareholders by placing of new shares

Not applicable

3 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

5 Interests and Short Positions of Directors and Supervisors in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 June 2018, none of the directors, chief executive and supervisors of the Company had any interests and short position 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 (the "**SFO**")) which will have to be notified to the Company and 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 us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Name of director/ Supervisor	Capacity	Number of A shares held (long position) *(Shares)*	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
Director				
Mr. LI Changjin	Beneficial Owner	105,700	0.0006	0.0005
Supervisor				
Ms. LIU Jianyuan	Beneficial Owner	1,200	0.000006	0.000005

6 Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 30 June 2018, the Company has been notified of the following 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:

Holders of A Shares

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

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
BlackRock, Inc.	Interest of controlled corporations	417,342,282	Long position	9.92	1.83
		485,000	Short position	0.01	0.002
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
Deutsche Bank Aktiengesellschaft	*(Note 1)*	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending pool	0.25	0.05
The Bank of New York Mellon Corporation	Interest of controlled corporations	213,544,056	Long position	5.08	0.93
		206,992,056	Lending pool	4.92	0.91
JPMorgan Chase & Co.	*(Note 2)*	212,309,472	Long position	5.04	0.93
		14,519,541	Short position	0.34	0.06
		101,435,012	Lending pool	2.41	0.44
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

6 Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares *(continued)*

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
Investment manager	17,515,361	–
Interest of controlled corporation	54,042,600	–
Custodian corporation	10,406,000	–
Others	8,668,000	–

2 *According to the Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange dated 4 May 2018, the interests held by JPMorgan Chase & Co. were held in the following capacities:*

Capacity	Number of H shares (Long position)	Number of H shares (Short position)
Beneficial owner	106,280,460	14,519,541
Investment manager	4,594,000	–
Interest of controlled corporation	101,435,012	–

3 *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 derivative payment in kind	Non-listed equity derivative settled in cash
BlackRock, Inc.	–	–	–	9,186,000	–	–	–	485,000
Deutsche Bank Aktiengesellschaft	–	–	–	17,624,000	–	–	–	10,166,000
JPMorgan Chase & Co.	50,000	–	12,631,000	4,193,548	2,632,000	30,000	6,594,000	5,263,541
Lehman Brothers Holdings Inc.	–	–	10,000,000	–	–	–	60,000	–

Apart from the foregoing, as at 30 June 2018, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 Directors

The directors of the Company during the six months ended 30 June 2018 are as follows:

Name	Age	Position
LI Changjin (李長進)	59	Chairman, Executive Director
ZHANG Zongyan (張宗言)	55	Executive Director
ZHOU Mengbo (周孟波)	53	Executive Director
ZHANG Xian (章獻)	57	Executive Director
GUO Peizhang (郭培章)	68	Independent Non-executive Director
WEN Baoman (聞寶滿)	67	Independent Non-executive Director
ZHENG Qingzhi (鄭清智)	66	Independent Non-executive Director
CHUNG Shui Ming Timpson (鍾瑞明)	66	Independent Non-executive Director
MA Zonglin (馬宗林)	61	Non-executive Director

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2018 are as follows:

Name	Age	Position
ZHANG Huijia (張回家) (elected on 25 June 2018)	54	Chairman of the Supervisory Committee, Shareholder Representative Supervisor
LIU Jianyuan (劉建媛)	56	Employee Representative Supervisor
WANG Hongguang (王宏光)	59	Employee Representative Supervisor
CHEN Wenxin (陳文鑫)	54	Shareholder Representative Supervisor
FAN Jinghua (范經華)	52	Employee Representative Supervisor
LIU Chengjun (劉成軍) (resigned on 8 June 2018)	54	Chairman of the Supervisory Committee, Shareholder Representative Supervisor

3 Senior Management

The senior management of the Company during the six months ended 30 June 2018 are as follows:

Name	Age	Position
ZHANG Zongyan (張宗言)	55	President
LIU Hui (劉輝) (ceased to serve as the Chief Engineer on 25 June 2018)	58	Vice President
MA Li (馬力)	60	Vice President
DUAN Yongchuan (段永傳) (appointed on 13 June 2018)	53	Vice President
LIU Baolong (劉寶龍) (appointed on 13 June 2018)	54	Vice President
REN Hongpeng (任鴻鵬) (appointed on 13 June 2018)	44	Vice President
KONG Dun (孔遁) (appointed on 25 June 2018)	52	Chief Engineer
MA Jiangqian (馬江黔) (appointed on 25 June 2018)	49	Chief Economist
YANG Liang (楊良)	49	Chief Financial Officer
YU Tengqun (于騰群) (appointed as the Vice President on 25 June 2018)	48	Vice President, Secretary to the Board, General Legal Advisor and Joint Company Secretary
TAM Chun Chung (譚振忠)	45	Joint Company Secretary and Qualified Accountant

4 Change of Directors, Supervisors and Senior Management

On 8 June 2018, the Company received the written resignation report from Mr. LIU Chengjun, the former chairman of the supervisory committee. Due to change of work, Mr. LIU Chengjun has tendered his resignation as a shareholder representative supervisor and the chairman of the supervisory committee of the Company. At the annual general meeting for the year 2017 of the Company held on 25 June 2018, Mr. ZHANG Huijia was elected as a shareholder representative supervisor of the Company. At the eighth meeting of the fourth session of the supervisory committee of the Company held on the same day, Mr. ZHANG Huijia was elected as the chairman of the supervisory committee of the Company for a term commenced from the date of the supervisory committee's approval until the expiry of the term of the fourth session of the supervisory committee of the Company.

At the eleventh meeting of the fourth session of the board of directors of the Company held on 13 June 2018, each of Mr. DUAN Yongchuan, Mr. LIU Baolong and Mr. REN Hongpeng was appointed as the vice president of the Company for a term commenced from the date of the board of directors' approval until the expiry of the term of the fourth session of the board of directors of the Company.

At the twelfth meeting of the fourth session of the board of directors of the Company held on 25 June 2018, Mr. YU Tengqun was appointed as the vice president of the Company, and his positions as the secretary to the board of directors, general legal advisor and joint company secretary of the Company would be remained. Mr. LIU Hui ceased to be the chief engineer of the Company, and his position as the vice president of the Company would be remained; Mr. KONG Dun was appointed as the chief engineer of the Company; and Mr. MA Jiangqian was appointed as the chief economist of the Company. Each of the above appointments has a term commenced from the date of the board of directors' approval until the expiry of the term of the fourth session of the board of directors of the Company.

4 Change of Directors, Supervisors and Senior Management *(continued)*

At the fourteenth meeting of the fourth session of the board of directors held on 6 August 2018, Mr. HE Wen was appointed as the secretary to the board of directors and a joint company secretary of the Company for a term commenced from the date of the board of directors' approval until the expiry of the term of the fourth session of the board of directors of the Company. Accordingly, Mr. YU Tengqun ceased to serve as the secretary to the board of directors and a joint company secretary of the Company, and his positions as the vice president and general legal adviser of the Company would be remained.

Mr. MA Li retired on 6 August 2018 and ceased to serve as the vice president of the Company.

5 Human Resources and Emolument Policy

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

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

The remuneration of executive directors of the Company 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.

5 Human Resources and Emolument Policy *(continued)*

As at 30 June 2018, the total number of employees hired by the Company was 283,637, among which, 8,562 have master degrees, 113,644 have bachelor's degree, 57,337 have received tertiary education and 104,094 have received secondary education or below. Employees who have received tertiary education or above amounted to 63.3% of the total number of employees. In addition, the Company has 26,197 employees who are senior professional talents, 59,364 with intermediate professional titles and 73,834 with assistant and junior professional titles.

6 Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), as amended, as the code of conduct regarding securities transactions by directors and supervisors. The Company has made enquiries to all directors and supervisors, each director and supervisor confirmed that he or she has complied with the required standard set out in the Model Code throughout the period from 1 January 2018 to 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Industry Development Overview

Infrastructure construction business

Domestically, progress has been achieved with stability ensured in the construction industry in China in recent years, as a result of the acceleration in construction industrialization, optimization of the construction market environment and promotion of the green and intelligent development concept. During the first half of 2018, the gross output value of the construction industry in China increased at a greater rate by 10.4% year-on-year to RMB9,479.0 billion; national fixed asset investment (excluding rural households) increased by 6.0% year-on-year to RMB29.7 trillion, but the investment grew slowly. In particular, the fixed asset investment in railways increased by 0.06% year-on-year to RMB312.72 billion; the fixed asset investment in highway and waterway transport amounted to RMB980.55 billion, increased by 1.4% year-on-year, among which, the investment in highway amounted to RMB431.1 billion, increased by 12.8% year-on-year. During the first half of 2018, as the State's continuing efforts to regulate and clear up the PPP projects, the implementation and construction progress of such projects were affected in a certain degree. However, in the long term, it would contribute to the development of China's PPP market on a more reasonable scale and in a more effective and sustainable manner. As at the end of June 2018, 12,549 PPP projects were registered in the project database of the National PPP of the Ministry of Finance, covering 19 major economic and social sectors with a total investment of RMB17.3 trillion, including 7,749 projects in the database with an investment of RMB11.9 trillion and 4,800 projects in the reserve list with an investment of RMB5.4 trillion. 3,668 projects in the database with an investment of RMB6.0 trillion were put into implementation, translating into a project floor rate of 47.3%; totally 1,684 projects in the database with an investment of RMB2.5 trillion commenced construction, with a commenced rate of 45.9%.

Internationally, the construction along the Belt and Road has made significant progress in each aspect in recent years, and China has signed cooperation documents with over 100 countries and international organizations for the joint construction of the Belt and Road, with the aim of expanding the trading and investment cooperation with the countries along the Belt and Road. With the steady progress in construction of international gateways such as China-Laos Railway, China-Thailand Railway and Hungary-Serbia Railway, the construction of Jakarta-Bandung High Speed Railway in Indonesia has fully commenced. During the first half of 2018, the amount of new contracting projects from countries along the Belt and Road decreased by 33.1% year-on-year to US$47.79 billion, representing 44.8% of the amount of new contracting projects of China from all foreign countries for the same period. The turnover increased by 17.8% year-on-year to US$38.95 billion, representing 53.5% of the total amount of turnover of completed contracting projects from all foreign countries for the same period.

Survey, design and consulting services business

In recent years, survey and design industry accelerated the transformation of its business model, achieved significant results from its business diversification and continuously innovated its management model. As the scientific and technological innovation is a new driving force of development, the concept of industrialization that stands for providing services throughout the entire construction lifecycle or effectively coordinating and collaborating with other enterprises through professional and advantageous development has become the trend for the industry development. In the meantime, the "innovative, coordinative, green, open and sharing" development concept embedded is creating new paths, new elements and new markets for the development of the industry, which will in turn impose higher requirements on the survey and design industry in terms of innovation capability, technical know-how, quality standard, business scope and service pricing. The survey, design and consulting services business is facing a situation where the opportunities and risks coexist in the domestic and international markets. On the one hand, given to the active promotion of the construction of high speed railway, urban rail transport, irrigation works and hydroelectricity, underground tunnels and sponge cities by the country, in particular the co-development of Beijing-Tianjin-Hebei, Yangtze River Economic Belt and new national urbanization planning, the next few years are still critical for the infrastructure construction and development of China. There will be larger room for development in the domestic infrastructure market. On the other hand, the construction along the Belt and Road has brought opportunities for the international development of the survey, design and consulting services business and the branding for "made in China", while being influenced by multiple factors such as the variables in the international politics, differences between cultures and traditions, complex standard of techniques which have also brought more challenges to the "Go Global" strategy for enterprises.

1 Industry Development Overview *(continued)*

Engineering equipment and component manufacturing business

The State Council issued a series of industrial plans including "Made in China 2025" and "13th Five-Year Plan for the Development of National Strategic Emerging Industries", which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the "13th Five-Year Plan", fixed assets investment in railways will stay at a high level and the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow with the larger room for the construction of highways, urban rail transport, irrigation works and underground development, and in further pursuance of the construction of the Belt and Road. With the support and encouragement of the government, in particular the issuance of the "Action Plan for Promotion of Production and Application of Green Building Materials" and "Guiding Opinions on Vigorously Developing Prefabricated Construction" which provided strong policy support, the steel structure products with the features of "green, environmentally friendly and circular economy", such as municipal bridge steel structure and high-rise steel structure construction, got wider application, resulting in the further expansion for the market demand for steel structure. However, the new changes in the industry environment will bring uncertainties to the tunnel construction equipment, urban rail transport turnouts and electric equipment products to a certain degree in the future. During the first half of 2018, the added value of large-scale industries recorded a year-on-year increase of 6.7%, in which the general-purpose equipment manufacturing industry increased by 7.9%, the special-purpose equipment manufacturing industry increased by 11.1% and the railways, ships, aerospace and other transportation equipment manufacturing industry increased by 3.4%.

Property development business

In recent years, the State kept perfecting its control policies on the property market, which had produced some effects. During the first half of 2018, the Ministry of Housing and Urban-Rural Development issued the "Notice on Further Implementing the Measures on Control of Real Estate Market", which further emphasized that "houses are built to be inhabited, not for speculation" remained as the fundamental principle, and the various levels of government should stick to control targets firmly, maintain the continuity and stability of the control policies, strive to fulfill the target missions of stabling prices, constraining rents, deleveraging, preventing risks, adjusting structure and stabling future tasks, encourage and support the rigid housing demands while curbing firmly speculative property investments and formulate and implement policies on a city-by-city basis, thus ensuring the stable and healthy development of the property market. During the period from January to June 2018, the property development investments nationwide amounted to RMB5,553.1 billion, representing a year-on-year nominal increase of 9.7%. The investments in residential housing were RMB3,899.0 billion, representing a year-on-year increase of 13.6% and accounting for 70.2% of the property development investments. In the first half of this year, the sales area of commodity housing was 771.43 million square meters, representing a year-on-year increase of 3.3%, among which, the sales area of residential housing increased by 3.2%, the sales area of office buildings decreased by 6.1% and the sales area of commercial housing increased by 2.4%. The sales amount of commodity housing was RMB6,694.5 billion, representing a year-on-year increase of 13.2%, among which, the sales amount of residential housing increased by 14.8%, the sales amount of office buildings decreased by 3.2% and the sales amount of commercial housing increased by 5.7%. The analysis of housing prices of 70 large-and-medium-size cities during the first half of this year revealed that, as for the sales price of commercial housing, first-tier cities maintained stable on the whole, while second-tier cities saw a rise and an upward momentum had been suppressed in third-tier cities. On 31 July 2018, the Political Bureau of Central Committee clearly pointed out at a meeting that it was determined to solve the problems of the property market through formulating and implementing policies on a city-by-city basis, promoting the supply-and-demand balance, rationally directing the expectations, regulating the market order, firmly curbing the irrational rises in housing prices and accelerating the establishment of a long-term effective mechanism to promote the stable and healthy development of the real estate market.

2 Business Development Overview

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

During the first half of 2018, by strictly adhering to the principles of the 19th National Congress of the Communist Party of China and the general working keynotes of making progress with stable pace and focusing on the Group's major tasks in this year, the Group proactively took on new challenges arising in the infrastructure construction, real estate and other relevant markets. The Group made continuous progress in market development, increased its efforts to push forward the reforms concerning production and operation systems and accelerated the development of regional operation, three-dimensional operation and the integration of industry and finance as a whole. In the first half of this year, the value of newly signed contracts was RMB634.70 billion, representing a year-on-year increase of 13.0%, among which, the values of new contracts for the domestic business and the overseas business reached RMB604.31 billion and RMB30.39 billion respectively, representing year-on-year increases of 13.4% and 6.2% respectively. As at the end of the reporting period, the value of the Group's contract backlog was RMB2,769.58 billion, up by 7.7% as compared to that of the end of 2017. The Group's business had been expanding in a steady manner with constantly enhanced economic benefits. In the first half of this year, it realized a revenue of RMB316.102 billion and net profits attributable to the listed company's shareholders of RMB9.552 billion, representing year-on-year increases of 5.9% and 23.9% respectively, and both had reached a record high for the same respective periods. With the asset quality having been improved effectively, we carried on the reduction of "accounts receivable and inventories" and cuts in debts by lowering leverage rates, thereby steadily increasing the internal fund concentration; besides, the market-driven debt-to-equity swap and the asset securitization had been implemented in good order. As a result, the gearing ratio significantly declined by 1.3 per cent points as compared to that of the end of 2017. The Group continued to promote the reduction of the number of legal persons and the rigescence and poverty governance and advanced the task of upgrading quality and efficiency through comprehensively carrying out laboratory activities of project management, thus striving to achieve the high-quality development and create new prospects of sustainable, healthy and high-quality development.

Overview of the value of new contracts and the value of contract backlog

Unit: 100 million Currency: RMB

	Value of new contracts			Value of contract backlog		
Business segments	Reporting period	During the corresponding period last year *(Note)*	Year-on-year increase/ decrease *(%)*	As at the end of the reporting period	As at the end of 2017	Year-on-year increase/ decrease *(%)*
Infrastructure construction	5,268.0	4,830.2	9.1	23,178.7	21,565.4	7.5
Including: Railways	889.2	805.3	10.4	5,287.6	5,483.4	–3.6
Highways	937.8	1,097.2	–14.5	4,368.9	4,030.4	8.4
Municipal works and others	3,441.0	2,927.7	17.5	13,522.3	12,051.6	12.2
Among which: Urban rail transport	1,101.6	1,158.1	–4.9	4,632.4	4,320.7	7.2
Survey, design and consulting services	130.9	120.7	8.4	405.7	347.7	16.7
Engineering equipment and component manufacturing	168.6	159.5	5.7	378.4	345.5	9.5
Property development	240.2	156.3	53.7	/	/	/
Other businesses	539.3	350.6	53.8	3,733.0	3,460.3	7.9
Total	**6,347.0**	**5,617.3**	**13.0**	**27,695.8**	**25,718.9**	**7.7**

2 Business Development Overview *(continued)*

Overview of the value of new contracts and the value of contract backlog *(continued)*

Note: *Since the Company made adjustments to the method used to include the newly signed contracts of the infrastructure investment projects into the newly signed contracts at the end of 2017, the newly signed contracts of the infrastructure construction business and other businesses included in the newly signed contracts in the first half of 2017 had been adjusted retrospectively, but there was no impact on the changes in the total value of the Company's newly signed contracts. The year-on-year increase/decrease in the data of 2018 as set out in the table represents the comparison with the adjusted data of corresponding periods in 2017.*

Infrastructure construction business: In the first half of 2018, the value of new contracts of the Group's infrastructure construction business amounted to RMB526.80 billion, representing a year-on-year increase of 9.1%. From a business segment perspective, the railways business signed new contracts of RMB88.92 billion, representing a year-on-year increase of 10.4%, and its market share in terms of the medium and large-sized railways construction reached 57.9%; the highways business signed new contracts of RMB93.78 billion, representing a year-on-year decrease of 14.5%, primarily attributable to the decrease in the PPP highway construction orders secured by the Group as a result of the regulation and cleanup of the PPP projects nationwide and the introduction of New Regulations for Asset Management in the first half of the year; the municipal works and others business signed new orders of RMB344.10 billion, representing a year-on-year increase of 17.5%, benefiting from the in-depth promotion of new urbanization construction; and the urban rail transit business signed new contracts of RMB110.16 billion, representing a year-on-year decrease of 4.9%, mainly due to the slowdown of approval of national urban rail transport construction and planning and the year-on-year decrease in the investment projects of urban rail transit in the first half of this year. From a business model perspective, the infrastructure investment projects (PPP, BOT, etc.) signed new contracts of RMB72.77 billion in the first half of the year, representing a year-on-year decrease of 40.7%, due to the impact of the PPP project regulation and cleanup and New Regulations for Asset Management; and the value of newly signed contracts for construction contracting projects amounted to RMB454.03 billion, representing a year-on-year increase of 26.0%. As at the end of June 2018, the value of the contract backlog of the Group's infrastructure construction business was RMB2,317.87 billion, representing an increase of 7.5% as compared to that of the end of 2017.

Survey, design and consulting services business: In the first half of 2018, the survey, design and consulting services business signed new contracts of RMB13.09 billion, representing a year-on-year increase of 8.4%. The survey and design services for the railways and urban rail transport sectors accounted for the majority of those newly signed contracts. As at the end of June 2018, the value of the contract backlog of the survey, design and consulting services business was RMB40.57 billion, representing an increase of 16.7% as compared to that of the end of 2017.

Engineering equipment and component manufacturing business: In the first half of 2018, the Group's engineering equipment and component manufacturing business signed new contracts of RMB16.86 billion, representing a year-on-year increase of 5.7%. The Group leads the manufacture of special-purpose construction equipment for railways, highways, rail transport and other fields. As at the end of June 2018, the value of the contract backlog of the engineering equipment and component manufacturing business was RMB37.84 billion, representing an increase of 9.5% as compared to that of the end of 2017.

Property development business: In the first half of 2018, the Group had a total of 170 secondary property development projects located in 50 cities including Beijing, Shanghai, Guangzhou and Shenzhen. During the reporting period, the Group's property development business achieved a sales amount of RMB24.022 billion, representing a year-on-year increase of 53.7%, and its sales area was 2.13 million square meters, representing a year-on-year increase of 34.8%. The area that has commenced construction was 2.62 million square meters, representing a year-on-year increase of 87.1%; the area that has completed construction was 1.13 million square meters, representing a year-on-year increase of 44.9%; and the newly acquired land reserve was 805,500 square meters, up 10.88 times as compared to the corresponding period last year. As at the end of June 2018, the Group's property projects under construction cover an area of 33.68 million square meters, and the land reserve area to be developed was 15.25 million square meters.

3 Consolidated Results of Operations

For the six months ended 30 June 2018, the Group's revenue increased by 5.9% from the corresponding period of 2017 to RMB316.102 billion. The Group realized profit for the period of RMB9.412 billion, representing an increase of 24.7% year on year. For the six months ended 30 June 2018, profit for the period attributable to owners of the Company was 9.552 billion, representing a year-on-year increase of 23.9% while the basic earnings per share of the Company were RMB0.394, representing a year-on-year increase of 27.1%.

A comparison of the financial results for the six months ended 30 June 2018 and the corresponding period of 2017 is set forth below.

Revenue

In the first half of 2018, the Group's revenue increased year-on-year by 5.9% to RMB316.102 billion, mainly due to the increase in revenue from infrastructure construction business. Among which, the revenue generated from overseas was RMB19.940 billion, representing a year-on-year increase of 22.5%. Revenue from overseas accounted for 6.3% of the Group's total revenue, an increase of 0.8 percentage point from 5.5% for the corresponding period of last year.

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, employee salary and benefits, equipment usage cost (consisting of maintenance, rental and fuel), and depreciation and amortization expenses. For the six months ended 30 June 2018, the Group's cost of sales and services increased year-on-year by 5.1% to RMB284.970 billion. In the first half of 2018, gross profit of the Group increased year-on-year by 13.4% to RMB31.132 billion. The gross profit margin for the first half of 2018 was 9.8%, representing an increase from 9.2% for the first half of 2017. The increase in gross profit margin for the first half of 2018 compared to the corresponding period of last year was primarily due to the increase in gross profit margin of infrastructure construction business.

Other income

The Group's other income primarily consists of dividend income and subsidies from government. For the six months ended 30 June 2018, the Group's other income was RMB0.881 billion, basically remained the same as RMB0.860 billion for the corresponding period of last year.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. For the six months ended 30 June 2018, other expenses increased by 18.5% to RMB4.317 billion from the corresponding period of last year. It was mainly due to the fact that the Group consolidated its research capability and enhanced its research quality on innovation and transformation.

3 Consolidated Results of Operations *(continued)*

Net impairment losses on financial assets and contract assets

The Group's net impairment losses on financial assets and contract assets mainly includes impairment loss on trade and other receivables, other financial assets at amortised cost and contract assets. For the six months ended 30 June 2018, the Group's net impairment losses on financial assets and contract assets was RMB2.206 billion, which mainly comprises of impairment losses on trade and other receivables of RMB2.092 billion.

Other gains/(losses), net

The Group's other gains and losses mainly include gains/losses on disposal/write-off of interests in joint ventures, subsidiaries and associates, foreign exchange gains/losses and gains/losses arising on change in fair value of financial assets at fair value through profit or loss. The other gains for the first half of 2018 was RMB0.301 billion while there was a net losses of RMB2.178 billion for the corresponding period of last year. It was because impairment loss on trade and other receivables was disclosed under "Net impairment losses on financial assets and contract assets" following the Group's adoption of "IFRS 9 – Financial Instruments" effective from 1 January 2018.

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. For the six months ended 30 June 2018, the Group's selling and marketing expenses was RMB1.503 billion, representing an increase of 15.5% from the corresponding period of last year which was mainly due to the strengthening in marketing effort of property development projects and industrial products. Selling and marketing expenses as a percentage of total revenue was 0.5% for the first half of 2018, basically the same as 0.4% for the first half of 2017.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets for administration purpose. For the six months ended 30 June 2018, the Group's administrative expenses increased by 7.2% to RMB10.289 billion from the corresponding period of last year, which was mainly due to the normal increase in staff salary with increase in profitability. Administrative expenses as a percentage of total revenue for the first half of 2018 was 3.3%, basically the same as 3.2% for the first half of 2017.

Interest expenses, net

For the six months ended 30 June 2018, the Group's net interest expenses (interest expenses less interest income) was RMB2.049 billion, representing an increase of 94.0% from the corresponding period of last year. It was mainly due to the increase in interest expenses brought by the increase in borrowings and interest rate as well as the launch of asset securitization business.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax for the six months ended 30 June 2018 increased by 17.2% to RMB12.713 billion from RMB10.844 billion for the corresponding period of 2017.

Income tax expense

For the six months ended 30 June 2018, the Group's income tax expense was RMB3.301 billion, basically the same as that for the corresponding period of last year. By excluding the land appreciation tax, the effective income tax rate of the Group was 23.7% for the first half of 2018, a year-on-year decrease of 3.7 percentage points from 27.4% for the corresponding period of last year.

Profit for the period attributable to owners of the company

The profit for the period attributable to owners of the Company for the six months ended 30 June 2018 increased by 23.9% to RMB9.552 billion from RMB7.707 billion for the corresponding period of 2017. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2018 was 3.0%, representing an increase from 2.6% for the corresponding period of 2017.

4 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2018 are set forth in the table below.

Business segments	Segment revenue RMB million	Growth rate (%)	Profit before tax RMB million	Growth rate (%)	Profit before tax margin[1] (%)	Segment revenue as a percentage of total (%)	Profit before tax as a percentage of total (%)
Infrastructure Construction	276,636	6.0	9,788	12.6	3.5	82.4	74.9
Survey, Design and Consulting Services	7,553	11.9	754	4.1	10.0	2.3	5.8
Engineering Equipment and Component Manufacturing	9,615	3.2	889	10.0	9.2	2.9	6.8
Property Development	12,411	11.7	1,615	34.4	13.0	3.7	12.4
Other Businesses	29,237	20.8	18	(96.3)	0.1	8.7	0.1
Inter-segment Eliminations and Adjustments	(19,350)		(351)				
Total	**316,102**	**5.9**	**12,713**	**17.2**	**4.0**	**100.0**	**100.0**

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

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In the first half of 2018, the revenue from the infrastructure construction business accounted for 82.4% of the total revenue of the Group (First half of 2017: 83.5%). In the first half of 2018, due to the continued stable development of the domestic infrastructure construction market, the Group recorded a significant increase in revenue from highway and municipal works. Segment revenue of the infrastructure construction business for the first half of 2018 was RMB276.636 billion, representing an increase of 6.0% as compared to the corresponding period of last year. Gross profit margin and profit before tax margin of the infrastructure construction segment for the first half of 2018 was 7.2% and 3.5% respectively (First half of 2017: 6.6% and 3.3% respectively). It was mainly due to ① higher gross profit margin of the Group's infrastructure construction projects brought by the investment business; ② satisfactory result on adjustment claim work due to the Group's strengthened management on adjustment claim; ③ the increase in intensive benefits due to the Group's better central procurement of materials and engineering equipment.

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. Benefiting from the further increase in investment of the domestic infrastructure construction market and further implementation of overseas construction projects along the Belt and Road, segment revenue of survey, design and consulting services business of the Group increased by 11.9% year on year to RMB7.553 billion for the first half of 2018. For the first half of 2018, gross profit margin and profit before tax margin for the segment was 26.8% and 10.0% respectively (First half of 2017: 28.0% and 10.7% respectively). It was mainly due to ① the increase in labour cost and outsourcing cost as a result of the increase in business scale; ② the high investment of certain overseas projects, most of which are at initial stage.

4 Segment Results *(continued)*

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. Benefiting from the continuous business growth in manufacture and installation of steel structure, manufacture of construction equipment and shield processing, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 3.2% year-on-year to RMB9.615 billion for the first half of 2018. Gross profit margin and profit before tax margin for the first half of 2018 was 23.3% and 9.2% respectively (First half of 2017: 19.7% and 8.7% respectively). This was mainly due to ① the Group strengthened the bidding and cost management of steel structure products which have high gross profit margin resulting in improvement of profitability; ② increase in revenue from shield products which have high gross profit margin.

Property development business

In the first half of 2018, the Group strictly adhered to the national policy on property market, fulfilled the market demand and accelerated the upgrading of the traditional property development business. For the first half of 2018, the Group increased marketing efforts, used flexible sale methods, broadened sales channels, advanced development pace, optimized product structure and actively revitalized stocks, segment revenue from property development business increased by 11.7% year-on-year to RMB12.411 billion. Gross profit margin and profit before tax margin for the first half of 2018 was 27.5% and 13.0% respectively (First half of 2017: 28.2% and 10.8% respectively). The decrease in gross profit margin was mainly due to the macro control on property market while the increase in profit before tax margin was mainly due to satisfactory result on expense control brought by the Group's strengthened management.

Other businesses

In the first half of 2018, riding on the insistence in developing its core businesses to be stronger, better and bigger, the Group has progressively implemented the "limited and interrelated" diversification strategy in order to fully demonstrate the advantages of whole industry chain in infrastructure construction. Segment revenue from other businesses increased year-on-year by 20.8% to RMB29.237 billion for the first half of 2018. In the first half of 2018, gross profit margin was 24.1% (First half of 2017: 25.5%). Details are as follows: ① Revenue from operation of PPP (BOT) projects business decreased year-on-year by 3.2% to RMB1.462 billion with gross profit margin decreased year-on-year by 3.8 percentage points to 55.1%. ② Revenue from mining business increased year-on-year by 33.0% to RMB2.357 billion with gross profit margin increased year-on-year by 5.3 percentage points to 45.3%. ③ Revenue from merchandise trading business increased year-on-year by 18.8% to RMB18.228 billion with gross profit margin decreased year-on-year by 0.7 percentage point to 7.7%. ④ Revenue from financial business increased year-on-year by 11.9% to RMB2.183 billion with gross profit margin decreased year-on-year by 7.0 percentage points to 87.9%.

Profit before tax margin of other businesses was 0.1% for the first half of 2018 (First half of 2017: 2.0%), mainly attributable to the impairment loss on trade and other receivables of RMB2.092 billion.

4 Segment Results *(continued)*

Other businesses *(continued)*

As at 30 June 2018, the Group's mining resources and reserves information is shown below:

No.	Project name	Type	Grade	Mining resources Resources/Reserves (Available)		Group's share	Planned total investment	Accumulated investment	Investment in the reporting period	Planned completion date	Project progress
				Unit	*Quantity*	*(%)*	*(RMB billion)*	*(RMB billion)*	*(RMB billion)*		
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.088%	Thousand tonne	708.2	83	4.217	4.102	–	Completed	Under production
2	Luisha Copper-Cobalt Mine, Compagnie Minière de Luisha S.A.S	Cooper	2.47%	Thousand tonne	657.8	72	1.657	2.154	0.165	Completed	Under production
		Cobalt	0.168%		44.9						
3	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga Sprl	Cooper	2.78%	Thousand tonne	86.4	80.2	1.195	1.199	0	Completed	Under production
		Cobalt	0.33%		10.2						
4	Sicomines Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Cooper	3.41%	Thousand tonne	8,309.7	41.72	24.915	10.815	0.025	Completed	Phase I commenced production, phase II design work commenced
		Cobalt	0.24%		575.9						
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	1.6%	Thousand tonne	282.1	100	0.64	0.159	0.02	Completed	Under production
		Zinc	3.17%		586.7						
		Silver	66.34g/t	Tonne	1,252.11						
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	0.75%	Thousand tonne	81.7	100	–	–	–	–	Not yet commenced development and construction
		Zinc	3.50%		382.6						
		Silver	108.33g/t	Tonne	1,184.64						
7	Wurile Ovoo and Zhanggai Tolgoi Gold Mine, Xinxin Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Not yet commenced development and construction
8	Chafu Silver, Lead and Zinc Mine, Xianglong Mining Company, Mongolia	Lead	6.28%	Thousand tonne	151.5	100	–	–	–	–	Ceased production
		Zinc	3.81%		91.9						
		Silver	234.67g/t	Tonne	866						

5 Cash Flow

For the six months ended 30 June 2018, the net cash outflow from operating activities of the Group amounted to RMB28.745 billion, representing an increase from net cash outflow from operating activities of RMB27.890 billion for the corresponding period of 2017. It was mainly due to the increase in the Group's inventory and trade receivables resulting from delay in project settlement and repayment attributable to the insufficient financial capacity of certain project owners brought by the nation's continued strengthening of financial regulation. At the same time, for its abiding by contracts and market credit, the Group made certain advances to ensure the smooth implementation of projects and to avoid unnecessary losses. In addition, the Group appropriately increased the land reserve to maintain the orderly development of property development business, resulting in relatively large operating net cash outflow. For the six months ended 30 June 2018, the net cash outflow from investing activities of the Group amounted to RMB16.856 billion, representing an increase from the net cash outflow of RMB7.847 billion for the first half of 2017. It was mainly due to the increase in the Group's equity investment in investment projects and construction in progress. For the six months ended 30 June 2018, the net cash inflow from financing activities of the Group amounted to RMB18.885 billion while there was a net cash outflow from financing activities of RMB1.199 billion for the first half of 2017. It was primarily due to the increase in scale of external financing and the investment received from the Group's debt-to-equity swap.

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 capital expenditure for the first half of 2018 was RMB8.051 billion (among which, RMB3.292 billion is for construction in progress, RMB2.772 billion is for purchase of fixed assets and RMB1.982 billion is for purchase of intangible assets), representing an increase of 53.9% from RMB5.230 billion for the corresponding period of 2017. It was mainly due to the increase in construction in progress and the increase in concession rights of BOT expressway.

Working capital

	As at	
	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Inventories	**40,658**	30,946
Properties under development for sale	**76,807**	74,253
Trade and bills receivables	**197,330**	202,049
Trade and bills payables	**325,598**	336,388
Turnover of inventory *(days)*	**23**	17
Turnover of trade and bills receivables *(days)*	**114**	95
Turnover of trade and bills payables *(days)*	**209**	183

As at 30 June 2018, the Group's inventories was RMB40.658 billion, increased by 31.4% as compared to the end of 2017. It was mainly due to ① increase in raw material reserve in order to ensure the construction progress of infrastructure construction projects and responding to the price increase of raw materials; ② the increase in work-in-progress due to the growth in order of industrial enterprises. The inventory turnover days for the first half of 2018 increased to 23 days from 17 days for the year of 2017. As at 30 June 2018, properties under development for sale increased by 3.4% to RMB76.807 billion from RMB74.253 billion as at the end of 2017.

5 Cash Flow *(continued)*

Trade and bills receivables

As at 30 June 2018, trade and bills receivables was RMB197.330 billion, a decrease of 2.3% from RMB202.049 billion as at the end of 2017. The turnover days of trade and bills receivables increased from 95 days for 2017 to 114 days for the first half of 2018. Nevertheless, according to the ageing analysis of the 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 11.9% (31 December 2017: 26.2%) of the total amount, reflecting 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 30 June 2018 and 31 December 2017, based on invoice date.

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
Less than one year	**173,851**	149,206
One year to two years	**12,908**	36,098
Two years to three years	**5,643**	8,494
Three years to four years	**2,641**	3,894
Four years to five years	**1,149**	2,579
More than five years	**1,138**	1,778
Total	**197,330**	202,049

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. As at 30 June 2018, the Group's trade and bills payables was RMB325.598 billion, representing a decrease of 3.2% from the end of 2017. The turnover days of trade and bills payables for the first half of 2018 was 209 days, representing an increase from 183 days for 2017. According to the ageing analysis of the 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 8.2% (31 December 2017: 9.0%) of the total amount.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 30 June 2018 and 31 December 2017, based on invoice date.

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
Less than one year	**298,887**	306,155
One year to two years	**15,006**	18,544
Two years to three years	**5,857**	5,504
More than three years	**5,848**	6,185
Total	**325,598**	336,388

6 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2018 and 31 December 2017. As at 30 June 2018, 51.1% (31 December 2017: 50.9%) of the Group's borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at 30 June 2018 RMB million	31 December 2017 RMB million
Bank borrowings:		
Secured	**31,965**	30,303
Unsecured	**110,633**	94,013
	142,598	124,316
Long-term debentures, unsecured	**32,893**	36,002
Other borrowings:		
Secured	**2,163**	-
Unsecured	**9,136**	13,616
	44,192	49,618
Total	**186,790**	173,934
Long-term borrowings	**91,317**	85,451
Short-term borrowings	**95,473**	88,483
Total	**186,790**	173,934

Bank borrowings carry interest rates ranging from 0.75% to 8.00% (31 December 2017: 0.75% to 8.00%) per annum. Long-term debentures carry fixed interest rates ranging from 2.88% to 4.88% (31 December 2017: 2.88% to 6.40%) per annum. Other borrowings carry interest rates ranging from 4.35% to 7.49% (31 December 2017: 4.35% to 7.49%) per annum.

6 Borrowings *(continued)*

The following table sets forth the maturity of the Group's borrowings as at 30 June 2018 and 31 December 2017.

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
Less than one year	**95,473**	88,483
One year to two years	**32,893**	19,958
Two years to five years	**32,428**	38,387
More than five years	**25,996**	27,106
Total	**186,790**	173,934

As at 30 June 2018 and 31 December 2017, the Group's bank loans comprised fixed-rate bank loans amounting to RMB69.440 billion and RMB37.859 billion and floating-rate bank loans amounting to RMB73.158 billion and RMB86.457 billion, respectively.

The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollar and Euro. The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2018 and 31 December 2017.

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
RMB	**174,565**	161,069
USD	**11,721**	12,652
Euro	**263**	64
Others	**241**	149
Total	**186,790**	173,934

6 Borrowings *(continued)*

The following table sets forth the details of the Group's secured borrowings as at 30 June 2018 and 31 December 2017.

	As at 30 June 2018		As at 31 December 2017	
	Secured borrowings	**Carrying value of pledged assets and contract value of certain rights**	Secured borrowings	Carrying value of pledged assets and contract value of certain rights
	RMB million	***RMB million***	*RMB million*	*RMB million*
Property, plant and equipment	**1,168**	**3,823**	9	7
Intangible assets	**20,515**	**28,880**	20,586	29,317
Properties under development for sale	**10,101**	**19,351**	8,600	18,315
Trade receivables	**2,344**	**4,472**	1,108	3,389
Total	**34,128**	**56,526**	30,308	51,028

As at 30 June 2018, the Group's unused credit line facilities from banks amounted to RMB587.071 billion (31 December 2017: RMB595.122 billion).

As at 30 June 2018, the Group's gearing ratio (total liabilities/total assets) was 78.6%, representing a decrease of 1.3 percentage points as compared with 79.9% as at 31 December 2017. It was mainly due to the Group strictly adhered to the national policy of mitigation of material risks, deleveraging and decrease in liabilities of state-owned enterprises, the Group actively strengthened risk control and raised the quality of development. There was an increase in equity because the Group actively explored the capital market to raise financing through debt-to-equity swap arrangement. Also, the business accumulation of the Group increased due to the enhancement of operating and management capabilities.

In order to implement the market-driven debt-to-equity swap, on 13 June 2018, the Company and the nine investors including China Reform Holdings Corporation Ltd. and China Great Wall Asset Management Co., Ltd. (collectively, the "**Investors**") entered into the Investment Agreements and Debt Conversion Agreements, pursuant to which, the Investors respectively agreed to make capital contribution to China Railway Erju Engineering Co., Ltd., China Railway No.3 Engineering Group Co., Ltd., China Railway No.5 Engineering Group Co., Ltd. and China Railway No.8 Engineering Group Co., Ltd., in cash and debts. The capital contribution amounted to RMB11,596.60 million in aggregate, and the proceeds from the proposed capital contribution will be used to repay the debts. On 6 August 2018, the Company held the fourteenth meeting of the fourth session of the board of directors of the Company, at which the Plan for Acquisition of Assets by Issuance of Shares by China Railway Group Limited and other related proposals were considered and approved. The Company and the nine Investors entered into the Equity Acquisition Agreements, pursuant to which, the Company conditionally agreed to acquire and the Investors conditionally agreed to sell, the target equity at a consideration of approximately RMB11,653,711,805 (subject to final adjustment) which will be paid by the Company through issue of a total of approximately 1,696,319,023 consideration shares (subject to final adjustment) at an issue price of RMB6.87 per consideration shares to the Investors (the "**Restructuring**"). The Restructuring is subject to the approval of the shareholders' general meeting of the Company and the relevant regulatory authorities. As at the date of this report, the Company is proactively progressing the Restructuring.

7 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	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
Pending lawsuits *(Note 1)*		
– arising in the ordinary course of business	**3,076**	1,468
– overseas lawsuit	**438**	–
Outstanding guarantees *(Note 2)*	**28,786**	25,863

Note 1: The Group has been named 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 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.

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

	As at 30 June 2018		*As at 31 December 2017*	
	Amount RMB million	***Expiry period***	*Amount RMB million*	*Expiry period*
Guarantees given to banks in respect of banking facilities to:				
Associates	***5,197***	***2018-2023***	*5,077*	*2018-2023*
Joint ventures	***400***	***2018-2019***	*400*	*2018-2019*
Other government-related enterprises	***58***	***2019***	*58*	*2019*
Property purchasers	***25,835***	***2018-2038***	*23,121*	*2018-2038*
Former associates	***654***	***2020-2027***	*754*	*2020-2027*
Total	***32,144***		*29,410*	

Note 3: The Group has an unconditionally non-cancellable purchase arrangement to acquire the controlling shareholdings of an entity (being the owner of a construction project undertaken), then to offer shareholder's loan to repay its debts in condition that the entity fails to repay the loan principle and interest when they fall due. As at 30 June 2018, the entity has failed to repay its loan principle and interest. The Group is in the process of negotiating the sale & purchase arrangement with the entities' shareholders.

8 Business Risks

The Group is exposed to a variety of business risks, including market risk, policy risk, operation risk, management risk, financial risk, investment risk and interest rate risk.

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

(2) Policy risk: The Group's business relies to a large extent on the policy priorities and investment expenditures of the Chinese government in the construction of railways, highways, municipal works and other public transport infrastructure. If the national infrastructure construction policy, PPP project policy, monetary policy, foreign exchange management policy, tax policy, real estate industry policy, etc. are adjusted, it would bring uncertain effects to the Company to a certain extent.

(3) Operation risk: For infrastructure construction business, the bidding prices of construction contracting projects are largely affected by market competition, and the fluctuation of engineering raw material prices has a certain impact on the Company's cost. Meanwhile, there are also certain operation risks for the Group to control the personnel expenses and to engage professional subcontractors and labour subcontractors.

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

(5) Financial risk: Due to the inadequate evaluation of the credit status of the owners and the lack of funds in the financial situation of the owners, the accounts receivable cannot be recovered or the accounts receivable turnover rate is low, or delay in payment by the owners could affect the Company's working capital and cash flow, and the failure to obtain sufficient funding could affect the expansion plan and development prospects of the Company.

(6) Investment risk: The incomplete collection of investment information, insufficient argumentation during the earlier stage of the projects, loose decision-making process, and wrong investment decision may lead to risks such as low capital use efficiency, return on investment which lower than the expectation, and damaged corporate reputation.

(7) Interest rate risk: At present, as the Company's financing scale is large, the changes in interest rate policy would have an impact on the Company's financial expenses and economic benefits.

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 risk.

9 Prospect

The Political Bureau Meeting of the Central Committee of the Communist Party of China held on 31 July 2018 stated: in the second half of 2018, the State will continue to adhere to the principle of seeking progress while maintaining stability, maintain economic operations in a reasonable range, strengthen overall coordination, form policy synergies, precisely implement policies and work in a down-to-earth manner. We will continue to emphasis on the supply-side structural reform, lay a solid foundation for the "Three Tough Battles", accelerate the construction of the modernized economic system, implement a proactive fiscal policy and a prudent monetary policy to maintain a reasonable and sufficient liquidity, better combine the prevention and mitigation of financial risks and service of the real economy, firmly carry through the job of reducing leverage, grasp the strength and rhythm and coordinate the timing of issuance of various policies. At the same time, the Meeting stressed the need to make up the shortcomings in the infrastructure sector as the primary task of deepening the supply-side structural reform, bringing a new round of development opportunities for infrastructure construction in the second half of 2018 and beyond. With the gradual completion of the PPP project clean-up in the first half of the year, the issuance and implementation of the policies on making up shortcoming in infrastructure and investment plans by relevant ministries and local governments, the infrastructure investment is expected to maintain a good momentum of development in the second half of the year and beyond. The Group will hold market change, strengthen the development, promote the stable development of the operation; target at financial index, strengthen precious efforts, drive the economic operation from the better to the best; focus on key links, implement comprehensive measure according to the issues, promote to improve quality and efficiency and achieve actual effect; deepen reform and renovation, stimulate the overall energy, promote the development potency to fully release and make sure to achieve its annual operating targets.

SIGNIFICANT EVENTS

1 Overview of General Meeting

Session of meeting	Date of meeting	References of designated websites for the publication of resolutions	Date of publication of the resolutions
Annual General Meeting for the Year 2017	25 June 2018	China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange	26 June 2018

Description of the general meeting:

The annual general meeting for the year 2017 of the Company was held on 25 June 2018 with a combination of on-site and online voting. Proposals including the Report of the Board of Directors for the Year 2017 were passed and resolved at the meeting. The announcement of the resolutions was published in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times and on the website of the Shanghai Stock Exchange on 26 June 2018 and the website of Hong Kong Stock Exchange on 25 June 2018.

2 The Plan for Profit Distribution or Capitalisation of Capital Reserves

(1) The interim plan for profit distribution and capitalisation of capital reserves

Whether distributed or capitalised	No
Number of bonus shares for every 10 shares	0
Dividend amount per 10 shares (tax inclusive)	0
Number of shares capitalised for every 10 shares (share)	0

Information on the plan for profit distribution or capitalisation of capital reserves

Not applicable

(2) Formulation and implementation of the cash dividend policy

Profits are distributed in cash under the profit distribution plan of the Company in 2017. Pursuant to the profit distribution plan considered and passed at the annual general meeting for the year 2017 convened on 25 June 2018, a cash dividend of RMB1.13 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2017 was declared by the Company, totaling RMB2,581,406,074.36 and representing 16% of the net profit attributable to the listed company's shareholders under the consolidated income statement for the year 2017 of the Company. The announcement on the profit distribution of A shares was published on 11 July 2018 on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange. As at 24 July 2018, the implementation of the profit distribution plan of the Company for 2017 has been completed.

3 Performance Status of Undertakings

(1) Undertakings made by undertaking-related parties, including the Company's ultimate controller, shareholders, related parties, acquirers and the Company given or subsisting in the reporting period or continuing during the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CREC	Upon the establishment of China Railway in accordance with the law, CREC and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CREC or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CREC or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the principle businesses of China Railway, CREC warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	Nil	No	Yes	/	/
Undertakings related to refinancing	Other	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	/	/

3 Performance Status of Undertakings *(continued)*

(1) Undertakings made by undertaking-related parties, including the Company's ultimate controller, shareholders, related parties, acquirers and the Company given or subsisting in the reporting period or continuing during the reporting period *(continued)*

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

4 Appointment and Removal of Auditors

(1) Explanation on the appointment and removal of auditors

On 29 March 2018, the Resolution on the Appointment of Auditors for 2018 and Resolution on the Appointment of Internal Control Auditors for 2018 were considered and passed at the ninth meeting of the fourth session of the board of directors. These resolutions were then considered and passed at the annual general meeting for the year 2017 of the Company on 25 June 2018. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2018 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2018. For details of such changes, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2017 disclosed by the Company on the website of the Shanghai Stock Exchange on 26 June 2018.

(2) Explanation on the change of auditors during the audit period

Not applicable

(3) Explanation of the Company on the "Modified Audit Report" from auditors

Not applicable

(4) Explanation of the Company on the "Modified Audit Report" from Certified Public Accountants for the financial report included in the annual report of the previous year

Not applicable

5 Matters Relating to Insolvency or Restructuring

Not applicable

6 Material Litigation and Arbitration

There was no material litigation or arbitration during the reporting period.

7 Penalty and Rectification Order against the Listed Company and Its Directors, Supervisors, Senior Management, Controlling Shareholder, Ultimate Controller and Acquirer

Not applicable

8 Integrity of the Company and Its Controlling Shareholder and Ultimate Controller 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.

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

Not applicable

10 Significant Related Party Transactions

(1) Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions *(%)*
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	9,114	9,114	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	29,741	29,741	Less than 1%
Total					**38,855**	**38,855**	
Description of related party transactions				The above two transactions shows the implementation during the reporting period of Premises Leasing Agreement and Comprehensive Services Agreement renewed by the Company and CREC on 30 December 2015. 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 15th meeting of the third 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.			

(iii) Matters undisclosed in announcement

Not applicable

10 Significant Related Party Transactions *(continued)*

(2) Related party transactions in relation to acquisition and disposal of assets

Not applicable

(3) Significant related party transactions in relation to joint external investment

Not applicable

(4) Amounts due from/to related parties

Not applicable

(5) Other significant related party transactions

Not applicable

(6) Others

(i) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
CREC *(Note)*	China Railway	5,000,000	January 2010	January 2020	No
CREC *(Note)*	China Railway	3,500,000	October 2010	October 2025	No
CREC *(Note)*	China Railway	2,500,000	October 2010	October 2020	No

Note: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 and the 15-year 2010 Corporate Bonds (Tranche 2) and 10-year 2010 Corporate Bonds (Tranche 2) issued in October 2010. As at 30 June 2018, the remaining payable amount of the abovementioned bonds was RMB10,978,704,020 (31 December 2017: RMB10,975,563,000).

10 Significant Related Party Transactions *(continued)*

(6) Others *(continued)*

(ii) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related party	30 June 2018	31 December 2017
Loans	CREC	**700,000**	700,000

Unit: Thousand Currency: RMB

Item	Related party	30 June 2018	31 December 2017
Deposit-taking *(Note)*	CREC	**123,756**	97,101

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

As at 30 June 2018, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC in order to supplement the liquidity of CREC amounted to RMB0.7 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. 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.

(iii) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related party	Amount of the current period	Amount of the corresponding period last year
Interest income	CREC	**15,931**	28,645
Interest expense	CREC	**1,195**	695
Interest expense	China Railway State Assets Management Co., Ltd.	**155**	4

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.

11 Material Contracts and Their Performance

(1) Trusteeship, contracting and leasing

Not applicable

(2) Guarantees

Unit: Thousand Currency: RMB

			Guarantee provided by the Company (excluding those provided to subsidiaries)										
Guarantor	Relationship between guarantor and listed company	Guaranteed party	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
China Railway	The Company	Linha Railway Co., Ltd.	554,240.00	2008/6/30	2008/6/30	2027/6/20	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway	The Company	Inner Mongolia Guobai Railway Co., Ltd	100,000.00	2008/11/24	2008/11/24	2020/11/30	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	173,355.00	2014/9/23	2014/9/23	2018/9/22	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	349,000.00	2014/8/6	2014/8/6	2019/6/12	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,586,995.00	2015/12/24	2015/12/24	2023/6/24	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	100,000.00	2015/8/6	2015/8/6	2018/10/20	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	16,792.22	2012/12/29	2012/12/29	2019/4/4	joint and serveral liability guarantee	No	No	–	No	No	/
China Railway International Group	Wholly-owned subsidiary	MontagProp Proprietary Limited	72,045.00	2015/7/31	2015/7/31	2020/7/31	joint and serveral liability guarantee	No	No	–	No	No	/

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	37,045.00
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	2,952,427.22
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	–2,326,410.00
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	37,400,896.80
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	40,353,324.02
Percentage of aggregate guarantee to net assets of the Company (%)	24.56
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	34,517,221.40
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the three categories above (C+D+E)	34,517,221.40
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 30 June 2018, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB25,834,070,000.

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions

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

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Guangzhou, China Railway Beijing, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project of MHSS-3 Section, MHSS-5 Section, MHSS-6 Section; relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines of MHQG-2 Section, MHPJ-1 Section, MHPJ-2 Section, MHTJ-14 Section, supplemental contracts: MHTJ-16 Section, MHTJ-28 Section, MHTJ-30 Section, MHSS-6 Section	2015-02 2015-07 2016-04	3,866,381	47-60 months

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(i) Infrastructure construction business *(continued)*

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
2	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 4 Engineering, China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway No. 7 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Shanghai	Chongqing-Wanzhou Railway Co., Ltd., Wuhan-Jiujiang Passenger Railway Line Hubei Co., Ltd., Beijing-Guangzhou Passenger Railway Line Henan Co., Ltd., Wuhan-Guangzhou Passenger Railway Line Co.	Before-station construction project of Sections ZWCQZQ-1, ZWCQZQ-3, ZWCQZQ-4, ZWCQZQ-5 and ZWCQZQ-10 of Chongqing Segment of the new Zhengzhou-Wanzhou Railway; before-station construction project of Sections ZWCQZQ-2, ZWCQZQ-8, ZWCQZQ-9 and ZWCQZQ-10 of Hubei Segment; before-station construction project of Sections ZWZQ-2, ZWZQ-3, ZWZQ-6 and ZWZQ-9 of Henan Segment; Baihe Double Line Bridge Project of Zhengzhou-Wanzhou Railway	March to December 2016	2,963,795	43-66.2 months
3	China Railway	Ministry of Railways, Bangladesh	Padma Bridge Rail Link Project in Bangladesh	2016-08	2,080,897	54 months

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(i) Infrastructure construction business *(continued)*

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Highway						
1	China Railway Major Bridge Engineering	Bridge Authority, Ministry of Transportation, Bangladesh	Main Bridge of Padma Multi-Purpose Bridge Project in Bangladesh	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of design and construction project of Su'ai Passage, Shantou	2016-02	388,377	/
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases II and III of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning Rail Transit Group Co. Ltd.	EPC Contract of construction of Section 02 of Phase I of Line 3 of Nanning Rail Transport (Keyuan Avenue and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway	Nanchang Urban Rail Transport Group Co. Ltd.	Civil construction project of Contract Section 02 of Nanchang Rail Transit Line 4 (Phase I)	2017-12	437,410	1,122 calendar days

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Shenzhen Metro Group Co., Ltd.	EPC contract of survey and design of the Shenzhen Urban Rail Line 13	2016-08	102,831	60 months
2	China Railway Eryuan Engineering	Chengdu-Guiyang Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2013-11	101,000	72 months
3	China Railway Eryuan Engineering	Laos-China Railway Company Limited	Survey and design project of the new China-Laos Railway Project (Boten to Vientiane Segment)	2016-12	93,800	48 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Baoji Bridge	Nanjing Pubic Project Construction Center	Manufacturing of the steel structure of the Fifth Nanjing Yangtze River Bridge (B1 Section)	2017-08	53,929	35 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ-1 Section	2014-11	49,048	41 months

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(iii) Engineering equipment and component manufacturing business *(continued)*

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu – Guiyang Railway Co., Ltd.	New Chengdu – Guiyang Railway (Leshan-Guiyang Segment)	2016-11	31,712	24 months
2	China Railway Shanhaiguan Bridge	Nanchang-Jiujiang Intercity Railway Co. Ltd.	New Nanchang-Ganzhou Railway Passenger Dedicated Line (High Speed)	2017-10	31,581	12 months
Construction Machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	Construction contract of the sightseeing light rail lines and equipment purchase contract of the sightseeing light rail train in Yellow Emperor Mausoleum, Huangling County	2016-05	20,794	27 months
2	China Railway Engineering Equipment	Hongrun Construction Group Co., Ltd.	Shield Sales & Purchase Contract	2017-07	20,200	11 months

(iv) Property development business

No.	Project name	Project location	Project type	Planning area *('0,000 m²)*
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nuode Mingcheng	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(v) BOT operation projects

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

(vi) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway and other parties	Qingdao Metro Construction Headquarters Office	11.6%	PPP project of Qingdao Metro Line 8	2017-02	387.3	5.5 years	19.5 years
2	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016-04	355.59	36 months	29.5 years
3	China Railway and other parties	Taiyuan Transportation Bureau	50%	PPP project of the re-routing of Taiyuan Ring Northwest Segment (Taiyuan Northwest Second Ring) of Beijing – Kunming National Expressway	2017-07	239.98	3 years	30 years
4	China Railway and other parties	Chengdu Urban and Rural Construction Commission	42%	PPP project of Chengdu Rail Transit Line 9 (Phase I)	2017-07	193.99	4 years	22 years

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway Guangzhou	Shanghai-Kunning Passenger Railway Line Guizhou Co., Ltd.	EPC contract of before-station project of Sections GNZQ-1, GNZQ-2, GNZQ-3 and GNZQ-5 of Guizhou Segment of the new Guiyang-Nanning Railway	2018-01	964,219	72 months
2	China Railway No. 1 Engineering, China Railway Major Bridge Engineering, China Railway No. 4 Engineering	China Railway Design Corporation	Before-station project of Sections HSTZQ-4, HSTZQ-6 and HSTZQ-7 of the new Hangzhou-Shaoxing-Taizhou Railway	2018-03	768,340	32 months
3	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway Beijing	China Railway Design Corporation	Before-station project of Sections YTZQ-1, YTZQ-2, YTZQ-5 of the new Yancheng-Nantong Railway	2018-04	492,075	1,461 calendar days
Highway						
1	China Railway, China Railway Beijing and third party	Jilin Shuangliao-Taonan Provincial Expressway Group Co., Ltd.	Highway construction project of ST01 Section of Shuangliao-Taonan	2018-05	643,282	1,094 calendar days
2	China Railway	Tibet Autonomous Region Transportation Construction Investment Co., Ltd.	Section III of alteration project of Naqu-Lhasa Highway of National Highway 109 in Tibet (Naqu-Yangbajing Segment)	2018-04	562,810	36 months
3	China Railway No. 4 Engineering	Jiangsu Provincial Traffic Engineering Construction Bureau	Changzhou-Wuxi Lake Tai tunnel project of Southern of Suzhou-Wuxi-Changzhou Highway (re-tender) CX-WX3 Section	2018-01	240,030	36 months

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(i) Infrastructure construction business *(continued)*

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Municipal Works						
1	China Railway and its subsidiaries	Shenzhen Subway Group Co., Ltd.	EPC construction contract of Shenzhen Metropolitan Railways Transit Line 14	2018-01	2,350,700	1,676 calendar days
2	China Railway and its subsidiaries	Guangzhou Subway Group Co., Ltd.	EPC contract of Guangzhou Metropolitan Railways Transit Line 13 (Phase II) and simultaneous implemented projects	2018-04	1,798,500	54 months
3	China Railway and its subsidiaries	Hangzhou Subway Group Co., Ltd.	EPC construction contract of Hangzhou Metro Line 7	2018-06	1,145,702	940 calendar days

(ii) Survey, design and consultation services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Consulting	Operating branch of Shanxi Fenxi Mining (Group) Co., Ltd.	Shanxi Coking Coal Fenxi Rongxin Mining Area Railway Special Line (Phase I) Construction Project (EPC contract for Railway Line)	2018-02	72,844	Until the end of contract terms
2	China Railway Major Bridge Design Institute	Zhejiang Yongzhou Railway Development Co., Ltd.	Contract of the feasibility study for the completion of the new Ningbo-Zhoushan Railway and the multi-track of Yongzhou Expressway and the study on relevant topics	2018-02	15,564	270 calendar days
3	China Railway Liuyuan Engineering	Guangzhou Subway Group Co., Ltd.	Pre-study including the route design of the Guangzhou metropolitan railways Phase III Construction Planning (2017-2023) Line 13 (Phase II) civil construction of Section 2	2018-05	12,841	According to the Owner

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Science & Industry	Wuhan Municipal Mechanization Construction Company	Guanggu Avenue South Extension Line Elevated Bridge	2018-01	33,000	–
2	China Railway Shanhaiguan Bridge	Nanjing Public Project Construction Center	The steel structure construction project of the western section of Puyi Highway Section B2	2018-06	32,407	23 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu – Lanzhou Railway Co., Ltd.	The new Chengdu – Lanzhou Railway (Chengdu – Chuanzhu Temple Segment)	2018-05	32,694	–
2	China Railway Shanhaiguan Bridge	Guangzhou Railway (Group) Company	Chongqing-Huaihua Railway Additional Line 2 construction with the introduction of Huaihua Hub Project	2018-06	10,440	6 months
Construction Machinery						
1	China Railway Engineering Equipment	Inner Mongolia Chaor-West Liao River Diversion Water Supply Co., Ltd.	TBM Sales & Purchase Contract	2018-03	13,890	16 months
2	China Railway Engineering Equipment	Porr Bau GmbH & Bel Six Construct LCC JV	EPB Shield Sales & Purchase Contract	2018-01	12,625	8 months

11 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(iv) Property development business

No.	Project name	Project location	Project type	Planned area *(0,000 m^2)*
1	Changchun Automobile Industrial Development Zone 00056 Project	Changchun, Jilin	Residential	Approximately 10.84
2	Caogezhuang, Mentougou Project	Mentougou, Beijing	Residential	Approximately 9.18
3	Xinjie, Xiaoshan District, Hanzhou Project	Hangzhou, Zhejiang	Residential	Approximately 10.20
4	Houshayu, Shunyi, Beijing Project	Shunyi, Beijing	Residential	Approximately 15.24
5	Huangpi District, Wuhan City 39 Project	Wuhan, Hubei	Residential	Approximately 14.17

(v) Material infrastructure investment projects

During the Reporting Period, there was no new contracts on material infrastructure investment projects.

11 Material Contracts and Their Performance *(continued)*

(4) Particulars of material properties

(i) Properties held for development and/or sale

Name of building or project	Specific address	Current land use	Site area *(0'000 m²)*	Floor area *(0'000 m²)*	State of completion	Expected completion date	Interests of the Company and its subsidiaries
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	800	615	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	300	526	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, residential	106.06	242.53	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	52.8	114.14	Under construction	2018	67%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	86.39	148.27	Under construction	2029	100%

11 Material Contracts and Their Performance *(continued)*

(4) Particulars of material properties *(continued)*

(ii) Properties held for investment

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

12 Poverty Relief Efforts of the Listed Company

(1) Precise poverty relief plans

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and the SASAC, in response to the call of the Communist Party of China and the State, CREC, our controlling shareholder, together with the Company have been active in fulfilling their social responsibilities and obligations as central enterprises. They have been participating in various targeted poverty relief programs since 2002. CREC and the Company have been devoting to targeted poverty relief by taking into account the real needs of the local people. They have been making due contributions to the timely poverty elimination in the targeted counties by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services and information and policy guidance. According to the "Notice on the Better Implementation of Targeted Poverty Alleviation Work" (Guo Kai Ban Fa [2015] No. 27) as issued jointly by nine ministries including the Leading Group Office of Poverty Alleviation and Development of the State Council, the Company's targeted poverty alleviation counties are Rucheng and Guidong of Hunan Province and Baode of Shanxi Province. In order to better carry out our poverty alleviation work, the Company has formulated the "Implementation Plans on Targeted Poverty Relief Work for 2016-2020", insisting on providing assistance through measures including the implementation of poverty labor training output, donation of fund for schooling, and implementation of industrial assistance. The Company strives to lift all registered impoverished households out of worrying clothing and food, and help eliminate poverty in the three targeted counties in a timely manner by 2020.

There are only three years away from the year 2018 to fully achieve a well-off society. In order to further fully implement the strategic deployment of the Communist Party of China and implement the basic strategies of precise poverty relief and precise poverty elimination, the Company has formulated the 2018 Poverty Alleviation Plan. According to the plan, the Company's budget for poverty alleviation fund in 2018 is RMB42.603 million, and will actively promote poverty alleviation work by adopting the following measures: Firstly, adjust the leading group of poverty alleviation and development work, integrate resources, form synergy, and practically strengthen the emphasis and leadership of poverty alleviation work. Secondly, continue to promote the construction of key aid construction projects, with precise poverty alleviation as guidance, relying on primary aid construction projects to help solve poverty alleviation in impoverished counties. Thirdly, further improve the management services of the responsible cadres, ensuring that the cadres will train up their will, grow their talents and expand their influence in their work. Fourthly, fulfill the initiation and implementation of the 2018 impoverished alleviation projects to ensure that the aid projects are practical and beneficial to the registered impoverished households. Fifthly, focus on innovation, which is to mobilize young people to participate in poverty alleviation by utilizing the existing flatform, and introduce social resources to participate in poverty alleviation. Sixthly, strengthen supervision and inspection of system-wide operation and further enhance the overall planning and authority of poverty alleviation work. Seventhly, further fulfill promotion and commendation work, fulfill positive promotion and public opinion guidance work by publicizing the progress and achievements of the poverty alleviation work, to summarize and promote good experiences, good practices and good example of targeted poverty alleviation work.

(2) Summary of precise poverty relief efforts during the reporting period

During the reporting period, the Company improved the composition of the Company's leading group of poverty alleviation and development, effectively integrating the internal resources of the enterprise, and further enriched the leading force of the poverty alleviation work. We also issued the "China Railway Aid Construction Project Management Measures", requiring the aid construction projects to be more precise and closely connected to the enterprise's practice, strengthened the management of key aid projects, and focused on the registered impoverished households; specified the arrangements for targeted poverty alleviation work in 2018, strengthened the management and guidance of the whole-system poverty alleviation work, and better implemented the strategy of precise poverty relief and precise poverty elimination. Currently, the Company's three key aid construction projects are being implemented in an orderly manner.

12 Poverty Relief Efforts of the Listed Company *(continued)*

(3) Effectiveness of precise poverty relief efforts

Unit: 0'000 Currency: RMB

Indicators	Quantity and Progress
I. General	642.66
Representing: 1. Funds	48.74
2. Value of resources donated	1,089
3. Number of impoverished people registered for poverty alleviation (person)	
II. Contribution Breakdown	
1. Industrial development for poverty alleviation	
Representing: 1.1 Type of industrial poverty alleviation projects	☑Agricultural and forestry poverty alleviation ☐Tourism poverty alleviation ☑E-commerce poverty alleviation ☑Asset income poverty alleviation ☐Technological poverty alleviation ☐Others
1.2 Number of industrial poverty alleviation projects (unit)	9
1.3 Contributed amount in industrial poverty alleviation projects	75.77
1.4 Number of impoverished people registered for poverty alleviation (person)	743
2. Poverty alleviation through change of employment	
Representing: 2.1 Contributed amount in vocational training	30
2.2 Number of people received vocational training (person/number)	120
2.3 Number of registered impoverished people helped for employment (person)	40
3. Poverty alleviation through relocation	
Representing: 3.1 Number of relocated people helped for employment (person)	71
4. Poverty alleviation through education	
Representing: 4.1 Contributed amount for subsidizing impoverished students	107.9
4.2 Number of impoverished students subsidized (person)	286
4.3 Contributed amount for improving education investment in impoverished areas	11.75

12 Poverty Relief Efforts of the Listed Company *(continued)*

(3) Effectiveness of precise poverty relief efforts *(continued)*

Indicators			Quantity and Progress
5. Poverty alleviation through health			
Representing:	5.1	Contributed amount in medical and hygienic resources in impoverished areas	
6. Poverty alleviation through ecological protection			
Representing:	6.1	Project name	☐Commencing ecological protection and construction ☐Devising ways of ecological protection compensation ☐Setting up ecological charity job positions ☑Others
	6.2	Contributed amount	8.05
7. Basic protection			
Representing:	7.1	Contributed amount for helping the "three types of left-behind" people	0.80
	7.2	Number of the "three types of left-behind" people helped (person)	11
	7.3	Contributed amount for helping the impoverished and disabled people	41.58
	7.4	Number of impoverished and disabled people helped (person)	65
8. Social poverty alleviation			
Representing:	8.1	Contributed amount in poverty relief collaboration in eastern and western areas	
	8.2	Contributed amount in targeted poverty alleviation efforts	19.58
	8.3	Charity funds for poverty alleviation	
9. Other projects			
Representing:	9.1.	Number of projects	15
	9.2.	Contributed amount	347.23
	9.3.	Number of registered impoverished people lifted out of poverty (person)	39
	9.4.	Description of other projects	
III. Awards Received (Description and Grade)			
Nil			

12 Poverty Relief Efforts of the Listed Company *(continued)*

(4) Staged progress in fulfilling the social responsibilities of precise poverty alleviation

The three key aid construction projects identified by the Company in 2017 are currently being implemented in an orderly manner. Among them, the factory aid construction project under the Datang Industrial Park project in Guidong County has been completed, and is being leased. China Railway Happy Avenue Project in Baode County is being implemented in an orderly manner, and is expected to be completed in October. The construction project of the skill education training base in Rucheng County is being actively promoted. The 2018 precise poverty alleviation implementation project is under the process of research and initiation, and will be implemented in the second half of the year. In addition, the Company has further strengthened the guidance and management of the whole-system poverty alleviation work, and required all affiliated units involving in poverty alleviation and development work to closely follow the precise poverty alleviation strategies, and implement detailed work to ensure that the best tool is used in the right way, such that the registered impoverished households will benefit. Currently, there are a total of 17 affiliated companies within the Company, including China Railway No. 1 Engineering, which have participated in the targeted poverty alleviation work arranged by the local government. During the reporting period, the Company has contributed a total of RMB6.4266 million in poverty alleviation funds, mainly for carrying out targeted efforts in the areas of industrial poverty alleviation, job changing and infrastructure construction. Most of the projects are currently being promoted.

(5) Subsequent precise poverty alleviation plan

Through innovation of mindset and proactive actions, with the “Guiding Opinions on Three-year Operation of Combating Poverty” as a guidance, the Company will implement the “Implementation Plans on Targeted Poverty Relief Work for 2016-2020” and strive to enhance its work while intensively promoting the targeted poverty alleviation and development work to ensure the goal of facilitating poverty alleviation is realized as scheduled.

13 Convertible Corporate Bonds

Not applicable

14 Environmental Protection Information

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

Not applicable

(2) Description of environmental protection efforts of the Companies other than highly polluting companies

The Company has always attached great importance to its environmental protection work, since the Communist Party of China’s 19th National Congress, the Company has continued to study and understand the important ideas on ecological civilization of Xi Jinping. That is to follow the national requirements of combating pollution, adhere to the concept of green development, promote the awareness of ecological environment risks, and strengthen ecological environmental protection work. Therefore, remarkable results have been achieved by the management of environmental protection.

14 Environmental Protection Information *(continued)*

(2) Description of environmental protection efforts of the Companies other than highly polluting companies *(continued)*

In the first half of 2018, adhering to the green development concept that "natural resources are indeed valuable treasures", the Company attached equal weight to resources saving and environmental protection and strove to construct "environmentally-friendly and resource-saving" projects. At the preliminary stage of construction, professional institutions were arranged as required to conduct assessment on the environment and ecological system and draw up practical and effective plans for their protection. Special efforts were made to protect the water and soil, bio-diversity and vegetation in and of construction areas which were ecologically vulnerable through the simultaneous planning and implementation of environmental measures and construction works. In the course of the works, investment was made for ecological protection, environmentally-friendly equipment was used, work processes were improved and construction plans were optimised in order to reduce the impact on water, air, vegetation and organisms.

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

14 Environmental Protection Information *(continued)*

(3) Explanation of reasons for the undisclosed environmental information of the Company other than highly polluting companies

Not applicable

(4) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the reporting period

Not applicable

15 Explanation for Other Significant Events

(1) Description, reasons and impacts of the changes in accounting policies, accounting estimates and auditing methods as compared to the previous accounting period

The Ministry of Finance issued the following revised corporate accounting standards in 2017 and 2018: "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No. 7), "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets" (Cai Kuai [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" (Cai Kuai [2017] No. 9), "Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation" (Cai Kuai [2017] No. 14), "Accounting Standards for Business Enterprises No. 14 – Income" (Cai Kuai [2017] No. 22), "Notice of the Ministry of Finance on Revising the Format of the Publication of 2018 Annual General Enterprise Financial Statements" (Cai Kuai [2018] No. 15). The International Accounting Standards Board published the final version of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in 2014. The Company has implemented the amendments above to the Accounting Standards for Business Enterprises and the new standards under International Financial Reporting Standards since 1 January 2018, and has adjusted the relevant substance of the accounting policies. The Company has prepared the interim financial report for the six-month period ended 30 June 2018 in accordance with the above accounting policies. The change of accounting policies was made by the Company according to the relevant regulations issued by the Ministry of Finance and the International Accounting Standards Board as of the date of this announcement, combining the specific circumstances of the Company. Please refer to note 4 to the financial information for details of the impacts on the Company.

The Group changed the operating cycle of the infrastructure construction and products manufacturing and installation activities to exclude the retention period from 1 January 2018. Accordingly, the Group's normal operating cycle with respect to the infrastructure construction and products manufacturing and installation activities include construction period or manufacturing and installation period. The change in accounting policy was approved in April 2018 by the board of directors, and have been applied from 1 January 2018.

(2) Description, corrected amount, reasons and impacts of material accounting error during the reporting period requiring retrospective restatement

Not applicable

(3) Others

Not applicable

16 Compliance with Corporate Governance Code

During the six months ended 30 June 2018, the Company complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

17 Review of Interim Financial Report

The 2018 interim financial statements of the Company prepared in accordance with Chinese Accounting Standard and the 2018 interim condensed financial information prepared in accordance with the International Accounting Standard No. 34 (together, the "**The 2018 interim financial report**") have not been audited. The 2018 interim financial report has been reviewed by the board of directors of the Company and the audit and risk management committee under the board of directors of the Company.

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, formerly known as China Railway Engineering Corporation
4	SASAC	State-owned Assets Supervision and Administration Commission of the State Council
5	BOT	“Build-Operate-Transfer” mode
6	PPP	“Public-Private-Partnership” mode
7	TBM	Tunnel Boring Machine
8	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway and urban rail transit tracks
9	Three Tough Battles	three tough battles in relation to prevention and elimination of material risks, precision poverty elimination and pollution prevention
10	New Regulations for Asset Management	Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly issued by the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange
11	Belt and Road	the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
ZHANG Xian

Independent Non-executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Non-executive Directors

MA Zonglin

Supervisors

ZHANG Huijia *(Chairman)*
LIU Jianyuan
WANG Hongguang
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

ZHOU Mengbo
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
CHUNG Shui Ming Timpson

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
MA Zonglin

Strategy Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
GUO Peizhang
MA Zonglin

Nomination Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

ZHANG Zongyan *(Chairman)*
ZHANG Xian
ZHENG Qingzhi
CHUNG Shui Ming Timpson
MA Zonglin

Registered Office

918, Block 1
No.128 South 4th Ring Road West
Fengtai District
Beijing 100070
PRC

Principal Place of Business in Hong Kong

Unit 1201–1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon,Hong Kong

Auditors

Domestic

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District
Shanghai, PRC

International

PricewaterhouseCoopers
22/F, Prince's Building,
Central, Hong Kong

Legal Advisors

For PRC Law

Jia Yuan Law Firm
F407, Ocean Plaza
158 Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares

China Securities Depository and Clearing Corporation Limited,
Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares

Place of listing:	Shanghai Stock Exchange
Stock name:	China Railway
Stock code:	601390

H Shares

Place of listing:	The Stock Exchange of Hong Kong Limited
Stock name:	China Railway
Stock code:	00390

Principal Bankers

The Export-Import Bank Of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

Company Website

http://www.crec.cn

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 65 to 136, which comprises the interim condensed consolidated balance sheet of China Railway Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Unaudited Six month ended 30 June 2018 RMB million	 2017 RMB million
Revenue	7	**316,102**	298,553
Cost of sales and services	13	**(284,970)**	(271,106)
Gross profit		**31,132**	27,447
Other income	8	**881**	860
Other expenses	8	**(4,317)**	(3,642)
Net impairment losses on financial assets and contract assets	9	**(2,206)**	—
Other gains/(losses), net	10	**301**	(2,178)
Selling and marketing expenses	13	**(1,503)**	(1,301)
Administrative expenses	13	**(10,289)**	(9,598)
Operating profit		**13,999**	11,588
Interest income	11	**799**	1,026
Interest expenses	11	**(2,848)**	(2,082)
Share of post-tax profits of joint ventures		**97**	167
Share of post-tax profits of associates		**666**	145
Profit before income tax		**12,713**	10,844
Income tax expense	12	**(3,301)**	(3,295)
Profit for the period		**9,412**	7,549
Profit attributable to:			
– Owners of the Company		**9,552**	7,707
– Non-controlling interests		**(140)**	(158)
		9,412	7,549
Earnings per share for profit attributable to owners of the Company			
(expressed in RMB per share)			
– Basic	15	**0.394**	0.310
– Diluted	15	**0.394**	0.310

The accompanying notes are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six month ended 30 June 2018 RMB million	2017 RMB million
Profit for the period	**9,412**	7,549
Other comprehensive (expenses)/income, net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement and other supplemental benefit obligations	**(108)**	126
Income tax relating to remeasurement of retirement and other supplemental benefit obligations that will not be reclassified	**26**	(22)
Changes in the fair value of equity investments at fair value through other comprehensive income	**(195)**	—
Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income	**21**	—
	(256)	104
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**23**	(330)
Fair value losses on available-for-sale financial assets, net of deferred tax	**—**	(25)
Reclassification adjustments for the cumulative gain included in profit or losses upon disposal of available-for-sale financial assets	**—**	(3)
Share of other comprehensive income of associates	**24**	-
Fair value gains/(losses) on cash flow hedging instrument, net of deferred tax	**1**	(14)
	48	(372)
Other comprehensive expenses for the period, net of tax	**(208)**	(268)
Total comprehensive income for the period	**9,204**	7,281
Total comprehensive income/(expenses) for the period attributable to:		
– Owners of the Company	**9,400**	7,470
– Non-controlling interests	**(196)**	(189)
	9,204	7,281

The accompanying notes are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2018

	Note	Unaudited 30 June 2018 RMB million	Audited 31 December 2017 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	16	**60,827**	59,769
Deposits for acquisition of property, plant and equipment		**1,186**	926
Lease prepayments		**12,035**	11,952
Deposits for land use rights		**285**	176
Deposits for investments		**1,177**	1,047
Investment properties		**5,271**	4,787
Intangible assets	17	**40,983**	35,995
Mining assets		**4,060**	4,142
Contract assets	22	**7,043**	—
Investments in joint ventures		**16,062**	11,154
Investments in associates		**12,329**	9,848
Goodwill		**829**	829
Financial assets at fair value through other comprehensive income	19	**6,124**	—
Available-for-sale financial assets	20	**—**	13,418
Other financial assets at amortised cost	24	**7,151**	—
Other loans and receivables	25	**—**	7,777
Financial assets at fair value through profit or loss	26	**8,701**	—
Deferred tax assets		**5,648**	5,731
Other prepayments		**266**	294
Trade and other receivables	21	**36,488**	34,409
		226,465	202,254
Current assets			
Lease prepayments		**137**	237
Properties held for sale		**27,121**	22,806
Properties under development for sale	18	**76,807**	74,253
Inventories		**40,658**	30,946
Financial assets at fair value through other comprehensive income	19	**279**	—
Available-for-sale financial assets	20	**—**	1,272
Trade and other receivables	21	**254,585**	245,748
Contract assets	22	**129,253**	—
Amounts due from customers for contract work	23	**—**	114,459
Current income tax recoverable		**2,358**	1,602
Other financial assets at amortised cost	24	**15,316**	—
Other loans and receivables	25	**—**	16,990
Financial assets at fair value through profit or loss	26	**3,818**	—
Held-for-trading financial assets	27	**—**	2,963
Restricted cash		**14,655**	13,704
Cash and cash equivalents		**90,088**	116,688
		655,075	641,668
Total assets		**881,540**	843,922

The accompanying notes are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2018

	Note	**Unaudited 30 June 2018 *RMB million***	Audited 31 December 2017 *RMB million* (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*28*	**22,844**	22,844
Share premium and reserves		**129,337**	120,335
Perpetual notes	*30*	**11,940**	12,038
		164,121	155,217
Non-controlling interests		**24,745**	14,341
Total equity		**188,866**	169,558
LIABILITIES			
Non-current liabilities			
Trade and other payables	*31*	**3,211**	2,911
Borrowings	*32*	**91,317**	85,451
Obligations under finance leases		**49**	54
Retirement and other supplemental benefit obligations		**3,130**	3,161
Provisions		**976**	637
Deferred government grants and income		**1,694**	1,841
Deferred tax liabilities		**1,266**	1,006
		101,643	95,061
Current liabilities			
Trade and other payables	*31*	**396,051**	469,483
Contract liabilities	*22*	**94,875**	—
Amounts due to customers for contract work	*23*	**—**	14,964
Current income tax liabilities		**3,812**	5,572
Borrowings	*32*	**95,473**	88,483
Obligations under finance leases		**331**	349
Retirement and other supplemental benefit obligations		**373**	395
Financial liabilities at fair value through profit or loss	*26*	**116**	—
Held-for-trading financial liabilities	*27*	**—**	57
		591,031	579,303
Total liabilities		**692,674**	674,364
Total equity and liabilities		**881,540**	843,922

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 65 to 136 was approved by the Board of Directors on 30 August 2018 and were signed on its behalf.

Li Changjin
Director

Zhang Zongyan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Note	Unaudited										
		Attributable to owners of the Company										
		Share capital	Share premium	Capital reserve (Note 29)	Statutory reserve (Note 29)	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes (Note 30)	Total	Non-controlling interests	Total
		RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 January 2018		**22,844**	**43,982**	**(168)**	**9,529**	**(386)**	**129**	**67,249**	**12,038**	**155,217**	**14,341**	**169,558**
Change in accounting policies		-	-	-	7	-	829	222	-	1,058	(5)	1,053
Restated total equity as at 1 January 2018		**22,844**	**43,982**	**(168)**	**9,536**	**(386)**	**958**	**67,471**	**12,038**	**156,275**	**14,336**	**170,611**
Profit/(losses) for the period		-	-	-	-	-	-	9,007	545	9,552	(140)	9,412
Other comprehensive (expense)/income		-	-	(82)	-	14	(84)	-	-	(152)	(56)	(208)
Total comprehensive (expenses)/ income for the period ended 30 June 2018		-	-	**(82)**	-	**14**	**(84)**	**9,007**	**545**	**9,400**	**(196)**	**9,204**
Total transactions with owners, recognised directly in equity												
Capital contributions from non-controlling shareholders of subsidiaries	29	-	-	1,856	-	-	-	-	-	1,856	10,598	12,454
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		-	-	(197)	-	-	-	-	-	(197)	(307)	(504)
Acquisition of subsidiaries	33	-	-	-	-	-	-	-	-	-	931	931
Share of other reserves of a joint venture		-	-	11	-	-	-	-	-	11	-	11
Dividends declared to shareholders	14	-	-	-	-	-	-	(2,581)	-	(2,581)	-	(2,581)
Dividend declared to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	(617)	(617)
Dividends declared to perpetual notes holders		-	-	-	-	-	-	-	(643)	(643)	-	(643)
Transferred to reserves		-	-	-	15	-	-	(15)	-	-	-	-
Balance at 30 June 2018		**22,844**	**43,982**	**1,420**	**9,551**	**(372)**	**874**	**73,882**	**11,940**	**164,121**	**24,745**	**188,866**
Balance at 1 January 2017		22,844	43,982	(2,818)	7,056	(74)	490	56,651	12,038	140,169	8,827	148,996
Profit/(losses) for the period		-	-	-	-	-	-	7,083	624	7,707	(158)	7,549
Other comprehensive income/ (expenses)		-	-	104	-	(320)	(21)	-	-	(237)	(31)	(268)
Total comprehensive income/ (expenses) for the period ended 30 June 2017		-	-	104	-	(320)	(21)	7,083	624	7,470	(189)	7,281
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		-	-	2,553	-	-	-	-	-	2,553	4,671	7,224
Assets restructuring and non-public offering in exchange for assets of subsidiaries		-	-	208	-	-	-	(199)	-	9	(9)	-
Dividends declared to shareholders	14	-	-	-	-	-	-	(2,010)	-	(2,010)	(223)	(2,233)
Dividends declared to perpetual notes holders		-	-	-	-	-	-	-	(721)	(721)	-	(721)
Transferred to reserves		-	-	-	16	-	-	(16)	-	-	-	-
Balance at 30 June 2017		22,844	43,982	47	7,072	(394)	469	61,509	11,941	147,470	13,077	160,547

The accompanying notes are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 RMB million	2017 RMB million
Net cash used in operating activities	**(28,745)**	(27,890)
Cash flows from investing activities		
– Additions of property, plant and equipment	**(5,708)**	(3,925)
– Deposits for acquisition of property, plant and equipment	**(650)**	(970)
– Disposal of property, plant and equipment	**285**	304
– Deposits paid for land use rights	**(111)**	-
– Additions of land use rights	**(304)**	-
– Additions of intangible assets	**(1,444)**	(77)
– Acquisition of subsidiaries	**(1,221)**	-
– Disposal of a subsidiary	**114**	-
– Investments in associates	**(2,206)**	(1,465)
– Investments in joint ventures	**(4,417)**	(2,011)
– Disposal of associates	**408**	50
– Purchase of available-for-sale financial assets	**—**	(4,299)
– Purchase of financial assets at fair value through other comprehensive income	**(523)**	—
– Disposal of available-for-sale financial assets	**—**	3,798
– Disposal of financial assets at fair value through other comprehensive income	**76**	—
– Purchase of financial assets at fair value through profit or loss	**(8,435)**	—
– Disposal of financial assets at fair value through profit or loss	**8,880**	—
– Net flow in respect of other financial assets at amortised cost	**(2,378)**	—
– Net flow in respect of other loans and receivables	**—**	(1,033)
– Interests received	**907**	567
– Dividends received	**651**	190
– Decrease of restricted cash	**348**	5,487
– Increase of restricted cash	**(894)**	(4,072)
– Government grants received for acquisition of property, plant and equipment	**-**	30
– Deposits paid for investments	**(382)**	(6)
– Other investing cash flows	**148**	(415)
Net cash used in investing activities	**(16,856)**	(7,847)

The accompanying notes are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 RMB million	2017 RMB million
Cash flows from financing activities		
– Capital contributions from non-controlling shareholders of subsidiaries	**11,973**	7,224
– Repayment of debentures	**(3,109)**	-
– Proceeds from bank borrowings	**59,619**	37,117
– Repayments of bank borrowings	**(42,740)**	(42,878)
– Proceeds from other borrowings	**2,823**	4,321
– Repayment of other borrowings	**(5,140)**	(2,205)
– Interests paid	**(3,881)**	(3,533)
– Repayments of obligations under finance leases	**(23)**	(433)
– Dividends paid to non-controlling shareholders of subsidiaries	**(189)**	(169)
– Dividends paid to holders of perpetual notes	**(448)**	(643)
Net cash generated from/(used in) financing activities	**18,885**	(1,199)
Net decrease in cash and cash equivalents	**(26,716)**	(36,936)
Cash and cash equivalents at beginning of the period	**116,688**	114,830
Effect of foreign exchange rate changes	**116**	(148)
Cash and cash equivalents at end of the period	**90,088**	77,746

The accompanying notes are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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.

The condensed consolidated interim financial information was approved for issue on 30 August 2018.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2017, as described in the annual consolidated financial statements.

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

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2018.

	Effective for accounting periods beginning on or after
IFRS 9 "Financial instruments"	1 January 2018
IFRS 15 "Revenue from contracts with customers"	1 January 2018
Amendment to IAS 28 "Investments in associates and joint ventures"	1 January 2018
Amendment to IAS 40 "Transfers of investment property"	
Amendment to IFRS 1 "First time adoption of IFRS"	1 January 2018
Amendment to IFRS 2 "Classification and measurement of share-based payment transactions"	1 January 2018
Amendments to IFRS 4, "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts"	1 January 2018
IFRIC 22 "Foreign currency transactions and advance consideration"	1 January 2018

Except for the new standards as described in Note 4, the adoption of above did not have any material impact on the Group's results for the six months ended 30 June 2018 and the Group's financial position as at 30 June 2018 or result in any significant changes in the Group's accounting policies.

3. Accounting policies *(continued)*

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

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing the condensed consolidated interim financial information.

	Effective for accounting periods beginning on or after
IFRS 16 "Leases"	1 January 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	1 January 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	1 January 2019
Amendments to IAS 19 "Plan Amendment, curtailment or settlement"	1 January 2019
Amendments to IFRS 3 "Business combinations"	1 January 2019
Amendments to IFRS 11 "Joint arrangements"	1 January 2019
Amendments to IAS 12 "Income taxes"	1 January 2019
Amendments to IAS 23 "Borrowing costs"	1 January 2019
IFRIC 23 "Uncertainty over income tax treatments"	1 January 2019
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or join venture"	to be determined

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

IFRS 16 *Leases*

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

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

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

3. Accounting policies *(continued)*

(b) New and amended standards and interpretation not yet applied by the Group *(continued)*

IFRS 16 *Leases* *(continued)*

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB501 million as disclosed in Note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

4. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and the change of operating cycle on the Group's condensed consolidated interim financial information, and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

4.1 Impact on the condensed consolidated interim financial information

As a result of the change in the Group's accounting policy on operating cycle (Note 4.2), prior year financial statements were restated. As explained in Note 4.3 & 4.5 below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules and the adjustment of the accumulative effects of applying IFRS 15 are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

4. Changes in accounting policies *(continued)*

4.1 Impact on the condensed consolidated interim financial information *(continued)*

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)

	31 December 2017 As originally presented *RMB million*	Change of operating cycle *RMB million*	31 December 2017 Restated *RMB million*	IFRS 9 *RMB million*	IFRS 15 *RMB million*	1 January 2018 Restated RMB million
ASSETS						
Non-current assets						
Contract assets	–	–	–	(27)	5,513	5,486
Financial assets at fair value through other comprehensive income	–	–	–	5,901	-	5,901
Financial assets at fair value through profit or loss	–	–	–	8,620	-	8,620
Available-for-sale financial assets	13,418	–	13,418	(13,418)	-	–
Other financial assets at amortised cost	–	–	–	4,410	-	4,410
Other loans and receivables	7,777	–	7,777	(7,777)	-	–
Deferred tax assets	5,731	–	5,731	(68)	-	5,663
Trade and other receivables	15,755	18,654	34,409	3,786	(5,500)	32,695
	183,600	18,654	202,254	1,427	13	203,694
Current assets						
Inventories	30,946	–	30,946	-	(266)	30,680
Financial assets at fair value through profit or loss	–	–	–	4,301	-	4,301
Available-for-sale financial assets	1,272	–	1,272	(1,272)	-	–
Trade and other receivables	264,402	(18,654)	245,748	3,659	-	249,407
Contract assets	–	–	–	(569)	115,094	114,525
Amounts due from customers for contract work	114,459	–	114,459	-	(114,459)	–
Other financial assets at amortised cost	–	–	–	13,310	-	13,310
Other loans and receivables	16,990	–	16,990	(16,990)	-	–
Financial assets at fair value through other comprehensive income	–	–	–	354	-	354
Held-for-trading financial assets	2,963	–	2,963	(2,963)	-	–
	660,322	(18,654)	641,668	(170)	369	641,867
Total assets	843,922	-	843,922	1,257	382	845,561

4. Changes in accounting policies *(continued)*

4.1 Impact on the condensed consolidated interim financial information *(continued)*

Balance sheet (extract) *(continued)*

	31 December 2017 As originally presented *RMB million*	Change of operating cycle *RMB million*	31 December 2017 Restated *RMB million*	IFRS 9 *RMB million*	IFRS 15 *RMB million*	1 January 2018 Restated RMB million
EQUITY						
Equity attributable to owners of the Company						
Share premium and reserves	120,335	—	120,335	1,058	-	121,393
Non-controlling interests	14,341	—	14,341	(5)	-	14,336
Total equity	169,558	-	169,558	1,053	-	170,611
LIABILITIES						
Non-current liabilities						
Trade and other payables	498	2,413	2,911	-	-	2,911
Provisions	637	—	637	-	336	973
Deferred tax liabilities	1,006	—	1,006	204	-	1,210
	92,648	2,413	95,061	204	336	95,601
Current liabilities						
Trade and other payables	471,896	(2,413)	469,483	-	(69,426)	400,057
Contract liabilities	—	—	—	-	84,436	84,436
Amounts due to customers for contract work	14,964	—	14,964	-	(14,964)	—
Financial liabilities at fair value through profit or loss	—	—	—	57	-	57
Held-for-trading financial liabilities	57	—	57	(57)	-	—
	581,716	(2,413)	579,303	-	46	579,349
Total liabilities	674,364	-	674,364	204	382	674,950
Total equity and liabilities	843,922	-	843,922	1,257	382	845,561

4. Changes in accounting policies *(continued)*

4.2 Change of operating cycle

The Group changed the operating cycle of the infrastructure construction and products manufacturing and installation activities to exclude the retention period. Accordingly, the Group's normal operating cycle with respect to the infrastructure construction and products manufacturing and installation activities include construction period or manufacturing and installation period. The change in accounting policy was approved in April 2018 by the Board of Directors, and have been applied from 1 January 2018. As a result, the balance sheet as at 31 December 2017 has been restated (Note 4.1).

4.3 IFRS 9 Financial instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in Note 4.4 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Amount *RMB million*
Closing retained earnings 31 December 2017 – IAS 39	67,249
Reclassify investments from available-for-sale to financial assets at fair value through profit or loss ("FVPL")	(218)
Reverse the accumulated imputed interest income on retention receivables, net of tax	1,169
Remeasurement fair value of unlisted equity investments classified as FVPL, net of tax	54
Remeasurement of fair value of debt instruments classified as FVPL, net of tax	(74)
Increase in provision for debt instruments at amortised cost, net of tax	(174)
Increase in provision for trade and other receivables, net of tax	(95)
Increase in provision for contract assets, net of tax	(447)
Adjustment to statutory reserve	7
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	222
Opening retained earnings 1 January 2018 – IFRS 9	67,471

4. Changes in accounting policies *(continued)*

4.3 IFRS 9 Financial instruments – Impact of adoption *(continued)*

(a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial instruments held by the Group and has classified and measured its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification and remeasurement are as follows:

Financial assets	Financial assets at FVPL *RMB million*	Financial assets at fair value through other comprehensive income ("FVOCI") *RMB million*	Held-for-trading financial assets ("held-for-trading") *RMB million*	Available-for-sale financial assets ("available-for-sale") *RMB million*	Amortised cost ("receivables and others") *RMB million*
Closing balance 31 December 2017 – IAS 39	–	–	2,963	14,690	304,924
Reclassify listed equity securities from available-for-sale to FVPL	1,446	-	-	(1,446)	-
Reclassify unlisted equity securities from available-for-sale to FVPL	622	-	-	(622)	-
Reclassify debt instruments from available-for-sale to FVPL	7,180	-	-	(7,180)	-
Reclassify held-for-trading financial instruments to FVPL	2,963	-	(2,963)	-	-
Reclassify debt instruments from amortised cost to FVPL	736	-	-	-	(736)
Reclassify listed equity investments from available-for-sale to FVOCI	-	1,215	-	(1,215)	-
Reclassify unlisted equity investments from available-for-sale to FVOCI	-	3,948	-	(3,948)	-
Reclassify debt instruments from available-for-sale to FVOCI	-	279	-	(279)	-
Remeasure fair value of unlisted equity investments classified as FVPL	72	-	-	-	-
Remeasure fair value of debt instruments classified as FVPL	(98)				
Remeasure unlisted equity investments classified as FVOCI	-	813	-	-	-
Reverse the accumulated imputed interest income on retention receivables at amortised cost	-	-	-	-	1,499
Increase in provision for trade and other receivables at amortised cost	-	-	-	-	(128)
Increase in provision for debt instruments at amortised cost	-	-	-	-	(237)
Opening balance 1 January 2018 – IFRS 9	12,921	6,255	–	–	305,322

4. Changes in accounting policies *(continued)*

4.3 IFRS 9 Financial instruments – Impact of adoption *(continued)*

(a) Classification and measurement *(continued)*

Financial liabilities	Financial liabilities at FVPL *RMB million*	Held-for-trading *RMB million*
Closing balance 31 December 2017 – IAS 39	—	57
Reclassify held-for-trading financial instruments to FVPL	57	(57)
Opening balance 1 January 2018 – IFRS 9	57	—

The main effects resulting from this reclassification on the Group's equity is as follows:

	Note	Effects on FVOCI reserve *RMB million*	Effects on available-for-sale reserve *RMB million*	Effect on retained earnings *RMB million* (Note)
Closing balance 31 December 2017 – IAS 39		—	167	67,249
Reclassify equity and debt instruments from available-for-sale to FVPL	*(i)*	-	218	(218)
Reclassify equity and debt instruments from available-for-sale to FVOCI	*(ii)*	385	(385)	-
Opening balance 1 January 2018 – IFRS 9		385	—	67,031

Note: Before adjustment for reversal the accumulated imputed interest income on retention receivables, impairment and statutory reserve.

4. Changes in accounting policies *(continued)*

4.3 IFRS 9 Financial instruments – Impact of adoption *(continued)*

(a) Classification and measurement *(continued)*

(i) Reclassification from available-for-sale to FVPL

Certain investments in listed equity securities and debt instruments of RMB8,626 million were reclassified from available-for-sale to financial assets at FVPL. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value losses of RMB218 million were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(ii) Reclassification from available-for-sale to FVOCI

The Group elected to present in OCI changes in the fair value of certain listed equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB1,215 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB385 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

Certain debt investments of RMB279 million with no fair value gain or loss was reclassified from available-for-sale to FVOCI on 1 January 2018, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

(b) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade and other receivables (excluding advance to suppliers) (i)
- contract assets (ii)
- debt investments carried at FVOCI (iii)
- other financial assets at amortised cost (iv)

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed in the table in Note 4.3 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

4. Changes in accounting policies *(continued)*

4.3 IFRS 9 Financial instruments – Impact of adoption *(continued)*

(b) Impairment of financial assets *(continued)*

(i) Trade and other receivables (excluding advance to suppliers)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected losses allowance for trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on common credit risk characteristics and the aging of the trade receivables, and assessed collectively or individually for likelihood of recovery. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB16,849 million on 1 January 2018 (previous loss allowance was RMB16,721 million) for those trade and other receivables (excluding advance to suppliers) and a further increase in the allowance by RMB2,092 million in the six months ended 30 June 2018. The increase would have been RMB99 million lower under the incurred loss model of IAS 39.

(ii) Contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets. The contract assets are categorised by common risk characteristics. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB596 million on 1 January 2018 (previous loss allowance was nil) and a further increase in the allowance by RMB53 million in the six months ended 30 June 2018. The increase would have been RMB53 million higher under the incurred loss model of IAS 39.

(iii) Debt investments at FVOCI

The loss allowance for debt investments at FVOCI as a result of applying the expected credit risk model is immaterial.

(iv) Other financial assets at amortised cost

Other financial assets at amortised cost primarily include loans to related parties and entrusted loans. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB1,922 million on 1 January 2018 (previous loss allowance was RMB1,685 million) and a further increase in the allowance by RMB61 million in the six months ended 30 June 2018. The increase would have been RMB164 million lower under the incurred loss model of IAS 39.

4. Changes in accounting policies *(continued)*

4.4 IFRS 9 Financial instruments – Accounting policies

4.4.1 Investments and other financial assets

(a) 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 FVOCI.

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

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

4. Changes in accounting policies *(continued)*

4.4 IFRS 9 Financial instruments – Accounting policies *(continued)*

4.4.1 Investments and other financial assets *(continued)*

(b) ***Measurement*** *(continued)*

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 revenue 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 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.

- 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 statement of profit or loss 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.

4. Changes in accounting policies *(continued)*

4.4 IFRS 9 Financial instruments – Accounting policies *(continued)*

4.4.1 Investments and other financial assets *(continued)*

(*c*) ***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.

4.4.2 Derivatives and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within "other gains/(losses), net".

The Group designates certain derivatives as hedges of a particular risk associated with the cash flow of a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

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.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within "other gains/(losses), net".

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. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

4. Changes in accounting policies *(continued)*

4.4 IFRS 9 Financial instruments – Accounting policies *(continued)*

4.4.2 Derivatives and hedging *(continued)*

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 financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

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.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

4. Changes in accounting policies *(continued)*

4.5 IFRS 15 Revenue from contracts with customers – Impact of adoption

IFRS 15 replaces the provisions of IAS 18 "Revenue" ("IAS 18") and IAS 11 "Construction contracts" ("IAS 11") that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted IFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in Note 4.6 below. The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

Interim condensed consolidated balance sheet (extract)	IAS 18 & IAS 11 carrying amount 31 December 2017 *RMB million* (Restated)	Reclassification *RMB million*	Remeasurement *RMB million*	IFRS 15 carrying amount 1 January 2018 *RMB million* *(Note)*
Inventories	30,946	(266)	-	30,680
Trade and other receivables	280,157	(5,500)	-	274,657
Contract assets	—	120,607	-	120,607
Amounts due from customers for contract work	114,459	(114,459)	-	—
Trade and other payables	472,394	(69,426)	-	402,968
Contract liabilities	—	84,436	-	84,436
Amounts due to customers for contract work	14,964	(14,964)	-	—
Provisions	637	336	-	973

Note: The amounts in this column are before the adjustments from the adoption of IFRS 9, including increase in the impairment loss allowance for trade receivables and contract assets and the reversal of the accumulated imputed interest income on retention receivables. See Note 4.3 above.

There is no impact on the Group's retained earnings as at 1 January 2018 by initial application of IFRS 15.

4. Changes in accounting policies *(continued)*

4.5 IFRS 15 Revenue from contracts with customers – Impact of adoption *(continued)*

The amount by each financial statements line items affected in the current reporting period by the application of IFRS 15 as compared to IAS 18, IAS 11 and related interpretations that were previously in effect before the adoption of IFRS 15 is as follows:

Interim condensed consolidated balance sheet (extract)	As at 30 June 2018		
	Amounts without adoption of IFRS 15 *RMB million*	Effects of the adoption of IFRS 15 *RMB million*	Amounts as reported *RMB million*
Trade and other receivables	**298,109**	**(7,036)**	**291,073**
Contract assets	**–**	**136,945**	**136,945**
Inventories	**40,900**	**(242)**	**40,658**
Amounts due from customers for contract work	**129,308**	**(129,308)**	**–**
Trade and other payables	**478,337**	**(79,075)**	**399,262**
Amounts due to customers for contract work	**15,755**	**(15,755)**	**–**
Contract liabilities	**–**	**94,875**	**94,875**
Provisions	**662**	**314**	**976**

4.6 IFRS 15 Revenue from contracts with customers – Accounting policies

4.6.1 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.

4. Changes in accounting policies *(continued)*

4.6 IFRS 15 Revenue from contracts with customers – Accounting policies *(continued)*

4.6.1 Revenue recognition *(continued)*

(a) Revenue from infrastructure construction and products manufacturing and installation

Revenue from individual infrastructure construction and certain products manufacturing and installation services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, when the outcome of a contract can be estimated reliably 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. Expected losses are fully provided on contracts when identified.

(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.

(c) Sale of properties

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.

(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.

5. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In addition to the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements for the year ended 31 December 2017, the following estimates and judgements were applied:

5.1 Expected credit losses of trade receivables

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms, and assessed collectively or individually for likelihood of recovery. The provision for expected credit losses of trade receivables is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The Group considers the following indicators in forward-looking estimates, such as the changes in macroeconomic conditions, probabilities of default and internal or external credit ratings, or expected operating performance of the debtors, etc. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Judgment has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss. The estimates and assumptions have no significant changes for the six months ended 30 June 2018.

5.2 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).

5. Estimates *(continued)*

5.2 Classification of financial assets *(continued)*

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

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

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

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

6. Financial risk management and financial instruments

6.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

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.

6. Financial risk management and financial instruments *(continued)*

6.2 Liquidity risk

The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The table includes both interest and principal cash flows. To the extent that interest 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 *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Carrying amount *RMB million*
At 30 June 2018						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 31)*	377,078	1,002	1,053	1,500	380,633	380,156
Borrowings *(Note 32)*	98,565	37,759	40,510	32,644	209,478	186,790
Obligations under finance leases	331	44	14	–	389	380
Financial guarantee contracts *(Note 34)*	32,144	–	–	–	32,144	–
Net-settled derivative financial instruments outflows *(Note 26)*						
– foreign exchange swaps	19	–	–	–	19	19
– future contracts	97	–	–	–	97	97
	508,234	38,805	41,577	34,144	622,760	567,442

6. Financial risk management and financial instruments *(continued)*

6.2 Liquidity risk *(continued)*

	On demand or Less than 1 year *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Carrying amount *RMB million*
At 31 December 2017						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 31)*	382,017	249	156	150	382,572	382,354
Borrowings *(Note 32)*	94,401	24,484	45,116	32,096	196,097	173,934
Obligations under finance leases	349	9	52	–	410	403
Financial guarantee contracts *(Note 34)*	29,410	–	–	–	29,410	–
Net-settled derivative financial instruments outflows *(Note 26)*						
– foreign exchange swaps	25	–	–	–	25	25
– forward currency exchange contracts	6	–	–	–	6	6
– future contracts	26	–	–	–	26	26
	506,234	24,742	45,324	32,246	608,546	556,748

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 30 June 2018, there is no bank borrowing that contains a repayment on demand clause.

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.

6.3 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

6. Financial risk management and financial instruments *(continued)*

6.3 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) 30 June 2018 (Unaudited)		31 December 2017 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Future contracts at FVPL (2017: Future contracts classified as held-for-trading)	**Assets/ Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward price (from observable future value expectation at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**3**	Assets	2				
	Liabilities	**97**	Liabilities	26				
2) Foreign exchange swaps at FVPL (2017: Foreign exchange classified as held-for-trading)	**Assets/Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**–**	Assets	–				
	Liabilities	**19**	Liabilities	25				
3) Forward foreign exchange contracts at FVPL (2017: Forward foreign exchanges contracts classified as held-for-trading)	**Assets/Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**1**	Assets	–				
	Liabilities	**–**	Liabilities	6				
4) Listed equity securities, money – market securities investment funds, and bond instruments at FVPL (2017: Listed equity securities, money – market securities investment funds, and bond instruments classified as held-for-trading)	Held-for-trading financial assets in Mainland China and Hong Kong:		Held-for-trading financial assets in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**4,269**	Finance	2,727				
	Construction	**–**	Construction	8				
	Manufacturing	**63**	Manufacturing	112				
	Transportation	**25**	Transportation	24				
	Mining	**1**	Mining	9				
	Others	**3**	Others	81				
	Total	**4,361**	Total	2,961				

6. Financial risk management and financial instruments *(continued)*

6.3 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) 30 June 2018 (Unaudited)		Fair value as at (RMB million) 31 December 2017 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Listed equity securities at FVOCI (2017: Listed equity securities classified as available-for-sale)	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**447**	Finance	1,964				
	Manufacturing	**-**	Manufacturing	66				
	Total	**447**	Total	2,030				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	**Amount**	**Industry**	**Amount**				
	Transportation	**581**	Transportation	630				
	Mining	**-**	Mining	1				
	Total	**581**	Total	631				
6) Unlisted open-end equity funds at FVOCI (2017: Unlisted open-end equity funds classified as available-for-sale)	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:					
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**-**	Finance	804	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	**-**	Finance	696	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**-**	Total	1,500				

6. Financial risk management and financial instruments *(continued)*

6.3 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) 30 June 2018 (Unaudited)		31 December 2017 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Unlisted open-end equity funds at FVPL	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:			Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**1,334**	Finance	–	Level 1			
	Finance	**718**	Finance	–	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**2,052**	Total	–				
8) Unlisted entrusted products at FVOCI (2017: Unlisted entrusted products classified as available-for-sale)	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	**Industry**	**Amount**				
	Construction	**279**	Construction	3,189				
	Real estate	-	Real estate	1,201				
	Finance	-	Finance	863				
	Manufacturing	-	Manufacturing	87				
	Mining	-	Mining	15				
	Others	-	Others	604				
	Total	**279**	Total	5,959				

6. Financial risk management and financial instruments *(continued)*

6.3 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) 30 June 2018 (Unaudited)		31 December 2017 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
9) Unlisted entrusted products at FVPL	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	**Industry**	**Amount**				
	Construction	**3,295**	Construction	–				
	Finance	**912**	Real estate	–				
	Real estate	**610**	Finance	–				
	Manufacturing	**38**	Manufacturing	–				
	Mining	**15**	Mining	–				
	Others	**531**	Others	–				
	Total	**5,401**	Total	–				
10) Unlisted equity investments at FVOCI	Unlisted equity investment in Mainland China:		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	**Industry**	**Amount**				
	Construction	**4,680**	Construction	–				
	Manufacturing	**157**	Manufacturing	–				
	Finance	**52**	Finance	–				
	Real estate	**2**	Real estate	–				
	Mining	**–**	Mining	–				
	Others	**205**	Others	–				
	Total	**5,096**	Total	–				
11) Unlisted equity investments at FVPL	Unlisted equity investment in Mainland China:		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**701**	Construction	–				

6. Financial risk management and financial instruments *(continued)*

6.3 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 transfers between Level 1 and 2 during the current interim period.

Reconciliation of Level 3 fair value measurements:

	Unlisted entrusted products *RMB million* (Unaudited)	Unlisted open-end funds *RMB million* (Unaudited)	Unlisted equity investments *RMB million* (Unaudited)	Total *RMB million* (Unaudited)
30 June 2018				
Closing balance at 31 December 2017	5,959	696	–	6,655
Reclassification and remeasurement under IFRS 9	(22)	(76)	5,457	5,359
Opening balance at 1 January	5,937	620	5,457	12,014
Purchases	1,632	177	515	2,324
Fair value (losses)/gains attributed to profit or loss	(145)	22	8	(115)
Settlements	(1,744)	(101)	(183)	(2,028)
Closing balance at 30 June	5,680	718	5,797	12,195

	Unlisted entrusted products *RMB million* (Unaudited)	Unlisted open-end funds *RMB million* (Unaudited)	Unlisted equity investments *RMB million* (Unaudited)	Total *RMB million* (Unaudited)
30 June 2017				
Opening balance at 1 January	6,321	626	–	6,947
Purchases	3,035	243	–	3,278
Settlements	(3,070)	-	–	(3,070)
Closing balance at 30 June	6,286	869	–	7,155

6. Financial risk management and financial instruments *(continued)*

6.3 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 condensed consolidated interim financial information approximate to their fair values:

	As at			
	30 June 2018		31 December 2017	
	Carrying amount *RMB million* (Unaudited)	Fair value *RMB million* (Unaudited)	Carrying amount *RMB million* (Audited)	Fair value *RMB million* (Audited)
Financial assets				
Other financial assets at amortised cost – fixed rate	**22,467**	**23,605**	—	—
Loan receivables – fixed rate	**—**	**—**	24,768	25,131
Financial liabilities				
Bank borrowings – fixed rate	**14,408**	**14,751**	7,261	7,317
Long-term debentures – fixed rate	**32,893**	**33,570**	36,002	36,968
Other long-term borrowings – fixed rate	**5,306**	**5,716**	6,100	6,671

The fair values hierarchy of the fair value of fixed rate other financial assets at amortised cost, bank borrowing, 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.

7. Segment information

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

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

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

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

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

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

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

Revenue between segments is carried out at actual transaction prices.

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

7. Segment information *(continued)*

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

	Six months ended 30 June 2018 (Unaudited)						
	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	267,839	7,397	7,309	12,205	18,612	-	313,362
Inter-segment revenue	7,236	102	2,227	-	9,663	(19,228)	-
Other revenue	1,506	54	79	206	895	-	2,740
Inter-segment other revenue	55	-	-	-	67	(122)	-
Segment Revenue	276,636	7,553	9,615	12,411	29,237	(19,350)	316,102
Timing of revenue recognition:							
– At a point of time	1,561	54	8,596	12,411	29,237	(12,012)	39,847
– Over time	275,075	7,499	1,019	-	-	(7,338)	276,255
	276,636	7,553	9,615	12,411	29,237	(19,350)	316,102
Segment results							
Profit before tax	9,788	754	889	1,615	18	(645)	12,419
Segment results included:							
Share of profits/(losses) of joint ventures	61	-	23	(12)	25	-	97
Share of profits of associates	62	-	58	-	546	-	666
Interest income	1,111	55	33	252	570	(1,301)	720
Interest expenses	(1,661)	(29)	(20)	(550)	(2,289)	1,701	(2,848)

7. Segment information *(continued)*

	Six months ended 30 June 2017 (Unaudited)						
	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	257,652	6,615	7,161	10,912	16,213	-	298,553
Inter-segment revenue	2,134	115	1,857	94	7,480	(11,680)	-
Other revenue	821	20	303	107	474	-	1,725
Inter-segment other revenue	282	-	-	-	36	(318)	-
Segment Revenue	260,889	6,750	9,321	11,113	24,203	(11,998)	300,278
Segment results							
Profit before tax	8,691	724	808	1,202	480	(1,388)	10,517
Segment results included:							
Share of profits/(losses) of joint ventures	108	-	33	(5)	31	-	167
Share of (losses)/profits of associates	(5)	-	54	(3)	99	-	145
Interest income	1,469	48	14	129	273	(945)	988
Interest expenses	(1,372)	(34)	(65)	(417)	(1,239)	1,045	(2,082)

7. Segment information *(continued)*

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Segment revenue, before inter-segment elimination	**335,452**	312,276
Inter-segment elimination	**(19,350)**	(11,998)
Reconciling items:		
Reclassification of other operating income	**-**	(1,725)
Total consolidated revenue, as reported	**316,102**	298,553
Segment interest income, before inter-segment elimination	**2,021**	1,933
Inter-segment elimination	**(1,301)**	(945)
Reconciling items:		
Reclassification of interest income obtained from other financial assets at amortised cost	**79**	—
Reclassification of interest income obtained from other loans and receivables	**—**	38
Total consolidated interest income, as reported	**799**	1,026
Segment interest expenses, before inter-segment elimination	**4,549**	3,127
Inter-segment elimination	**(1,701)**	(1,045)
Total consolidated interest expenses, as reported	**2,848**	2,082
Segment results, before inter-segment elimination	**13,064**	11,905
Inter-segment elimination	**(645)**	(1,388)
Reconciling item:		
Land appreciation tax *(Note (a))*	**294**	327
Total consolidated profit before tax, as reported	**12,713**	10,844

(a) Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the condensed consolidated statement of profit or loss.

7. Segment information *(continued)*

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

Segment assets

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Infrastructure construction	**635,938**	724,142
Survey, design and consulting services	**17,203**	23,392
Engineering equipment and component manufacturing	**41,235**	32,818
Property development	**187,759**	214,535
Other businesses	**260,788**	266,617
Inter-segment elimination	**(268,535)**	(424,264)
Total segment assets	**874,388**	837,240

Segment liabilities

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Infrastructure construction	**513,043**	603,011
Survey, design and consulting services	**9,461**	14,173
Engineering equipment and component manufacturing	**23,995**	21,027
Property development	**164,524**	189,558
Other businesses	**243,584**	235,230
Inter-segment elimination	**(265,443)**	(393,581)
Total segment liabilities	**689,164**	669,418

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.

7. Segment information *(continued)*

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

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Segment assets, before inter-segment elimination	**1,142,923**	1,261,504
Inter-segment elimination	**(268,535)**	(424,264)
Reconciling items:		
Deferred tax assets	**5,648**	5,731
Non-tradable shares reform of subsidiaries *(Note (a))*	**(163)**	(163)
Current income tax recoverable	**2,358**	1,602
Prepaid land appreciation tax included in current income tax recoverable	**(691)**	(488)
Total consolidated assets, as reported	**881,540**	843,922
Segment liabilities, before inter-segment elimination	**954,607**	1,062,999
Inter-segment elimination	**(265,443)**	(393,581)
Reconciling items:		
Deferred tax liabilities	**1,266**	1,006
Current income tax liabilities	**3,812**	5,572
Land appreciation tax payable included in current income tax liabilities	**(1,568)**	(1,632)
Total consolidated liabilities, as reported	**692,674**	674,364

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

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Mainland China	**296,162**	282,272
Other regions (including Hong Kong and Macau)	**19,940**	16,281
	316,102	298,553

7. Segment information *(continued)*

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

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Mainland China	**124,089**	110,052
Other regions (including Hong Kong and Macau)	**8,696**	8,818
	132,785	118,870

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

8. Other income and expenses

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Other income from:		
Dividend income financial assets at FVPL	**330**	—
Dividend income financial assets at FVOCI	**44**	—
Government subsidies *(Note (a))*	**275**	139
Compensation and claim	**55**	39
Income from the sale of waste and materials	**22**	15
Dividend income on available-for-sale financial assets	**—**	1
Others	**155**	666
	881	860
Other expenses on:		
Research and development expenditures	**4,317**	3,642

(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 condensed 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.

9. Net impairment losses on financial assets and contract assets

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Trade and other receivables *(Note 4.3(b))*	**2,092**	—
Other financial assets at amortised cost *(Note 4.3(b))*	**61**	—
Contract assets *(Note 4.3(b))*	**53**	—
	2,206	—

10. Other gains/(losses), net

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Gains on disposal and/or write-off of:		
– Interest in joint ventures	**182**	-
– Interest in subsidiaries	**92**	-
– Interest in associates	**13**	-
– Lease prepayments	**18**	17
– Property, plant and equipment	**4**	63
Gains arising on change in fair value of financial assets/liabilities at FVPL	**52**	-
Losses on disposal of financial assets/liabilities at FVPL	**(1)**	-
Foreign exchange (losses)/gains, net	**(81)**	4
Gains on debt restructurings	**22**	19
Impairment loss on trade and other receivables	**—**	(2,103)
Impairment loss on other loans and receivables	**—**	(74)
Losses on disposal of financial assets/liabilities classified as held-for trading	**—**	(141)
Gains arising on change in fair value of financial assets/ liabilities classified as held-for-trading	**—**	34
Gains on disposal of available-for-sale financial assets	**—**	3
	301	(2,178)

11. Interest income and expenses

	Six months ended 30 June 2018 RMB million (Unaudited)	2017 RMB million (Unaudited)
Interest income from:		
Cash and cash equivalents and restricted cash	**720**	538
Other financial assets at amortised cost	**79**	—
Other loans and receivables	**—**	38
Imputed interest income on retention receivables	**—**	450
Total interest income	**799**	1,026
Interest expenses on:		
Bank borrowings	**2,702**	2,330
Long-term debentures	**680**	684
Other long-term borrowings	**198**	188
Other short-term borrowings	**106**	85
Finance leases	**17**	12
Asset-Backed Medium-term Notes ("ABN") *(Note 21)*	**302**	-
Asset-Backed Securitization ("ABS") *(Note 21)*	**84**	-
	4,089	3,299
Imputed interest expenses on retention payables	**67**	67
Imputed interest expenses on defined benefit obligations	**67**	38
Others	**59**	58
Total borrowing costs	**4,282**	3,462
Less: amount capitalised	**(1,434)**	(1,380)
Total interest expenses	**2,848**	2,082

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 RMB1,434 million (six months ended 30 June 2017: RMB1,380 million) were capitalised in the six months period ended 30 June 2018, of which approximately RMB1,285 million was charged to properties under development for sale, approximately RMB129 million was charged to contract assets, approximately RMB20 million was included in cost of construction-in-progress (six months ended 30 June 2017: RMB1,166 million was charged to properties under development for sale, approximately RMB158 million was charged to contract work-in-progress, approximately RMB56 million was included in cost of construction-in-progress). A general capitalisation rate of 2.80%~7.04% per annum (six months ended 30 June 2017: 3.00%~7.67%) was used, representing the costs of the borrowings used to finance the qualifying assets.

12. Income tax expense

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Current income tax		
– Enterprise income tax ("EIT")	**3,091**	2,598
– Land appreciation tax ("LAT")	**294**	327
– (Over-provision)/under-provision in prior years	**(33)**	121
Deferred income tax	**(51)**	249
	3,301	3,295

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% (six months ended 30 June 2017: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (six months ended 30 June 2017: 12.5%, 15%) during the current interim period.

Certain of the Group's overseas entities are located in Democratic Republic of the Congo, South Africa, Mongolia, Hong Kong, Malaysia, Papua New Guinea and Kenya. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5% (six months ended 30 June 2017: 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5%) are applied to these entities respectively.

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

13. Expenses by nature

The additional information of cost of sales and services, selling and marketing expenses and administrative expenses is as follows:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**117,920**	113,273
Employee benefit expenses	**58,942**	54,580
Equipment usage costs	**11,288**	11,137
Cost of property development	**8,808**	7,829
Depreciation of property, plant and equipment *(Note 16)* and investment properties	**4,120**	3,376
Amortisation of intangible assets *(Note 17)*	**551**	433
Amortisation of lease prepayments	**179**	144

14. Dividends

The final dividend of RMB0.113 per share in respect of the year ended 31 December 2017, amounting to RMB2,581 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 25 June 2018, and subsequently paid off in July 2018.

The final dividend of RMB0.088 per share in respect of the year ended 31 December 2016, amounting to RMB2,010 million in aggregate, was paid in August 2017.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2017: nil).

15. Earnings per share

(a) Basic

Basic earnings per share for the six months ended 30 June 2018 is calculated by dividing the profit attributable to owners of the Company, after deducting the profit attributable to holders of perpetual notes, of RMB9,007 million (six months ended 30 June 2017: RMB7,084 million) by 22,844,302,000 shares (six months ended 30 June 2017: 22,844,302,000 shares) in issue during the period.

(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 periods.

16. Property, plant and equipment

	Six months ended 30 June 2018 *RMB million* (Unaudited)
At 30 June 2018	
Opening net book amount	**59,769**
Additions *(Note (a))*	**6,142**
Transfer from investment properties	**26**
Transfer out	**(809)**
Disposals	**(281)**
Depreciation	**(4,024)**
Currency translation differences	**4**
Closing net book amount	**60,827**

	Six months ended 30 June 2017 *RMB million* (Unaudited)
At 30 June 2017	
Opening net book amount	54,778
Additions *(Note (a))*	5,072
Transfer from investment properties	17
Transfer out	(816)
Disposals	(555)
Depreciation	(3,294)
Currency translation differences	(114)
Closing net book amount	55,088

16. Property, plant and equipment *(continued)*

(a) Additions to property, plant and equipment include:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Construction in process	**3,295**	1,971
Buildings	**122**	278
Infrastructure construction equipment	**1,802**	1,887
Transportation equipment	**421**	392
Manufacturing equipment	**93**	130
Testing equipment and instruments	**158**	154
Other equipment	**251**	260
	6,142	5,072

(b) As at 30 June 2018, bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB3,823 million (31 December 2017: RMB7 million) (Note 32).

(c) As at 30 June 2018, 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 RMB3,328 million (31 December 2017: RMB2,456 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) Infrastructure construction equipment and manufacturing equipment include the following amounts where the Group is a lessee under finance leases:

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Cost – Capitalised finance leases	**1,140**	1,140
Accumulated depreciation	**(792)**	(772)
Net book amount	**348**	368

The Group leases various infrastructure construction equipment and manufacturing equipment under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

17. Intangible assets

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**
At 30 June 2018	
Opening net book amount	**35,995**
Acquisition of subsidiaries	**3,863**
Additions *(Note (a))*	**1,676**
Amortisation	**(551)**
Closing net book amount	**40,983**

	Six months ended 30 June 2016 *RMB million* (Unaudited)
At 30 June 2017	
Opening net book amount	36,821
Additions *(Note (a))*	79
Disposals	(19)
Amortisation	(433)
Closing net book amount	36,448

(a) Additions to intangible assets include:

	Six months ended 30 June	
	2018 ***RMB million*** **(Unaudited)**	2017 *RMB million* (Unaudited)
Service concession arrangements	**1,631**	4
Computer software	**45**	75
Total	**1,676**	79

(b) As at 30 June 2018, bank borrowings amounting to RMB20,515 million (31 December 2017: RMB20,586 million) are secured by concession assets with carrying amount of approximately RMB28,880 million (31 December 2017: RMB29,317 million) (Note 32).

18. Properties under Development for Sale

As at 30 June 2018, properties under development for sale amounting to RMB19,351 million (31 December 2017: RMB18,315 million) have been pledged to secure borrowings amounting to RMB10,101 million (31 December 2017: RMB8,600 million) (Note 32).

19. Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Non-current assets		
Equity instruments		
Unlisted equity investments	**5,096**	—
Listed equity securities		
– Mainland China	**447**	—
– Hong Kong	**581**	—
	6,124	—
Current assets		
Debt instruments		
Unlisted entrusted products	**279**	—
Total	**6,403**	—

20. Available-for-sale Financial Assets

	As at 30 June 2018 *RMB million* (Unaudited)	As at 31 December 2017 *RMB million* (Audited)
Non-current assets		
Unlisted entrusted products, at fair value	–	4,687
Unlisted equity investments, at cost less impairment	–	4,570
Listed equity securities, at fair value		
– Mainland China	–	2,030
– Hong Kong	–	631
Unlisted open-end equity funds, at fair value	–	1,500
	–	13,418
Current assets		
Unlisted entrusted products, at fair value	–	1,272
Total	–	14,690

21. Trade and Other Receivables

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Trade and bills receivables	**202,448**	206,832
Less: loss allowance	**(5,118)**	(4,783)
Trade and bills receivables – net	**197,330**	202,049
Other receivables (net of impairment)	**61,215**	48,925
Advance to suppliers (net of impairment)	**32,528**	29,183
	291,073	280,157
Less: Amount due after one year included in non-current assets	**(36,488)**	(34,409)
Amount due within one year included in current assets	**254,585**	245,748

Included in trade and bills receivables are retention receivables of RMB47,532 million (31 December 2017: RMB47,979 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective infrastructure construction and products manufacturing and installation contracts.

Trade and bills receivables of RMB4,472 million (31 December 2017: RMB3,389 million) were pledged to secure borrowings amounting to RMB2,344 million (31 December 2017: RMB1,108 million) (Note 32).

For the six months ended 30 June 2018, trade receivables of RMB9,226 million (six months ended 30 June 2017: nil) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB521 million (six months ended 30 June 2017: nil) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

As at 30 June 2018, bills receivables – bank acceptance and commercial acceptance notes of RMB873 million (31 December 2017: RMB480 million) were endorsed to suppliers, and no bills receivables (31 December 2017: RMB207 million) were discounted with a third party with rights of recourse. 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 30 June 2018, bills receivables – bank acceptance notes of RMB11,192 million (31 December 2017: RMB5,317 million) were endorsed to suppliers, and RMB1,717 million (31 December 2017: RMB965 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.

21. Trade and Other Receivables *(continued)*

As at 30 June 2018, the loss allowance of trade and bills receivables is determined as follows:

Trade receivables	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Central-governmental enterprises							
– Expected loss rate	0.20%	3.00%	5.00%	12.00%	18.00%	40.00%	–
– Gross carrying amount *(RMB million)*	38,601	3,974	1,266	626	140	692	45,299
– Loss allowance *(RMB million)*	77	119	63	75	25	277	636
Locally-administrated state-owned enterprises							
– Expected loss rate	0.40%	5.00%	10.00%	18.00%	25.00%	50.00%	–
– Gross carrying amount *(RMB million)*	32,981	4,445	3,030	1,065	387	534	42,442
– Loss allowance *(RMB million)*	132	222	303	192	97	267	1,213
China Railway Corporation							
– Expected loss rate	0.20%	3.00%	5.00%	10.00%	15.00%	30.00%	–
– Gross carrying amount *(RMB million)*	21,544	1,537	450	219	230	178	24,158
– Loss allowance *(RMB million)*	43	46	23	22	35	53	222
Overseas enterprises							
– Expected loss rate	1.00%	8.00%	18.00%	35.00%	50.00%	65.00%	–
– Gross carrying amount *(RMB million)*	3,380	1,023	560	567	477	352	6,359
– Loss allowance *(RMB million)*	34	82	101	198	239	229	883
Other entities							
– Expected loss rate	0.50%	6.00%	15.00%	30.00%	40.00%	60.00%	–
– Gross carrying amount *(RMB million)*	4,822	2,552	973	925	417	520	10,209
– Loss allowance *(RMB million)*	24	153	146	278	167	312	1,080

21. Trade and Other Receivables *(continued)*

Bill receivables	Expected loss rate	Gross carrying amount *RMB million*	Loss allowance *RMB million*
Bank acceptance note	-	2,617	-
Commercial acceptance note	0.25%	8,504	21

Long-term trade receivables	Expected loss rate	Gross carrying amount *RMB million*	Loss allowance *RMB million*
Retentions	0.49%	47,765	233
Others	0.49%	13,292	65

The amount of individually impaired trade receivables was RMB1,803 million (31 December 2017: RMB78,955 million) with the provision of RMB765 million (31 December 2017: RMB2,131 million).

22. Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Contract assets	**136,945**	—
Less: loss allowance *(Note a)*	**(649)**	—
	136,296	—
Less: Amount due after one year included in non-current assets	**(7,043)**	—
Amount due within one year included in current assets	**129,253**	—
Contract liabilities		
– Sale of properties	**41,554**	—
– Construction and engineering	**25,452**	—
– Amount due to contract customers for contract work	**15,755**	—
– Sales of manufacturing products	**4,122**	—
– Sales of materials	**2,706**	—
– Design and consulting services	**2,485**	—
– Others	**2,801**	—
Total current contract liabilities	**94,875**	—

(a) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 from 1 January 2018 (Note 4.3). As at 30 June 2018, a provision of RMB649 million was made against the gross amount of contract assets (31 December 2017: nil under IAS 39).

23. Amounts due from (to) customers for contract work

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Contract costs incurred and recognised profit (less recognised losses)	–	3,983,773
Less: progress billings	–	(3,884,278)
	–	99,495
Representing:		
Amounts due from customers for contract work	–	114,459
Amounts due to customers for contract work	–	(14,964)
	–	99,495

24. Other financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Debt investment		
– Short-term	**17,069**	–
– Long-term	**7,381**	–
	24,450	–
Less: Loss allowance for debt investments	**(1,983)**	–
Total other financial assets at amortised cost	**22,467**	–
Less: Amount due within one year included in current assets	**(15,316)**	–
Amount due after one year	**7,151**	–

24. Other financial assets at amortised cost *(continued)*

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 4.3(b).

The other financial assets at amortised cost carry fixed-rate interests within a range of 3.50% to 36.00% (31 December 2017: 3.73% to 36.00%) per annum.

As at 30 June 2018, other financial assets at amortised cost amounting to RMB6,488 million (31 December 2017: RMB7,433 million) are secured by equity investments, property, plant and equipment, land use rights, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party. The remaining balances are unsecured and unguaranteed.

25. Other Loans and Receivables

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Short-term loans and receivables	–	18,598
Long-term loans and receivables	–	7,854
	–	26,452
Less: Impairment on loans and receivables	–	(1,685)
Total other loans and receivables	–	24,767
Less: Amount due within one year included in current assets	–	(16,990)
Amount due after one year	–	7,777

26. 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 19);
- 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.

26. Financial assets/(liabilities) at fair value through profit or loss *(continued)*

Financial assets at FVPL

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Non-current assets		
Equity instruments		
Equity securities listed in Mainland China	1,496	—
Unlisted equity investments	701	—
	2,197	—
Debt instruments		
Unlisted entrusted products	4,683	—
Unlisted open-end equity funds	1,821	—
	6,504	—
	8,701	—
Current assets		
Equity instruments		
Listed equity securities		
– Mainland China	116	—
– Hong Kong	26	—
	142	—
Debt instruments		
Money-market securities investment funds	2,712	—
Unlisted entrusted products	718	—
Unlisted open-end equity funds	231	—
Bond instruments	11	—
	3,672	—
Derivative financial instruments *(Note (a))*		
– future contracts	3	—
– forward foreign exchange contracts	1	—
	4	—
	3,818	—
Total	12,519	—

26. Financial assets/(liabilities) at fair value through profit or loss *(continued)*

Financial liabilities at FVPL

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Current liabilities		
Derivative financial instruments *(Note (a))*		
– future contracts	**97**	–
– foreign exchange swaps	**19**	–
	116	–

(a) As at 30 June 2018, the Group has entered into forward foreign exchange contracts and foreign exchange swaps contracts in order to protect against exchange rate movements. Under those forward foreign exchange contracts, the Group will purchase RMB by EUR at fixed rates up to appointed dates in 2018 and 2019. Under those foreign exchange swaps contracts, the Group will purchase RMB by USD at fixed rates up to appointed dates in 2018.

As at 30 June 2018, the Group has one EUR interest rate swap contract with maturity in 2021. The Group will receive interest at fixed rates and pay interest at floating rates under this contract.

27. Held-For-Trading Financial Assets/(Liabilities)

Held-for-trading financial assets

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Money-market securities investment funds	**–**	2,656
Equity securities listed in Mainland China, at quoted prices	**–**	199
Bond instruments	**–**	82
Equity securities listed in Hong Kong, at quoted prices	**–**	24
Derivative financial instruments		
– future contracts	**–**	2
	–	2,963

Held-for-trading financial liabilities

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Derivative financial instruments		
– future contracts	**–**	26
– foreign exchange swaps	**–**	25
– forward foreign exchange contracts	**–**	6
	–	57

28. Share Capital

	Number of shares		Nominal value	
	Six months ended 30 June 2018 ***(thousands)*** **(Unaudited)**	Year ended 31 December 2017 *(thousands)* (Audited)	**Six months ended 30 June 2018** ***RMB million*** **(Unaudited)**	Year ended 31 December 2017 *RMB million* (Audited)
Registered, issued and fully paid				
A Shares of RMB1.00 each				
At beginning and end of period/year	**18,636,912**	18,636,912	**18,637**	18,637
H Shares of RMB1.00 each				
At beginning and end of period/year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	22,844,302	**22,844**	22,844

As at 30 June 2018, the A Shares (18,636,912,000 shares) and H Shares (4,207,390,000 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.

29. Reserves

(a) Capital Reserve

The balance of capital reserve mainly comprises the difference between the nominal value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the Reorganisation in September 2007, capital contribution by CREC as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC accounting standards, reserve generated from the acquisition of subsidiaries under common control and the actuarial gains or losses arising from the remeasurement of defined benefit obligations.

In June 2018, the Group received the cash consideration of RMB11,597 million in total from certain third-party investors to acquire a proportion of equity interests in China Railway Erju Engineering Co., Ltd. ("China Railway Erju Engineering"), China Railway No.3 Engineering Group Co., Ltd. ("China Railway No.3 Engineering"), China Railway No.5 Engineering Group Co., Ltd. ("China Railway No.5 Engineering") and China Railway No.8 Engineering Group Co., Ltd. ("China Railway No.8 Engineering"). The Company's equity interests in these subsidiaries were diluted to 74.68% in China Railway Erju Engineering, 70.62% in China Railway No.3 Engineering, 73.02% in China Railway No.5 Engineering and 76.19% in China Railway No.8 Engineering, and still remains control over these subsidiaries. At 30 June 2018, the capital contribution resulted in an increase of RMB1,856 million in capital reserve and an increase of RMB9,741 million in non-controlling interests.

29. Reserves *(continued)*

(b) 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 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.

30. Perpetual Notes

The Company issued three tranches of public perpetual notes on 1 July 2014, 21 January 2015 and 11 June 2015 with a total principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. In addition the Company issued the first tranche of private perpetual notes on 3 April 2015 with a total principal amount of RMB2 billion.

The notes have no fixed maturity and are redeemable at the Company's option on or after the fifth interest payment date, at their principal amounts together with any accrued, unpaid or deferred coupon payments.

As long as the compulsory interest payment events have not occurred, the Company has the right to choose to defer interests payment at each coupon date without times limit of deferral, which does not cause the Company for breach of contract.

The Company could not defer current interests and all deferred interests when below compulsory interest payment events occur before 12 months of the interest payment date:

- to declare and pay dividend to ordinary shareholders;
- to decrease share capital.

The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual notes, and the perpetual notes should be classified as equity.

31. Trade and other Payables

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Trade and bills payables *(Note (a))*	**325,598**	336,388
Advance from customers	**248**	69,608
Accrued payroll and welfare	**2,994**	3,017
Dividend payables	**3,811**	607
Other taxes	**2,655**	2,989
Deposit received in advance	**1,061**	989
Deposits from CREC and fellow subsidiaries	**124**	98
Other payables	**62,771**	58,698
	399,262	472,394
Analysed for reporting purposes as:		
Non-current	**3,211**	2,911
Current	**396,051**	469,483
	399,262	472,394

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB5,249 million (31 December 2017: RMB6,084 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:

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Less than 1 year	**298,887**	306,155
1 year to 2 years	**15,006**	18,544
2 years to 3 years	**5,857**	5,504
More than 3 years	**5,848**	6,185
	325,598	336,388

(b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from CREC and fellow subsidiaries. These deposits were due within one year with average annual interest rate of 1.3%.

32. Borrowings

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Bank borrowings:		
Secured	**31,965**	30,303
Unsecured	**110,633**	94,013
	142,598	124,316
Long-term debentures, unsecured	**32,893**	36,002
Other borrowings:		
Secured	**2,163**	-
Unsecured	**9,136**	13,616
	44,192	49,618
	186,790	173,934
Analysed for reporting purposes:		
Non-current	**91,317**	85,451
Current	**95,473**	88,483
	186,790	173,934

(a) On 19 June 2013, a wholly owned subsidiary of the Group, China Railway Resource Group Co., Ltd. ("CRRGC"), issued the first tranche of the private placement note, in a principle amount of RMB2,000 million with a maturity date of 19 June 2018. The note bears fixed interest rate at 6.30% per annum. Interest is payable annually in arrears. As at 30 June 2018, these debentures have been fully paid off.

On 14 May 2015, CRRGC issued the first tranche of the private placement note, in a principal amount of RMB1,000 million with a maturity date of 14 May 2018. The note bears interest at a fixed rate of 6.40% per annum. Interest is payable annually in arrears. As at 30 June 2018, these debentures have been fully paid off.

(b) Bank borrowings carry interest at rates ranging from 0.75% to 8.00% (31 December 2017: 0.75% to 8.00%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.88% to 4.88% (31 December 2017: 2.88% to 6.40%) per annum.

Other borrowings carry interest at variable rates ranging from 4.35% to 7.49% (31 December 2017: 4.35% to 7.49%) per annum.

32. Borrowings *(continued)*

(c) Movements in borrowings is analysed as follows:

	RMB million **(Unaudited)**
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	**173,934**
Proceeds from borrowings	**62,442**
Acquisition of subsidiaries	**3,400**
Repayments of borrowings and interests	**(56,680)**
Net foreign exchange losses on borrowings	**8**
Accrued interest on borrowings	**3,686**
Closing amount as at 30 June 2018	**186,790**

	RMB million (Unaudited)
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	172,325
Proceeds from borrowings	39,686
Repayments of borrowings and interests	(46,920)
Net foreign exchange gains on borrowings	(167)
Accrued interest on borrowings	3,287
Closing amount as at 30 June 2017	168,211

(d) As at 30 June 2018, the Group has undrawn borrowing facilities of RMB587,071 million (31 December 2017: RMB595,122 million).

32. Borrowings *(continued)*

(e) The details of secured borrowings are set out below:

	As at			
	30 June 2018		31 December 2017	
	Secured borrowings *RMB million* (Unaudited)	Carrying amount of pledged assets and contract value of certain rights *RMB million* (Unaudited)	Secured borrowings *RMB million* (Audited)	Carrying amount of pledged assets and contract value of certain rights *RMB million* (Audited)
Property, plant and equipment *(Note 16)*	**1,168**	**3,823**	9	7
Intangible assets *(Note 17)*	**20,515**	**28,880**	20,586	29,317
Properties under development for sale *(Note 18)*	**10,101**	**19,351**	8,600	18,315
Trade and bills receivables *(Note 21)*	**2,344**	**4,472**	1,108	3,389
	34,128	**56,526**	30,303	51,028

33. Business combinations

Acquisition of Beijing Nuo Cheng Real Estate Co., Ltd.

Beijing Nuo Cheng Real Estate Co., Ltd. ("Nuo Cheng Real Estate") was a then joint venture of the Group, in which the Group indirectly held 33.33% equity interests. In 2018, the Group acquired the remaining 66.67% equity interests in Nuo Cheng Real Estate from Shanghai Xing Yan Tie Hao Property Management Center LLP ("Shanghai Xingyan"), the joint venture partner, at a cash consideration of approximately RMB799 million. The acquisition was completed on 12 April 2018, being the date of the Group obtaining control over Nuo Cheng Real Estate. Upon completion of the acquisition, Nuo Cheng Real Estate became a wholly owned subsidiary of the Group.

Nuo Cheng Real Estate was incorporated in Beijing, PRC, and is primarily engaged in property development in China.

33. Business combinations *(continued)*

Acquisition of Beijing Nuo Cheng Real Estate Co., Ltd. *(continued)*

The following table summarises the consideration paid for Nuo Cheng Real Estate and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 12 April 2018 *RMB million*
Purchase consideration	
– cash paid	799
– Fair value of 33% equity interest held at the acquisition date	400
	1,199
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	67
Inventories	3,770
Trade and other receivables	20
Borrowings	(1,800)
Trade and other payables	(858)
Net assets acquired by the Group	1,199
Goodwill	-
Net cash outflow in respect of the acquisition of the Nuo Cheng Real Estate is analysed as follows:	
Purchase consideration	
– cash paid	799
Less: cash and cash equivalents in acquired subsidiary	(67)
Net cash outflow on acquisition	732

Nuo Cheng Real Estate contributed revenue of RMB101 million and incurred loss of RMB41 million to the Group for the period from acquisition date to 30 June 2018. Nuo Cheng Real Estate has generated revenue of RMB995 million in the six months period ended 30 June 2018. If the acquisition had occurred on 1 January 2018, unaudited net profit for the six months period ended 30 June 2018 would have been RMB255 million.

Acquisition of Kunming Xun Zhan Highway Development Co., Ltd.

Kunming Xun Zhan Highway Development Co., Ltd. ("Xun Zhan Highway") was a then joint venture of the Group, in which the Group indirectly held 20% of equity interests. In 2018, the Group acquired 70% equity interests in Xun Zhan Highway from Beijing China Railway Hua Rui Construction Investment Management Center LLP ("Beijing Hua Rui"), one of the joint venture partners, at a cash consideration of approximately RMB200 million. Afterwards, the Group injected cash capital of approximately RMB306 million in proportion with other investors. The acquisition was completed on 27 March 2018, being the date of the Group obtaining control over Xun Zhan Highway. Upon completion of the acquisition, the Group indirectly held 90% equity interests in Xun Zhan Highway.

33. Business combinations *(continued)*

Acquisition of Kunming Xun Zhan Highway Development Co., Ltd. *(continued)*

Xun Zhan Highway was incorporated in Yunnan Province, PRC, and is primarily engaged in construction, management, operation, maintenance and investment of highway in China.

The following table summarises the consideration paid for Xun Zhan Highway and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 27 March 2018 *RMB million*
Purchase consideration	
– cash paid	506
– Fair value of 20% equity interest held on acquisition date	20
	526
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	28
Trade and other receivables	181
Intangible assets	1,828
Borrowings	(800)
Trade and other payables	(361)
Total identifiable net assets	876
Less: non-controlling interests	(350)
Net assets acquired by the Group	526
Goodwill	-
Net cash outflow in respect of the acquisition of the Xun Zhan Highway is analysed as follows:	
Purchase consideration	
– cash paid	506
Less: cash and cash equivalents in acquired subsidiary	(28)
Net cash outflow on acquisition	478

Xun Zhan Highway contributed no revenue and profit to the Group for the period from acquisition date to 30 June 2018. Xun Zhan Highway is under construction and has not generated any revenue for the six months period ended 30 June 2018.

33. Business combinations *(continued)*

Acquisition of Kunming Dong Ge Highway Development Co., Ltd.

Kunming Dong Ge Highway Development Co., Ltd. ("Dong Ge Highway") was a then joint venture of the Group, in which the Group indirectly held 20% equity interests. In 2018, the Group acquired 70% equity interests in Dong Ge Highway from Beijing Hua Rui, one of the joint venture partners, at a cash consideration of approximately RMB70 million. The acquisition was completed on 29 March 2018, being the date of the Group obtaining control over Dong Ge Highway. Upon completion of the acquisition, the Group indirectly held 90% equity interests in Dong Ge Highway.

Dong Ge Highway was incorporated in Yunnan province, PRC, and is primarily engaged in construction, management, operation, maintenance and investment of highway in China.

The following table summarises the consideration paid for Dong Ge Highway and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 29 March 2018 *RMB million*
Purchase consideration	
– cash paid	70
– Fair value of 20% equity interest held on acquisition date	50
	120
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	64
Trade and other receivables	550
Intangible assets	2,035
Borrowings	(1,300)
Trade and other payables	(648)
Total identifiable net assets	701
Less: non-controlling interests	(581)
Net assets acquired by the Group	120
Goodwill	-
Net cash outflow in respect of the acquisition of the Dong Ge Highway is analysed as follows:	
Purchase consideration	
– cash paid	70
Less: cash and cash equivalents in acquired subsidiary	(64)
Net cash outflow on acquisition	6

Dong Ge Highway contributed no revenue and profit to the Group for the period from acquisition date to 30 June 2018. Dong Ge Highway is under construction and has not generated any revenue for the six months period ended 30 June 2018.

34. Contingencies

	As at 30 June 2018 RMB million (Unaudited)	31 December 2017 RMB million (Audited)
Pending lawsuits *(Note (a))*		
– arising in the ordinary course of business	**3,076**	1,468
– overseas lawsuits	**438**	-
Outstanding guarantees *(Note (b))*	**28,786**	25,863

(a) The Group has been named 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 management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for those pending lawsuits where the management considered that the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The aggregate sum of those unprovided claims is disclosed in the table above.

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

	As at 30 June 2018		As at 31 December 2017	
	RMB million (Unaudited)	**Expiry period**	RMB million (Audited)	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,197**	**2018-2023**	5,077	2018-2023
Joint ventures	**400**	**2018-2019**	400	2018-2019
A government-related entity	**58**	**2019**	58	2019
Property purchasers	**25,835**	**2018-2038**	23,121	2018-2038
Former associates	**654**	**2020-2027**	754	2020-2027
	32,144		29,410	

(c) The Group has an unconditionally non-cancellable purchase arrangement to acquire the controlling shareholdings of an entity (being the owner of a construction project undertaken), then to offer shareholder's loan to repay its debts in condition that the entity fails to repay the loan principle and interest when they fall due. As at 30 June 2018, the entity has failed to repay its loan principle and interest. The Group is in the process of negotiating the sale & purchase arrangement with the entities' shareholders.

35. Commitments

(a) Capital expenditure

Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Property, plant and equipment	**1,538**	1,129

(b) Investment commitment

According to relevant agreements, the Group has the following commitments:

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Investment commitment to an associate *(Note (i))*	**15,078**	15,316
Investment commitment to a joint venture	**3,367**	1,661
	18,445	16,977

(i) The amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) 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 condensed consolidated interim financial information. 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.

35. Commitments *(continued)*

(c) Operating lease commitments – as leasee

The Group leases various offices, warehouses, residential properties, machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2018	31 December 2017
	RMB million	*RMB million*
	(Unaudited)	(Audited)
No later than 1 year	**324**	672
Later than 1 year and no later than 5 years	**168**	152
Later than 5 years	**9**	50
	501	874

36. Related-party transactions

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 period, 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 period and balances arising from related party transactions at the end of the reporting period.

36. Related-party transactions *(continued)*

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Transactions with the CREC Group		
– Revenue from construction contracts	**2**	1
– Service expenses paid	**30**	10
– Rental expense	**9**	7
– Interest income	**16**	29
– Interest expense	**1**	1
Transactions with joint ventures		
– Revenue from construction contracts	**11,121**	2,456
– Revenue from sales of goods	**23**	17
– Revenue from rendering of services	**1**	-
– Interest income	**128**	44
– Interest expense	**-**	3
– Purchases	**540**	487
Transactions with associates		
– Revenue from construction contracts	**7,884**	4,144
– Revenue from rendering of services	**-**	2
– Revenue from sales of goods	**596**	924
– Service expenses paid	**1**	-
– Interest income	**-**	7
– Rental income	**1**	2
– Purchases	**2,346**	1,581

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

(b) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries, housing allowances and other allowances	**1,252**	1,507
Contributions to pension plans	**211**	218
Others	**1,142**	937
	2,605	2,662

36. Related-party transactions *(continued)*

(c) Balances with related parties

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Balances with the CREC Group		
Trade and bills receivables	**13**	13
Other receivables	**4**	-
Advance to suppliers	**104**	128
Other financial assets at amortised cost	**695**	—
Loan receivables	**—**	693
Trade payables	**8**	15
Other payables	**133**	118
Dividend payables	**-**	1
Borrowings	**124**	98
Balances with joint ventures		
Trade and bills receivables	**7,640**	6,907
Other receivables	**309**	2,107
Advance to suppliers	**26**	5
Other financial assets at amortised cost	**4,422**	—
Loans receivables	**—**	1,274
Trade payables	**453**	521
Other payables	**109**	58
Contract liabilities	**635**	—
Advance from customers	**-**	75
Borrowings	**66**	5
Balances with associates		
Trade and bills receivables	**9,374**	6,628
Other receivables	**865**	677
Other financial assets at amortised cost	**1,961**	—
Loans receivables	**—**	1,824
Dividend receivables	**1**	28
Advance to suppliers	**82**	58
Trade payables	**231**	164
Other payables	**565**	592
Contract liabilities	**583**	—
Advance from customers	**-**	754
Borrowings	**15**	10

36. Related-party transactions *(continued)*

(d) Guarantees

	As at 30 June 2018 RMB million (Unaudited)	As at 31 December 2017 RMB million (Audited)
Outstanding loan guarantees provided by the Group to		
– Joint ventures	**100**	200
– Associates	**2,181**	2,044
– A government-related entity	**17**	17
Outstanding debentures guarantees provided by CREC to the Group	**11,000**	11,000

37. Events occurring after the balance sheet date

Subsequent to 30 June 2018, the following significant event took place:

On 6 August 2018, the Company entered into equity acquisition agreements ("Equity Acquisition Agreements") with certain non-controlling shareholders (the "Transferors") of China Railway Erju Engineering, China Railway No.3 Engineering, China Railway No.5 Engineering, and China Railway No.8 Engineering (together, the "Subsidiaries"), to acquire 25.32%, 29.38%, 26.98%, and 23.81% of equity interests in these Subsidiaries, respectively, at a consideration of approximately RMB11,654 million, by issuance of a total of approximately 1,696 million new A Shares at an issue price of RMB6.87 per share to the Transferors. The consideration and the number of new A shares for issuance are subject to final adjustment according to the appraisal results by an independent valuer. The Equity Acquisition Agreements will become effective upon the approval from the Board of Directors and the shareholders' general meeting, and relevant governmental authorities. Upon completion of the transactions under the Equity Acquisition Agreements, the total A Shares of the Company held in aggregate by the Transferors will represent approximately 8.34% of the total A Shares and approximately 6.91% of the total share capital of the Company as enlarged by the new A share issuance. The Subsidiaries will become wholly owned subsidiaries of the Company.

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