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)

2018 Interim Results Announcement

The Board of Directors of China Railway Group Limited (the "**Company**" or "**China Railway**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018. The Board of Directors and the Audit and Risk Management Committee of the Board of Directors of the Company have reviewed and confirmed the unaudited interim results.

1 CORPORATE INFORMATION

1.1 Basic Information

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

1.2 Contact Details

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

2 FINANCIAL HIGHLIGHTS

2.1 Key Accounting Data Prepared in accordance with International Financial Reporting Standard ("IFRS")

2.1.1 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

2.1.2 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

2.2 Differences between Financial Statements Prepared in accordance with IFRS and Chinese Accounting Standard ("CAS")

	Net assets as at 30 June 2018	**Profit for the period from January to June 2018**
	RMB million	*RMB million*
Amount attributable to equity holders of the listed company stated in the financial statements prepared in accordance with CAS	164,284	9,552
Adjustments as required by IFRS:		
– Recognition of loss on shares conversion scheme of a subsidiary	(163)	–
Amount attributable to owners of the Company stated in the financial statements prepared in accordance with the IFRS	164,121	9,552

3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 Changes in Share Capital

3.1.1 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 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 by the Company or required by regulators that should be disclosed

Not applicable

3.1.2 Changes in shares with selling restrictions

Not applicable

3.2 Information on Shareholders

3.2.1 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

(i) 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		Nature of shareholder
						Condition of shares	Number	
1	China Railway Engineering Group Company Limited ("**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

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		Nature of shareholder
						Condition of shares	Number	
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.

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 of which has been 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.

(ii) 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

No.	Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares Type	Quantity
9	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100

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

Note 1: 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 of which has been 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.

(iii) 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 listing and 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. 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).*

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

Not applicable

3.3 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

3.4 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.

3.5 Directors', Chief Executive's and Supervisors' Interest and Short Positions 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 The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to 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

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

The Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as at 30 June 2018 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

Note:

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.

3.7 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. Having made specific 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.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Overview

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 Party Central Committee of China, State Council and State-owned Assets Supervision and Administration Commission of the State Council. 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 promote 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 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.

4.2 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, in particular, 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 of the Belt and Road Initiative 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 Belt and Road Initiative 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.

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 Belt and Road Initiative. 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 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.

4.3 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' 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: RMB100 million

Business segments		Value of new contracts			Value of contract backlog		
		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%**

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 respective 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 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.

4.4 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 same 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 same 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 same 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 same 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.

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 same 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 "IRFS 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 same 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

As a result of the foregoing factors, 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.

4.5 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 same 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 Belt and Road Initiative, 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.

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 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.

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

No	Project name	Type	Mining Resources Grade	Resources/Reserve (Available) Unit	Quantity	Group's share (%)	Planned total investment (billion)	Accumulated investment (billion)	Investment in the reporting period (billion)	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.088%	Thousand tonne	708.2	83	4.217	4.102	–	Completed	Under production
2	Luishia Copper-Cobalt Mine, Congo	Cooper	2.47%	Thousand tonne	657.8	72	1.657	1.989	0.165	Completed	Under production
		Cobalt	0.168%		44.9						
3	MKM Copper-Cobalt Mine, Congo	Cooper	2.78%	Thousand tonne	86.4	80.2	1.195	1.199	0.03	Completed	Under production
		Cobalt	0.33%		10.2						
4	Sicomines Copper-Cobalt Mine, Congo	Cooper	3.41%	Thousand tonne	8,309.7	41.72	24.915	10.790	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	0.64	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	Wurileaobao and Zhanggaitaolegai Gold Mine, Xinxin Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Not yet commenced development and construction
8	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						

4.6 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 corresponding period 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	31 December 2017
	RMB million	*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.

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

4.7 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	31 December 2017
	RMB million	*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.

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

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 *RMB million*	**Carrying value of pledged assets and contract value of certain rights** *RMB million*	Secured borrowings *RMB million*	Carrying value of pledged assets and contract value of certain rights *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%, 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. (the "**Investors**") entered into 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 Company's general meeting of shareholders and the relevant regulatory authorities, As at the date of this announcement, the Company is proactively progressing the Restructuring.

4.8 Contingent Liabilities

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

	As at	
	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.*

4.9 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, plus high risk of the construction industry, and the rapid growth in the business scale of the Company in recent years as well as the gradually wider span of its operation, project management becomes more and more difficult, posing a severe challenge to the safety and quality management for the projects, cadre ethics and enterprise stability, which could result in certain management risks.

(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.

4.10 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.

5 SIGNIFICANT EVENTS

5.1 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.

5.2 The Plan for Profit Distribution or Capitalisation of Capital Reserves

5.2.1 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

5.2.2 Formulation and implementation of the cash dividend policy during the reporting period

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 2017 annual general meeting 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 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.

5.3 Performance Status of Undertakings

5.3.1 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	/	/

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.

5.4 Appointment and Removal of Auditors

5.4.1 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 2017 annual general meeting 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.

5.4.2 Explanation on the change of auditors during the audit period

Not applicable

5.4.3 Explanation of the Company on the "Modified Audit Report" from auditors

Not applicable

5.4.4 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

5.5 Matters Relating to Insolvency or Restructuring

Not applicable

5.6 Material Litigation and Arbitration

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

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

Not applicable

5.8 Integrity of the Company and its Controlling Shareholders 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.

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

Not applicable

5.10 Significant Related Party Transactions

5.10.1 Related party transactions in ordinary course of business

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

Not applicable

(2) 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. The terms of both agreements are 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.			

(3) Matters undisclosed in announcement

Not applicable

5.10.2 Related party transactions in relation to acquisition and disposal of assets

Not applicable

5.10.3 Significant related party transactions in relation to joint external investment

Not applicable

5.10.4 Amounts due from/to related parties

Not applicable

5.10.5 Other significant related party transactions

Not applicable

5.10.6 Others

(1) 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).

(2) 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.*

5.11 Material Contracts and Their Performance

5.11.1 Trusteeship, Contracting and Leasing

Not applicable

5.11.2 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	Incidental 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	Incidental 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	Incidental 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	Incidental 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	Incidental 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	Incidental 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	Incidental 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	Incidental 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, effective 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 guarantees above (C+D+E)	34,517,221.40
Description of the incidental repayment liability may be assumed by unexpired guarantee	
Description of 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.

5.11.3 Other material contracts or transactions

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

(1) Infrastructure construction business

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

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	Yuwan Railway Co., Ltd., Wujiu Passenger Railway Line Hubei Co., Ltd., Jingguang Passenger Railway Line Henan Co., Ltd., Wu-Guang 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

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 one of Line 3 of Nanning Rail Transport (Keyuan Road 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

(2) 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 line 13 Shenzhen urban railway communication	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

(3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel structure						
1	China Railway Baoji Bridge	Nanjing Pubic Project Construction Center	Manufacturing of the steel structure of the Fifth Nanjing Yangtze River Bridge (B1 section)	2017-08	53,929	35 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ – 1 Section	2014-11	49,048	41 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu – Guiyang High Speed Railway Co., Ltd.	New Chengdu – Guiyang Railway (Leshan-Guiyang Segment)	2016-11	31,712	24 months
2	China Railway Shanhaiguan Bridge	Changjiu Intercity Railway Co. Ltd.	New Nanchang-Ganzhou Railway Passenger Dedicated Line (High Speed)	2017-10	31,581	12 months

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
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

(4) Property development business

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

(5) BOT operation projects

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

(6) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway 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 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

Material contracts signed during the reporting period:

(1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering China Railway No. 4 Engineering, China Railway Guangzhou	Hukun 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 Shuang-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 Construction Investment Co., Ltd.	Conversion of Tibet Highway 109 of Naqu-Lhasa third section (Naqu-Yangbajain 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
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)	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

(2) 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 contract terms enforced
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

(3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel structure						
1	China Railway 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 constrtuction 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 Constuct LCC JV	EPB Shield Sales & Purchase Contract	2018-01	12,625	8 months

(4) Property development business

No.	Project name	Province where the project is located	Project type	Planned area (0,000 m^2)
1	Changchun Automobile Industrial Development Zone Project 00056	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 Project 39	Wuhan, Hubei	Residential	Approximately 14.17

(5) Material infrastructure investment projects

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

5.11.4 Particulars of material properties

(1) Properties held for development and/or sale

Name of building or project	Specific address	Current land use	Site area (0'000 m^2)	Floor area (0'000 m^2)	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%

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
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%

(2) 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%
Gongti Building, 3/F, Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Huashuiwan Celebrity Resort	Huashuiwan Town, 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%

5.12 Poverty Relief Efforts of the Listed Company

5.12.1 Precise poverty relief plans

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and SASAC, in response to the call of the 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 poor 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 poor 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.

5.12.2 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 proverty 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.

5.12.3 Effectiveness of precisee poverty relief efforts

Unit: 0'000 Currency: RMB

Indicators			Quantity and Progress
I. General			
Representing:	1.	Funds	642.66
	2.	Value of resources donated	48.74
	3.	Number of impoverished people registered for poverty alleviation (person)	1,089
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 poverty areas	11.75
5. Poverty alleviation through health			
Representing:	5.1	Contributed amount in medical and hygienic resources in poverty areas	

Indicators			Quantity and Progress
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

5.12.4 Staged progress in fulfilling the social responsibilities of precision 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 set up, 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.

5.12.5 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.

5.13 Convertible Corporate Bonds

Not applicable

5.14 Environmental protection information

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

Not applicable

5.14.2 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.

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.

5.14.3 Explanation of reasons for the undisclosed environmental information of the Company other than highly polluting companies

Not applicable

5.14.4 Explanation of the subsequent progress or changes in the disclosure of environmental information content during the reporting period

Not applicable

5.15 Explanation for Other Significant Events

5.15.1 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.

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.

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

Not applicable

5.15.3 Others

Not applicable

5.16 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.

5.17 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 and the Audit and Risk Management Committee of the Board.

6 FINANCIAL REPORT

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited Six month ended 30 June **2018** ***RMB million***	 2017 *RMB million*
Revenue	*5*	**316,102**	298,553
Cost of sales and services		**(284,970)**	(271,106)
Gross profit		**31,132**	27,447
Other income	*6*	**881**	860
Other expenses	*6*	**(4,317)**	(3,642)
Net impairment losses on financial assets and contract assets	*7*	**(2,206)**	–
Other gains/(losses), net	*8*	**301**	(2,178)
Selling and marketing expenses		**(1,503)**	(1,301)
Administrative expenses		**(10,289)**	(9,598)
Operating profit		**13,999**	11,588
Interest income		**799**	1,026
Interest expenses		**(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	*9*	**(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	*11*	**0.394**	0.310
– Diluted	*11*	**0.394**	0.310

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2018** *RMB million*	Audited 31 December 2017 *RMB million* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**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		**40,983**	35,995
Mining assets		**4,060**	4,142
Contract assets		**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		**6,124**	–
Available-for-sale financial assets		**–**	13,418
Other financial assets at amortised cost		**7,151**	–
Other loans and receivables		**–**	7,777
Financial assets at fair value through profit or loss		**8,701**	–
Deferred tax assets		**5,648**	5,731
Other prepayments		**266**	294
Trade and other receivables	*12*	**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		**76,807**	74,253
Inventories		**40,658**	30,946
Financial assets at fair value through other comprehensive income		**279**	–
Available-for-sale financial assets		**–**	1,272
Trade and other receivables	*12*	**254,585**	245,748
Contract assets		**129,253**	–
Amounts due from customers for contract work		**–**	114,459
Current income tax recoverable		**2,358**	1,602
Other financial assets at amortised cost		**15,316**	–
Other loans and receivables		**–**	16,990
Financial assets at fair value through profit or loss		**3,818**	–
Held-for-trading financial assets		**–**	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

	Note	**Unaudited 30 June 2018** ***RMB million***	Audited 31 December 2017 *RMB million* (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**22,844**	22,844
Share premium and reserves		**129,337**	120,335
Perpetual notes		**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	*13*	**3,211**	2,911
Borrowings		**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	*13*	**396,051**	469,483
Contract liabilities		**94,875**	–
Amounts due to customers for contract work		**–**	14,964
Current income tax liabilities		**3,812**	5,572
Borrowings		**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		**116**	–
Held-for-trading financial liabilities		**–**	57
		591,031	579,303
Total liabilities		**692,674**	674,364
Total equity and liabilities		**881,540**	843,922

Notes:

1. GENERAL INFORMATION

China Railway Group Limited (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("**Reorganisation**") of China Railway Engineering Group Company Limited ("**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 interpretations adopted by the Group

The following new and amended standards and interpretations 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" *(Note (i))*	1 January 2018
IFRS 15 "Revenue from contracts with customers" *(Note (ii))*	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

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, except for IFRS 9 and IFRS 15.

The adoption of IFRS 9 and IFRS 15 resulted in changes in accounting policies. In accordance with the transitional provision in IFRS 9 and IFRS 15, there classifications and the adjustments arising from the new impairment rules and the adjustment of the accumulative effects of applying IFRS 15 are not restated in the comparative figures, but are recognised in the opening balance sheet on 1 January 2018.

(i) *IFRS 9 "Financial Instruments"*

The adoption of IFRS 9 mainly resulted in changes of accounting policies for recognition, classification and measurement of financial instruments and the impairment of financial assets. The overall impact on the Group's equity as at 1 January 2018 were an increase of RMB829 million of the other comprehensive income recorded in investment revaluation reserve, an increase of RMB222 million of the retained earnings, and an increase of RMB7 million of the statutory reserves of the Group, and a decrease of RMB5 million of non-controlling interests, respectively.

(ii) *IFRS 15 "Revenue from Contracts with Customers"*

Upon the adoption of IFRS 15, as at 1 January 2018, the Group recognised contract assets of RMB120,011 million, net of a related impairment provision amounting to RMB596 million and contract liabilities of RMB84,436 million, respectively. There is no impact on the Group's retained earnings as at 1 January 2018 by initial application of IFRS 15.

(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.

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. 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. 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 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. As a result, the balance sheet as at 31 December 2017 has been restated with current portion of trade and other receivables amounting to RMB18,654 million reclassified to non-current, and current portion of trade and other payables amounting to RMB2,413 million reclassified to non-current.

5. SEGMENT INFORMATION

The board of directors of the Company (the “**Directors**”) is 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.

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)

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

	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)

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.

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.

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

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.

6. 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 fair value through profit or loss	**330**	–
Dividend income financial assets at fair value through other comprehensive income	**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.

7. 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	**2,092**	–
Other financial assets at amortised cost	**61**	–
Contract assets	**53**	–
	2,206	–

8. 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 fair value through profit or loss	**52**	–
Losses on disposal of financial assets/liabilities at fair value through profit or loss	**(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)

9. 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.

10. 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).

11. 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.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB million (Unaudited)	31 December 2017 RMB million (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).

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 were discounted with third parties (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.

13. TRADE AND OTHER PAYABLES

	As at **30 June 2018** *RMB million* **(Unaudited)**	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 *(Note (b))*	**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 other 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)**	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%.

ISSUE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2018 Interim Report prepared in accordance with IFRS will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2018 Interim Report and its Summary prepared in accordance with CAS will be released on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.crec.cn).

The Board of Directors of
China Railway Group Limited

30 August 2018

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