



**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

**2019**  
**Interim Report**



## CONTENTS

**2**

Company Profile

**3**

Financial Summary

**4**

Chairman's Report

**6**

Changes in Share Capital and  
Information on Shareholders

**14**

Directors, Supervisors and Senior Management

**18**

Management Discussion and Analysis

**38**

Significant Events

**57**

Definition and Glossary of Technical Terms

**58**

Company Information

**60**

Report on Review of  
Interim Financial Information

**61**

Interim Financial Information

## COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 55th on the 2019 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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

## FINANCIAL SUMMARY

Financial data presented in this Interim Report are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and, unless otherwise specified, are consolidated amounts of the Company and its subsidiaries and are denominated in Renminbi.

### Summary of Interim Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June					Change 2019 vs 2018 (%)
	2019	2018	2017 <i>RMB million</i>	2016	2015	
<b>Revenue</b>						
Infrastructure Construction	324,150	276,636	260,889	240,533	240,609	17.2
Survey, Design and Consulting Services	7,978	7,553	6,750	5,738	5,596	5.6
Engineering Equipment and Component Manufacturing	11,147	9,615	9,321	7,547	6,876	15.9
Property Development	13,898	12,411	11,113	10,873	8,308	12.0
Other Businesses	30,741	29,237	24,203	16,674	20,320	5.1
Inter-segment Eliminations and Adjustments	(26,027)	(19,350)	(13,723)	(12,918)	(17,191)	
<b>Total</b>	<b>361,887</b>	<b>316,102</b>	<b>298,553</b>	<b>268,447</b>	<b>264,518</b>	<b>14.5</b>
<b>Gross Profit</b>	<b>34,818</b>	<b>31,132</b>	<b>27,447</b>	<b>21,968</b>	<b>21,531</b>	<b>11.8</b>
<b>Profit before Tax</b>	<b>14,634</b>	<b>12,713</b>	<b>10,844</b>	<b>7,804</b>	<b>6,665</b>	<b>15.1</b>
<b>Profit for the Period</b>	<b>11,263</b>	<b>9,412</b>	<b>7,549</b>	<b>5,394</b>	<b>4,405</b>	<b>19.7</b>
<b>Profit for the Period Attributable to Owners of the Company</b>	<b>10,514</b>	<b>9,552</b>	<b>7,707</b>	<b>5,463</b>	<b>4,577</b>	<b>10.1</b>
<b>Basic Earnings per Share (RMB)</b>	<b>0.399</b>	<b>0.394</b>	<b>0.310</b>	<b>0.224</b>	<b>0.215</b>	<b>1.3</b>

### Summary of Interim Condensed Consolidated Balance Sheet

	30 June 2019	As at		Change	
		31 December 2018	30 June 2018	30 June 2019 vs 31 December 2018 (%)	30 June 2019 vs 30 June 2018 (%)
<b>Assets</b>					
Current Assets	691,202	652,040	655,075	6.0	5.5
Non-current Assets	320,867	290,473	226,465	10.5	41.7
<b>Total Assets</b>	<b>1,012,069</b>	<b>942,513</b>	<b>881,540</b>	<b>7.4</b>	<b>14.8</b>
<b>Liabilities</b>					
Current Liabilities	651,541	622,475	591,031	4.7	10.2
Non-current Liabilities	130,846	98,057	101,643	33.4	28.7
<b>Total Liabilities</b>	<b>782,387</b>	<b>720,532</b>	<b>692,674</b>	<b>8.6</b>	<b>13.0</b>
<b>Total Equity</b>	<b>229,682</b>	<b>221,981</b>	<b>188,866</b>	<b>3.5</b>	<b>21.6</b>
<b>Total Equity and Liabilities</b>	<b>1,012,069</b>	<b>942,513</b>	<b>881,540</b>	<b>7.4</b>	<b>14.8</b>

# CHAIRMAN'S REPORT

Dear shareholders and investors,

**Development is our top priority.** In the first half of 2019, amid a complex and ever-changing market environment and severe risks, we maintained our strategic focus, stuck firmly to our development goals, and spared no effort to seize market opportunities and further promote reform and opening-up. We continued to deepen the management of laboratory activities, fully fulfill our social responsibilities, and strive to improve corporate governance capabilities. New orders signed, operating revenue and recorded profits are the best among the same periods in history, which contributed to the Company's high-quality development. During the first half of the year, the Company made further progress in international and domestic markets, prioritized overseas expansion, and pursued high-quality development. The bid winning of Hungary-Serbia Railway project and key projects promoting the interconnection of surrounding countries, such as the China-Laos Railway and Indonesian Jakarta-Bandung High-speed Railway, made steady progress. During the second Belt and Road Forum for International Cooperation, the Bandar Malaysia Project in Malaysia was resumed in the presence of the prime ministers of China and Malaysia. The Company has been in the Fortune Global 500 for 14 consecutive years, ranking 55th this year. It has been deemed an A-type enterprise in performance appraisals by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") for six consecutive years, ranking 19th among Chinese central State-owned enterprises. It ranks second among the world's largest contractors according to Engineering News-Record ("ENR").

**Innovation is the prime driving force.** In the first half of 2019, through innovation in the industry and value chains, we focused on improving supply based on market demand, transformed the development momentum, made management relationships more rational, strengthened the guide of design, created new business models, and promoted resource allocation globally. It has cultivated an integrated package of services covering investment, financing, scientific research, design, construction, manufacturing, installation and operation; and we are capable of operation under contracting, investment operation and capital operation; and established the business model of high-end operation, regional operation and three-dimensional operation. Through innovation in products and industries, we have maintained our pioneering advantages in traditional fields such as railways and urban rail transit systems, and maintained our market share in highways, municipal works, housing construction and other fields. We have made great progress in emerging markets, such as the construction of urban agglomerations and promoting urban renewal, developing state-of-the-art rail transit systems, and ensuring comprehensive environmental management. The synergy among PPP, industrial manufacturing, real estate, merchandise trading, mining, finance and infrastructure construction has become more apparent. Through innovation in management and technology, we continued to maintain high standards across several fields, including high-speed railway construction packaged technology, bridge construction technology, tunnel and underground engineering construction technology, and rail transit "E&M system" integration technology. The Company's engineers completed the construction of the whole Beijing-Zhangjiakou High-speed Rail, the first intelligent high-speed rail in China, and topped out the main tower of the Shanghai-Nantong Yangtze River Bridge, the world's longest spanning cable-stayed bridge used for both highway and railway incorporated with world-leading design, construction and manufacturing technology, as well as compiled the "Remanufacturing of Full-section Tunnelling Excavator" (GB/T 37432-2019), which filled a gap in the standard of remanufacturing full-section tunnelling excavators internationally and domestically.

## CHAIRMAN'S REPORT

**Talent is the first resource.** In the first half of 2019, we launched initiatives of “remaining true to our original aspiration and keeping our mission firmly in mind”, and continued to promote the spirit of “being a trailbreaker and serving the country through industry”. We focused on building a talented team and cultivating a pool of high-end talent and made great efforts to foster talents, which created a conducive atmosphere for action, entrepreneurship and shouldering responsibilities, as well as overcoming difficulties and being brave. A group of senior, middle-aged and young employees stood out for their hard work and became the leaders in the industry. Yan Jinxiu, a female tunnel expert, was elected as the President of the International Tunnelling and Underground Space Association (ITA). Xu Gongyi, a bridge expert, won the honor of “2019 Most Beautiful Scientific and Technical Workers” in the country. Wang Hongyu, the overall designer of Beijing-Zhangjiakou High-speed Rail, talked about the responsibilities and mission of young scientific and technical workers on CCTV-1’s VOICE column. Of particular note, in January of this year, General Secretary Xi Jinping inspected the Xiong’an New District and gave encouragement to the Company’s employees who participated in the construction. He said that “Transportation is the foundation for urban construction and economic development. You are trailbreakers for the construction of the Xiong’an New Area, which is a Millennium Project. Your contributions can not be ignored.” This has given us great encouragement and impetus and inspired us to further bear responsibilities and take actions in the new era.

**Keeping our original aspirations in mind, we expect to realize our dream. Forging ahead, we will make further progress.** At present, we are standing at a new historical starting point and at an important and decisive moment of development. In the second half of 2019, the situation faced by the Company are more complicated, and the pressure from competition is even greater. The tasks of reform, development, operation and production are even more arduous. We cannot be comfortable with the status quo nor follow the beaten track, not to mention stand still or stick to outdated methods. I will lead the Company’s management team to further strengthen confidence and diligence, seize market opportunities, consolidate basic management, improve systems and mechanisms, and stimulate development vitality. We will stabilize growth with great enthusiasm, promote reform, adjust structures, benefit people’s livelihood, prevent risks and maintain stability to ensure the completion of the annual target tasks and promote the Company to achieve a more efficient high-quality development at a higher level. We will accelerate the construction of a world-class enterprise with global competitiveness, and deliver satisfactory results to all shareholders and employees.

**ZHANG Zongyan**

*Chairman*

Beijing, the PRC

30 August 2019

# CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 1 Changes in Share Capital

### (1) Changes in share capital

#### (i) Changes in share capital

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

#### (ii) Explanation to the changes in share capital

Not applicable

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

Not applicable

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

Not applicable

### (2) Changes in shares with selling restrictions

Not applicable

## 2 Information on Shareholders

### (1) Number of shareholders

The total number of shareholders of ordinary shares as at the end of the reporting period	645,621
The total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### (2) Shareholdings of the top ten shareholders

*Unit: Shares*

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares Condition of shares	Number	Nature of shareholder
1	CREC <i>(Note 1)</i>	15,827,500	11,598,764,390	50.77%	0	Nil	0	State-owned
2	HKSCC Nominees Limited <i>(Note 2)</i>	0	4,008,595,236	18.27%	0	Nil	0	Other
3	China Securities Finance Corporation Limited	0	683,615,678	2.99%	0	Nil	0	Other
4	Guoxin Investment Co., Ltd.	0	424,904,009	1.86%	0	Nil	0	State-owned
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	State-owned
7	Beijing Chengtong Financial Control Investment Co., Ltd.	0	162,780,809	0.71%	0	Nil	0	State-owned
8	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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 restrictions	Number of pledged or frozen shares Condition of shares	Number	Nature of shareholder
8	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	0	131,135,600	0.57%	0	Nil	0	Other
8	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	0	131,135,600	0.57%	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: During the period from 20 November 2018 to 20 May 2019, CREC accumulatively acquired additional 23,788,100 A shares of the Company through centralized price bidding in the Shanghai Stock Exchange, representing approximately 0.1276% of the total A share capital of the Company. Following the increase in shareholding, CREC held 11,598,764,390 shares in the Company (which consists of 11,434,370,390 A shares and 164,394,000 H shares), representing 50.77% of the total share capital of the Company.*

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

*Note 3: The numbers shown in the table are based on the register of members of the Company as at 30 June 2019.*

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

*Unit: Shares*

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Quantity
1	CREC (Note 1)	11,434,370,390	RMB-denominated ordinary shares	11,434,370,390
			Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited (Note 2)	4,008,595,236	Overseas listed foreign shares	4,008,595,236
3	China Securities Finance Corporation Limited	683,615,678	RMB-denominated ordinary shares	683,615,678
4	Guoxin Investment Co., Ltd.	424,904,009	RMB-denominated ordinary shares	424,904,009
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	Beijing Chengtong Financial Control Investment Co., Ltd.	162,780,809	RMB-denominated ordinary shares	162,780,809
8	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Quantity
8	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
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: During the period from 20 November 2018 to 20 May 2019, CREC accumulatively acquired additional 23,788,100 A shares of the Company through centralized price bidding in the Shanghai Stock Exchange, representing approximately 0.1276% of the total A share capital of the Company. Following the increase in shareholding, CREC held 11,598,764,390 shares in the Company (which consists of 11,434,370,390 A shares and 164,394,000 H shares), representing 50.77% of the total share capital of the Company.*

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

*Note 3: The numbers shown in the table are based on the register of members of the Company as at 30 June 2019.*

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

Not applicable

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

Not applicable

### 3 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Save as disclosed below, as at 30 June 2019, none of the directors, supervisors and chief executive 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name	Capacity	Number of A shares held (long position) (Shares)	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
<b>Supervisor</b>				
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000006	0.000005

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

As at 30 June 2019, the Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

#### Holder of A Shares

Name of substantial shareholder	Capacity	Number of A shares held (Shares)	Nature of interest	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
CREC	Beneficial owner	11,434,370,390	Long position	61.35	50.05



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (Share)	Nature of interest	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
BlackRock, Inc.	Interest of controlled corporations	371,165,875	Long position	8.82	1.62
		343,000	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
The Bank of New York Mellon Corporation	Interest of controlled corporations	274,643,148	Long position	6.53	1.20
		260,178,907	Lending pool	6.18	1.14
JPMorgan Chase & Co.	(Note 1)	247,922,854	Long position	5.89	1.09
		61,762,927	Short position	1.46	0.27
		112,413,809	Lending pool	2.67	0.49
Deutsche Bank Aktiengesellschaft	(Note 2)	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending pool	0.25	0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

#### Notes:

- According to the Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange dated 19 June 2019, 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)
Interest of controlled corporations	66,058,044	49,316,927
Investment manager	63,499,000	12,446,000
Person having a security interest in shares	5,952,001	—
Approved lending agents	112,413,809	—

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

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

3. The interests or short positions include the underlying shares as follows:

Name of substantial shareholders	Long Position				Short Position			
	Listed equity		Non-listed equity		Listed equity		Non-listed equity	
	derivatives payment in kind	Listed equity derivatives settled in cash	derivatives payment in kind	Non-listed equity settled in cash	derivatives payment in kind	Listed equity derivatives settled in cash	derivatives payment in kind	Non-listed equity settled in cash
BlackRock, Inc.	—	—	—	12,998,000	—	—	—	343,000
JPMorgan Chase & Co.	8,112,000	—	20,720,000	374,925	7,000	1,289,000	24,858,517	33,162,410
Deutsche Bank Aktiengesellschaft	—	—	—	17,624,000	—	—	—	10,166,000
Lehman Brothers Holdings Inc.	—	—	10,000,000	—	—	—	60,000	—

Apart from the foregoing, as at 30 June 2019, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 1 Directors

The directors of the Company as at the Latest Practicable Date are as follows:

Name	Age	Position
ZHANG Zongyan (elected as the Chairman on 25 August 2019)	56	Chairman and Executive Director
ZHANG Xian	58	Executive Director
GUO Peizhang	69	Independent Non-executive Director
WEN Baoman	68	Independent Non-executive Director
ZHENG Qingzhi	67	Independent Non-executive Director
CHUNG Shui Ming Timpson	67	Independent Non-executive Director
MA Zonglin	62	Non-executive Director
LI Changjin (resigned on 19 June 2019)	60	Chairman and Executive Director
ZHOU Mengbo (resigned on 19 June 2019)	54	Executive Director

## 2 Supervisors

The supervisors of the Company as at the Latest Practicable Date are as follows:

Name	Age	Position
ZHANG Huijia	58	Chairman of the Supervisory Committee, Shareholder Representative Supervisor
LIU Jianyuan	57	Employee Representative Supervisor
WANG Hongguang	60	Employee Representative Supervisor
CHEN Wenxin	55	Shareholder Representative Supervisor
FAN Jinghua	53	Employee Representative Supervisor

## 3 Senior Management

The senior management of the Company as at the Latest Practicable Date are as follows:

Name	Age	Position
CHEN Yun (appointed on 25 August 2019)	56	President
LIU Hui	59	Vice President
YANG Liang	50	Chief Financial Officer
YU Tengqun	49	Vice President and General Legal Advisor
DUAN Yongchuan	54	Vice President
LIU Baolong	55	Vice President
REN Hongpeng	45	Vice President
KONG Dun	53	Chief Engineer
MA Jiangqian	50	Chief Economist
HE Wen	54	Secretary to the Board and Joint Company Secretary
TAM Chung Chung	46	Joint Company Secretary and Qualified Accountant
ZHANG Zongyan (ceased to act as the President on 25 August 2019)	56	President

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4 Change of Directors, Supervisors and Senior Management

Name	Position	Circumstance of change
ZHANG Zongyan	Chairman and Secretary to the CPC Committee	Elected
CHEN Yun	President	Appointed
LI Changjin	Chairman, Executive Director and Secretary to the CPC Committee	Resigned
ZHOU Mengbo	Executive Director and Deputy Secretary to the CPC Committee	Resigned

The explanation on the changes of directors, supervisors and senior management of the Company:

On 19 June 2019, the Board of Directors of the Company received the written resignation report from Mr. LI Changjin, the former Chairman, an executive director, the Secretary to the Committee of Communist Party of China (“**CPC Committee**”) and the Legal Representative of the Company. In light of his age, Mr. LI Changjin has tendered to the Board of Directors of the Company his resignation as the Chairman, an executive director and the Legal Representative of the Company. Mr. LI Changjin did not hold any positions in the Company after his resignation. On the same date, the Board of Directors of the Company received the written resignation report from Mr. ZHOU Mengbo, the former executive director and the Deputy Secretary to the CPC Committee. Due to personal reasons, Mr. ZHOU Mengbo has tendered to the Board of Directors of the Company his resignation as an executive director of the Company. Mr. ZHOU Mengbo did not hold any positions in the Company after his resignation.

On 25 August 2019, the Company held the 25th meeting of the fourth session of the Board of Directors, and Mr. ZHANG Zongyan was elected as the Chairman of the Company and ceased to act as the President of the Company, the term of office of which commenced from the date of approval by the Board of Directors until the expiry of the term of office of the fourth session of the Board of Directors. Mr. CHEN Yun was appointed as the President of the Company, the term of office of which commenced from the date of approval by the Board of Directors until the expiry of the term of office of the fourth session of the Board of Directors. Mr. CHEN Yun was nominated as a candidate for executive director of the Company, the term of office of which will commence from the date on which the relevant proposal is approved at the shareholders’ general meeting of the Company until the expiry of the term of office of the fourth session of the Board of Directors. For details, please refer to Announcement on Resolution of the 25th Meeting of the Fourth Session of the Board of Directors of China Railway Group Limited (Announcement No.: Lin 2019-053), Announcement of China Railway Group Limited on Change of the Chairman and the Legal Representative of the Company (Announcement No.: Lin 2019-054), Announcement of China Railway Group Limited on Change of the President of the Company (Announcement No.: 2019-055) published on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times and the website of Shanghai Stock Exchange on 26 August 2019 and the announcement published on the website of the Hong Kong Stock Exchange on 25 August 2019 by the Company.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 5 Human Resources and Emolument Policy

The Group has been devoted to improving a remuneration management scheme which is scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that of remuneration distribution may serve, and aimed to attract and retain the core talents of the Group and maintain the normative and orderly growth in remuneration. In respect of remuneration policies, the Group formulated the Guiding Opinion of China Railway Group Limited on Employees' Remuneration Management Work and the Guiding Opinion of China Railway on Strengthening the Construction of Market-oriented Mechanism of Employees' Remuneration that May Increase and Decrease, adopted a remuneration mechanism with grading and classifications, established and improved the scientific, reasonable, normative and effective mechanism of salary which may increase and decrease which is adapted to market, oriented by benefits and linked with appraisal. The Group has established and improved a salary determination and normal growth mechanism which is adapted to the labour market and linked with economic benefits of enterprise and labour productivity. Meanwhile, the Group has also implemented special award incentive measures, targeting technology innovation and operational development, to arouse the positivity, proactivity and creativity of the enterprise employees and promote the faster and better development of the Group.

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

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

As at 30 June 2019, the total number of employees hired by the Company was 283,031, among which, 173,498 have received tertiary education or above, 128,001 have bachelor's degree or above, 256 have doctoral degrees and 9,305 have master's degrees. The Company has 29,897 employees who have advanced professional titles (among which 2,100 have senior professional titles), 61,845 with intermediate professional titles, 61,594 with assistant professional titles and 25,603 with junior professional titles. The Company has 1,975 experts and 18,353 employees with national practice qualification.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 6 Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), as amended, as the code of conduct regarding securities transactions by directors and supervisors. The Company has made enquiries to all directors and supervisors, each director and supervisor confirmed that he or she has complied with the required standard set out in the Model Code throughout the period from 1 January 2019 to 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1 Industry Development Overview

### Infrastructure construction business

Domestically, during the reporting period, the national fixed asset investment achieved stable growth, and the investment in areas of weakness such as infrastructure and people's livelihood grew steadily. From a dynamic perspective, investment growth in June showed a slight acceleration. During the first half of 2019, the gross output value of the construction industry in China increased by 7.2% year-on-year to RMB10.2 trillion; national fixed asset investment (excluding rural households) increased by 5.8% year-on-year to RMB29.9 trillion; national fixed asset investment in transportation increased by 4.8% year-on-year. In particular, the fixed asset investment in railways increased by 3% year-on-year to RMB332 billion, and the fixed asset investment in highways increased by 4.8% year-on-year to RMB950 billion. During the first half of 2019, with the implementation of the Regulations on Government Investment (State Council Order No. 712) and China's continuous regulation and improvement of the PPP model, the PPP model gradually entered a stable and sustainable development stage. As at the end of June 2019, 12,553 projects were registered in the project database and reserve list of the National PPP Integrated Information Platform of the Ministry of Finance, covering 31 provinces (autonomous regions and municipalities directly under the Central Government) and the Xinjiang Construction Corps and 19 industry sectors with a total investment of RMB17.6 trillion. Among which, there were 9,036 accumulated projects in the database with an investment of RMB13.6 trillion and 3,517 projects in the reserve list with an investment of RMB4.0 trillion. 5,811 projects in the database with a total investment of RMB8.8 trillion were put into implementation, with a project floor rate of 64.3% in the database. A total of 3,446 projects with an investment of RMB5.1 trillion commenced construction, with a commenced rate of 59.3%.

Internationally, the construction of the Belt and Road Initiative has made significant progress, 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 and Hungary-Serbia Railway, the construction of Indonesian Jakarta-Bandung High Speed Railway has fully commenced. During the first half of 2019, the amount of new contracting projects from countries along the Belt and Road increased by 33.2% year-on-year to US\$63.64 billion, representing 60.1% of the amount of new contracting projects of China from all foreign countries for the same period. The turnover decreased by 0.9% year-on-year to US\$38.59 billion, representing 54.9% of the total amount of turnover of completed contracting projects from all foreign countries for the same period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Survey, design and consulting services business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. It has a leading position in project construction, plays an important supporting role in improving the investment benefits and social benefits of construction projects, and is a key link in project construction. In March 2019, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development jointly issued the Guiding Opinions on Promoting the Development of Whole-Process Engineering Consulting Services (NDRC Investment Reg. [2019] No. 515), and pointed out that efforts would be made to break down institutional barriers, and focus on cultivating and developing the comprehensive consulting in investment decision-making and the whole-process consulting in project construction, to provide high-quality intellectual and technical services for fixed asset investment and project construction activities, comprehensively improve investment benefits, the quality of project construction and operational efficiency, and promote high-quality development. In the future, with the steady implementation of national infrastructure construction and the deepening of the development concept of “innovative, coordinated, green, open and sharing”, the survey, design and consulting service industry will maintain a sustained, healthy and rapid development trend. At the same time, the survey, design and consulting services business is also facing new challenges, mainly reflected in the increasingly fierce inter-industry and cross-industry competition and competition in the entire industry chain. The market will impose increasingly strict requirements on the enterprises in terms of various aspects including innovation capability, technical know-how, quality standard, business scope and service price.

### 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”, China’s fixed asset investment in railways will stay at a high level, and there is still much room for highways, urban rail transit, irrigation works and underground development. In addition, with the in-depth promotion of joint pursuit of the Belt and Road Initiative, the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow. In terms of policies, the release of the Action Plan for Promoting the Production and Application of Green Building Materials and the Guiding Opinions on Vigorously Developing Prefabricated Construction has provided strong policy support for the development of the steel structure industry. With the increasing application of steel structure products with the characteristics of “green, environmental friendly and circular economy” such as municipal bridge steel structure and high-rise building steel structure, the market demand for steel structure will further expand. However, the intensified competition in the industry has brought about some new changes in the market environment. To a certain extent, it has brought uncertain effects on the demand for tunnel construction equipment, turnout products for urban rail transit and electric equipment products in the future. During the first half of 2019, the added value of large-scale industries recorded a year-on-year increase of 6.0%, in which the added value of high-tech manufacturing industry increased by 9.0% year-on-year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Property development business

During the first half of 2019, the real estate market remained generally stable. Local governments resolutely implemented the Party Central Committee and the State Council's deployment, and always adhered to the orientation that "houses are built to be inhabited, not for speculation" by focusing on the goals of stable land prices, stable house prices, and stable expectations to fulfill main responsibility, and ensure the stable and healthy development of the real estate market. According to the National Bureau of Statistics, in the first half of 2019, the property development investments nationwide amounted to RMB6,160.9 billion, representing a year-on-year increase of 10.9%. In particular, the investments in residential housing were RMB4,516.7 billion, representing a year-on-year increase of 15.8%. The sales area of commodity housing was 757.86 million square meters, representing a year-on-year decrease of 1.8%. In particular, the sales area of residential housing decreased by 1.0% year-on-year, the sales area of office buildings decreased by 10.0% year-on-year and the sales area of commercial housing decreased by 12.3% year-on-year. The sales amount of commodity housing was RMB7,069.8 billion, representing a year-on-year increase of 5.6%. In particular, the sales amount of residential housing increased by 8.4% year-on-year (the growth in sales price of new commercial residential buildings in the first, second and third tier cities fell year-on-year), the sales amount of office buildings decreased by 12.5% year-on-year and the sales amount of commercial housing decreased by 10.0% year-on-year. The area of buildings the construction of which was newly commenced was 1,055.09 million square meters, representing an increase of 10.1%. In particular, the area of residential housing the construction of which was newly commenced was 779.98 million square meters, representing an increase of 10.5%. The area of completed buildings was 324.26 million square meters, representing a decrease of 12.7%. In particular, the area of completed residential housing was 229.29 million square meters, representing a decrease of 11.7%. The property business of the Group has covered 25 provinces and municipalities nationwide with 194 real estate development projects (second-level real estate development projects in the financial statements) currently. As of the end of the reporting period, the Group's real estate projects in progress cover 43.56 million square meters; the land reserve to be developed cover 20.9768 million square meters.

### Other Business

#### Mining business

During the first half of 2019, there was no major change in the fundamentals of the non-ferrous metals industry. However, with the intensification of economic and trade frictions, the subsequent evolution of the global economic situation is not optimistic, and the prices of industrial products will increasingly show the downward pressure. Therefore, for commodities, the market will be volatile in the second half of the year, and the marginal impact will gradually weaken. In the process of infrastructure construction at home and abroad, the Company has obtained a number of mineral resources projects through acquisitions and mergers based on "fiscalization of resources" and "exchange of resources for projects". China Railway Resources Group Co., Ltd., the Company's wholly-owned subsidiary, is responsible for the development of mining business. The Company's mining business is mainly based on the management and development of mining entities. Currently, it wholly owns, controls or holds shares to invest in construction of 5 modern mines at home and abroad. The main mineral products produced and sold include concentrate, copper cathode and cobalt hydroxide of varieties involving copper, cobalt, molybdenum, lead, zinc and others. At present, the Company's retained resources/reserves mainly include copper of approximately 9 million tons, cobalt of approximately 0.6 million tons, and molybdenum of approximately 0.7 million tons. In particular, the retained reserves of copper, cobalt and molybdenum are in the leading position in the same industry in China, and its mines' production capacity for copper and molybdenum has been at the forefront in the same industry in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial business

The Company's financial sector business mainly involves trust business, industrial fund business, factoring business, insurance brokerage business, etc., mainly for the purpose of serving the Company's main business. The profit contribution of the trust business still occupies a relatively important position for the Company as a whole. During the reporting period, in the face of the complex situation of increasing risks and challenges at home and abroad, while continuing to promote the high-quality development, the Company has adhered to the general principle of pursuing progress while ensuring stability. Such requirements also applied to the financial sector business. Taking China Railway Trust Co., Ltd ("**China Railway Trust**") as an example, since the Company's acquisition of China Railway Trust, China Railway Trust has continuously maintained a 100% settlement rate upon the expiry of products issued in the past, which makes China Railway Trust enjoy an excellent market reputation and rank top in the ratings of China Banking and Insurance Regulatory Commission and China Trustee Association. Under the background of the macro policy of "stable financial sector", China Railway Trust is gradually transforming from developing high-risk trust business to developing low-risk business. Although there is a decline in income in the short term, from a long-term perspective, the development of China Railway Trust will be more stable under the strategy of "risk control". Since the beginning of this year, the Company has further strengthened its risk management of financial business and financial enterprises according to the requirements of regulatory authorities. At present, the financial business of the Company is operating steadily and the risks are controllable.

## 2 Business Development Overview

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

During the first half of 2019, the Company was guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, deeply applied the principles of the 19th National Congress of the Communist Party of China, and seriously implemented each decision and deployment of the Central Committee of the Communist Party of China, the State Council and SASAC. Adhering to the concept and principle of "deleveraging, reducing liabilities, and preventing risks" in parallel with "being better, stronger, and bigger", the Company firmly grasped the two key factors of innovation-driven and quality-oriented, taking market development as the guiding factor, reform and innovation as the driven power, quality and safety as the premise, cost reduction and efficiency improvement as the basis. The Group earnestly carried out various production and management tasks, and its operating performance and economic operation showed a steady and positive development trend, the quality of development continued to improve, and the product structure continued to be optimized.

During the first half of 2019, the Group worked hard to expand its business scale and ensure the growth of its volume; it focused on the innovation of operation and management system and mechanism to achieve the improvement in quality. First, while striving to consolidate the market share in traditional fields such as railways, highways and urban rail transit, the Company deepened the development of urban infrastructure construction, housing construction and other businesses, and built a new pattern of regional operation and three-dimensional operation. Second, the Company made full use of the favorable opportunities arising from summits held by or interactions among countries and international organizations, to smooth domestic high-end operation channels and strengthen overseas operations. Third, under the current policy of deleveraging, strengthening supervision, and controlling liabilities in financial sector, the Company increased its management and control degree of joint investment and internal operation, steadily developed investment business, smoothly advanced investment projects that were under construction and to be constructed, and achieved continuous enhancement in the Company's overall competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2019, the Group further strengthened the “red line” awareness and “bottom line” thinking, firmly established the concept of caring for people, safe development and “zero accident”, and actively promoted the laboratory activities of project management and the standardized and refined management of safety to ensure that the Group’s safe production state remained generally stable, and the quality of projects was steady and controllable, and continuously present a number of high-quality super projects to the society. The Company has entered the Fortune Global 500 for 14 consecutive years, ranking 55th in 2019, and ranks second among the world’s largest contractors according to ENR. It has been assessed as an A-type enterprise by the SASAC for six consecutive years in performance appraisal of central enterprises. As a responsible listed company, the Company continued to enhance market recognition, boost investment confidence, and increase shareholder returns. At the same time, it actively fulfilled its social responsibilities, undertook the responsibilities as a central enterprise in promoting targeted poverty alleviation, and implemented the green development philosophy that “lucid waters and lush mountains are invaluable assets”.

During the first half of 2019, the value of new contracts of the Group was RMB701.34 billion, representing a year-on-year increase of 10.5%. In particular, the value of new contracts of domestic business was RMB664.98 billion, representing a year-on-year increase of 10.0%; the value of new contracts of overseas business was RMB36.37 billion, representing a year-on-year increase of 19.7%. As at the end of the reporting period, the value of contract backlog of the Group increased by 6.6% as compared with the end of 2018 to RMB3,094.64 billion. An analysis of changes in the value of new contracts and the value of contract backlog by business segment is set out as below:

Unit: RMB100 million Currency: RMB

Business segments	Value of new contracts			Value of contract backlog		
	Reporting period	Same period last year	Year-on-year increase/decrease	As at the end of the reporting period	As at the end of 2018	Year-on-year increase/decrease
Infrastructure construction	5,979.0	5,268.0	13.5%	28,799.1	26,864.9	7.2%
Including: Railways	1,008.6	889.2	13.4%	5,438.7	5,578.7	-2.5%
Highways	894.3	937.8	-4.6%	5,419.4	5,147.1	5.3%
Municipal works and others	4,076.2	3,441.0	18.5%	17,941.0	16,139.1	11.2%
Including: Urban rail transit	1,076.0	1,101.6	-2.3%	5,000.7	4,823.7	3.7%
Survey, design and consulting services	121.0	130.9	-7.5%	460.3	413.5	11.3%
Engineering equipment and component manufacturing	160.8	168.6	-4.6%	414.0	400.8	3.3%
Property development	244.8	240.2	1.9%			
Other businesses	507.8	539.3	-5.8%	1,273.0	1,340.0	-5.0%
<b>Total</b>	<b>7,013.4</b>	<b>6,347.0</b>	<b>10.5%</b>	<b>30,946.4</b>	<b>29,019.2</b>	<b>6.6%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

*Infrastructure construction business:* During the first half of 2019, the value of the Group's new contracts of infrastructure construction business was RMB597.90 billion, representing a year-on-year increase of 13.5%. As at the end of June 2019, the value of the Group's contract backlog of infrastructure construction business was RMB2,879.91 billion, representing an increase of 7.2% from the end of 2018. From a business segment perspective: ① In respect of railway construction business, in the first half of the year, the Group gave play to its traditional advantages, and the value of new contracts of railway construction business amounted to RMB100.86 billion, representing a year-on-year increase of 13.4%. The Group's market share in terms of the medium and large-sized railways construction in China reached 48.1%. As at the end of June 2019, the value of contract backlog of railway construction business was RMB543.87 billion, representing a decrease of 2.5% from the end of 2018. ② In respect of highway construction business, in the first half of the year, the value of the Group's new contracts of highway construction business amounted to RMB89.43 billion, representing a year-on-year decrease of 4.6%, mainly due to the year-on-year decrease in new contracts obtained by the Group through the construction contracting model. As at the end of June 2019, the value of the Group's contract backlog of such business was RMB541.94 billion, representing an increase of 5.3% from the end of 2018. ③ In respect of municipal works and other businesses, in the first half of the year, benefiting from the further development of new urbanization construction and multiple regional planning, the Group further enhanced its operation in urban construction market. The value of the Group's new contracts of municipal works and other businesses amounted to RMB407.62 billion, representing a year-on-year increase of 18.5%. In particular, the value of new contracts of housing construction business was RMB122.31 billion, representing a year-on-year increase of 50.5% and the value of new contracts of urban rail transit business was RMB107.60 billion, representing a year-on-year decrease of 2.3%. As at the end of June 2019, the value of contract backlog of municipal works and other businesses was RMB1,794.1 billion, representing an increase of 11.2% from the end of 2018. From a business model perspective, in the first half of the year, the Group steadily promoted investment operations such as BOT and PPP. The accumulated value of new contracts of infrastructure construction business included the value of new contracts of infrastructure investment business of RMB118.98 billion, representing a year-on-year increase of 63.5%. The main reason was that the base number of new contracts for investment operations in 2018 was relatively small due to the regulation and cleanup of PPP projects.

*Survey, design and consulting services business:* In the first half of the year, the value of the Group's new contracts of survey, design and consulting services business was RMB12.10 billion, representing a year-on-year decrease of 7.5%, mainly due to the substantial reduction in the bidding for the design business in national railway market and the design business of urban rail transit projects in the first half of the year. However, the Group was still in the leading position in the industry. As at the end of June 2019, the value of the Group's contract backlog of survey, design and consulting services business was RMB46.03 billion, representing an increase of 11.3% from the end of 2018.

*Engineering equipment and component manufacturing business:* In the first half of the year, the value of the Group's new contracts of engineering equipment and component manufacturing business was RMB16.08 billion, representing a year-on-year decrease of 4.6%. The main reason for the decrease was that the small scale of bidding in the market during the first half of the year led to a decrease in the value of new contracts of steel structures compared with the same period last year. As at the end of June 2019, the value of the Group's contract backlog of engineering equipment and component manufacturing business was RMB41.40 billion, representing an increase of 3.3% from the end of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

*Property development business:* In the first half of the year, the Group actively responded to national policies, carefully studied the industry situation and kept pace with the market. While doing a good job in traditional residential and commercial properties development, the Group accelerated the transformation and upgrading of its products, and actively explored and expanded projects including shantytown renovation, real estate for cultural tourism, and real estate for old-age care and health preserving. During the reporting period, the Group's property business achieved a sales amount of RMB24.48 billion, representing a year-on-year increase of 1.9%, and its sales area was 2.40 million square meters, representing a year-on-year increase of 12.7%. The area that has commenced construction was 2.96 million square meters, representing a year-on-year increase of 13%; the area that has completed construction was 0.36 million square meters, representing a year-on-year decrease of 68.1%; and the newly acquired land reserve was 1.1076 million square meters, representing a year-on-year increase of 37.5%.

### 3 Consolidated Results of Operations

For the six months ended 30 June 2019, the Group's revenue increased by 14.5% from the corresponding period of 2018 to RMB361.887 billion. The Group realized profit for the period of RMB11.263 billion, representing an increase of 19.7% year on year. For the six months ended 30 June 2019, profit for the period attributable to owners of the Company was RMB10.514 billion, representing a year-on-year increase of 10.1% while the basic earnings per share of the Company were RMB0.399, representing a year-on-year increase of 1.3%.

A comparison of the financial results for the six months ended 30 June 2019 and the corresponding period of 2018 is set forth below.

#### Revenue

In the first half of 2019, the Group's revenue increased year-on-year by 14.5% to RMB361.887 billion, mainly due to the increase in revenue from infrastructure construction business. Among which, the revenue generated from overseas was RMB20.872 billion, representing a year-on-year increase of 4.7%.

#### Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. For the six months ended 30 June 2019, the Group's cost of sales increased year-on-year by 14.8% to RMB327.069 billion. In the first half of 2019, gross profit of the Group increased year-on-year by 11.8% to RMB34.818 billion. The gross profit margin for the first half of 2019 was 9.6%, representing a decrease from 9.8% for the first half of 2018. The decrease in gross profit margin for the first half of 2019 compared to same period of last year was primarily due to the decrease 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 2019, the Group's other income was RMB1.042 billion, representing an increase of 18.3% from the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other expenses

The Group's other expenses primarily includes expenditures on research and development. For the six months ended 30 June 2019, other expenses increased by 28.5% to RMB5.546 billion from the same period of last year. The increase in investment on research and development was contributable to the continuous increase in number of high and new technology enterprises of the Group as well as the Group's continuous advancement on scientific research and technological innovation and further increase input in research and development. In addition, the recognition of expenditures on research and development was more evenly distributed.

### 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 2019, the Group's net impairment losses on financial assets and contract assets was RMB1.221 billion (first half of 2018: RMB2.206 billion), which mainly comprises of impairment losses on trade and other receivables of RMB0.827 billion and on other financial assets at amortised cost of RMB0.349 billion.

### Other gains, net

The Group's other gains and losses mainly include gains and losses on disposal/write-off of financial assets/liabilities, joint ventures, associates and subsidiaries, foreign exchange gains/losses, impairment loss on property, plant and equipment and other assets and changes in the fair value of financial assets/liabilities through profit and loss. The other net gains for the first half of 2019 was RMB0.231 billion, representing a decrease of 23.3% from the same period of last year.

### 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 2019, the Group's selling and marketing expenses amounted to RMB1.837 billion, representing an increase of 22.2% from the same period of last year which was mainly due to the continuous strengthening in marketing effort brought by the deepened implementation of regional and multi-dimensional operation as well as the strengthening in selling effort on property development projects and industrial products. Selling and marketing expenses as a percentage of total revenue was 0.5% for the first half of 2019, basically remained the same as that for the first half of 2018.

### Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. For the six months ended 30 June 2019, the Group's administrative expenses increased by 7.1% to RMB11.019 billion from the corresponding period of last year, which was mainly due to the normal increase in staff salary with the increase in profitability. Administrative expenses as a percentage of total revenue for the first half of 2019 was 3.0%, representing a decrease from 3.3% for the first half of 2018.

### Finance costs, net

For the first half of 2019, the Group's net finance costs (finance costs less finance income) was RMB2.633 billion, representing an increase of 28.5% from the same period of last year. It was mainly due to the increase in interest expenses brought by the increase in interest-bearing liabilities.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit before tax

As a result of the foregoing factors, the Group's profit before tax for the six months ended 30 June 2019 increased by 15.1% to RMB14.634 billion from RMB12.713 billion for the corresponding period of 2018.

### Income tax expense

For the six months ended 30 June 2019, the Group's income tax expense was RMB3.371 billion, representing an increase of 2.1% from the same period of last year. By excluding land appreciation tax, the effective income tax rate of the Group was 18.8% for the first half of 2019, a year-on-year decrease of 4.9 percentage points from 23.7% for the corresponding period of last year.

### Profit for the period attributable to owners of the Company

The profit for the period attributable to owners of the Company for the six months ended 30 June 2019 increased by 10.1% to RMB10.514 billion from RMB9.552 billion for the corresponding period of 2018. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2019 was 2.9%, basically remained the same as 3.0% for the corresponding period of 2018.

## 4 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2019 are set forth in the table below.

Business segment	Revenue <i>RMB</i> <i>million</i>	Growth rate <i>(%)</i>	Profit before tax <i>RMB</i> <i>million</i>	Growth rate <i>(%)</i>	Profit before tax margin <sup>1</sup> <i>(%)</i>	Revenue	Profit
						as a percentage of total <i>(%)</i>	before tax as a percentage of total <i>(%)</i>
Infrastructure Construction Survey, Design and Consulting Services	324,150	17.2	10,060	2.8	3.1	83.6	68.2
Engineering Equipment and Component Manufacturing	7,978	5.6	774	2.7	9.7	2.1	5.2
Property Development	11,147	15.9	891	0.2	8.0	2.9	6.0
Other Businesses	13,898	12.0	1,724	6.8	12.4	3.6	11.7
Inter-segment Eliminations and Adjustments	30,741	5.1	1,308	>100	4.3	7.8	8.9
	(26,027)		(123)				
<b>Total</b>	<b>361,887</b>	<b>14.5</b>	<b>14,634</b>	<b>15.1</b>	<b>4.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Profit before tax margin is the profit before tax divided by revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2019, the revenue from the infrastructure construction business accounted for 83.6% of the total revenue of the Group (first half of 2018: 82.5%). In the first half of 2019, the State comprehensively strengthened the development of infrastructure field and infrastructure construction field is becoming increasingly significant in the role of stabilizing growth. Benefiting from the favourable policy, the Group continuously implemented the reform on production and management system and achieved further increase in productivity. Due to the significant increase in revenue of municipal works and railway, revenue of the infrastructure construction business in the first half of 2019 was RMB324.150 billion, an increase of 17.2% 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 2019 was 7.1% and 3.1% respectively (first half of 2018: 7.2% and 3.5% respectively). Such decrease was mainly due to the decrease in gross profit margin of railway projects.

For the domestic market, the Group continuously maintained a market share of more than 45% in the big and medium size railway infrastructure construction market, a market share of more than 40% in the urban rail transit infrastructure construction market and a market share of more than 10% in the highway infrastructure construction market.

### Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and supervision services on infrastructure construction projects. In the first half of 2019, benefiting from the steady increase in investment of the domestic infrastructure construction market, revenue of survey, design and consulting services business increased by 5.6% year on year to RMB7.978 billion. For the first half of 2019, gross profit margin and profit before tax margin for the segment was 26.7% and 9.7% respectively (first half of 2018: 26.8% and 10.0% respectively), basically remained the same as that for the first half of 2018.

### 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. For the first half of 2019, based on the target of becoming "domestic leading and international first class" high and new technology equipment manufacturing enterprise and based on the direction of transforming and upgrading to service-oriented manufacturing, the Group deepened internal reform, grasped business opportunities and continuously optimized resources allocation. Revenue of the engineering equipment and component manufacturing business of the Group increased by 15.9% year-on-year to RMB11.147 billion for the first half of 2019. Gross profit margin and profit before tax margin was 23.9% and 8.0% respectively for the first half of 2019 (first half of 2018: 23.3% and 9.2% respectively). The increase in gross profit margin was mainly due to the increase in profitability brought by the further enhancement on research and development and cost control of turnout and tunnel construction equipment. The decrease in profit before tax margin was mainly due to the increase in administrative expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the domestic market, the Group maintained an approximate market share of 65% in the high-speed turnout market that requires high techniques (speed over 250km/h), a market share of more than 50% in the heavy-haul turnout market, a market share of more than 60% in the turnout market of urban rail transit business; a market share of more than 60% in the large steel structure bridge market, a market share of more than 70% in the catenary parts market of high-speed railway (speed over 300km/h).

### Property development business

In the first half of 2019, the Group strictly adhered to the national policy on property market, further strengthened the effort on the transformation and upgrading and the increase in quality and profitability of the property development business. The Company devoted to foster its brand competitiveness in property industry, diversify the marketing models and accelerate selling of real estate projects. Revenue of property development business increased by 12.0% year-on-year to RMB13.898 billion for the first half of 2019. Gross profit margin and profit before tax margin in the first half of 2019 was 30.6% and 12.4% respectively (first half of 2018: 27.5% and 13.0% respectively). The increase in gross profit margin was mainly due to the high gross profit margin of certain property development projects where its revenue was recognized in the current period while the decrease in profit before tax margin was mainly due to the increase in finance costs.

### Other Businesses

In the first half of 2019, the Group has progressively implemented the “limited and interrelated” diversification strategy. Revenue of other businesses increased year-on-year by 5.1% to RMB30.741 billion for first half of 2019. In the first half of 2019, gross profit margin was 23.8% (first half of 2018: 24.1%). Details are as follows: ① Revenue from operation of PPP (BOT) projects business increased year-on-year by 6.9% to RMB1.563 billion with gross profit margin decreased year-on-year by 9.5 percentage points to 45.6%. ② Revenue from mining business increased year-on-year by 11.8% to RMB2.636 billion with gross profit margin increased year-on-year by 1.8 percentage points to 47.2%. ③ Revenue from merchandise trading business increased year-on-year by 7.9% to RMB19.669 billion with gross profit margin decreased year-on-year by 1.3 percentage points to 6.4%. ④ Revenue from financial business decreased year-on-year by 23.0% to RMB1.681 billion with gross profit margin decreased year-on-year by 11.9 percentage points to 75.9%.

Profit before tax margin of other businesses was 4.3% for the first half of 2019 (first half of 2018: 0.1%), mainly attributable to the decrease in impairment loss on trade and other receivables of RMB0.827 billion made in the first half of 2019 as compared to the same period last year (first half of 2018: RMB2.092 billion).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2019, mining business segment strictly focused on the core mission of high-quality development, actively mitigated the downward pricing pressure of mining products and maintained the overall steady operation of the segment. During the reporting period, the Group sold 8,392.73 tonnes of molybdenum concentrate (including molybdenum), 68,194.05 tonnes of electrolytic copper, 26,177.83 tonnes of copper concentrate (including copper), 1,469.81 tonnes of cobalt hydroxide (including cobalt), 6,014.12 tonnes of lead concentrate (including lead), 6,663.91 tonnes of zinc concentrate (including zinc), 48,921.51 grams of gold and 17,195.37 kilograms of silver. As at 30 June 2019, the Group's mining resources and reserve information is shown below:

No	Project name	Type	Mining resources		Group's share	Planned	Accumulated	Investment	Planned completion date	Project progress	
			Grade	Resources/Reserve (Available)		investment of China Railway	investment of China Railway	in the reporting period			
			Unit	Quantity	(%)	(100 million)	(100 million)	(100 million)			
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.087%	0'000 tonne	67.66	83	60.17	60.26	0	Completed	Normal production and operation
2	Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S, Congo	Copper	2.29%	0'000 tonne	58.61	72	21.38	19.11	0.58	Completed	Normal production and operation, system improvement are in progress
		Cobalt	0.099%	0'000 tonne	2.52						
3	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl, Congo	Copper	2.226%	0'000 tonne	4.17	80.2	11.95	12.35	0	Completed	Normal production and operation
		Cobalt	0.287%	0'000 tonne	0.53						
4	SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Copper	3.42%	0'000 tonne	801.83	41.72	45.86	20.91	0.04	2021	Phase I has been completed and put into production with normal production and operation, phase 2 commenced already
		Cobalt	0.24%	0'000 tonne	57.05						
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	1.54%	0'000 tonne	21.02	100	/	21.86	0	Completed	Normal production and operation
		Zinc	3.20%	0'000 tonne	43.60						
		Silver	65.89g/t	Tonne	897.74						
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	0.95%	0'000 tonne	6.13	100	/	/	0	/	Not yet exploited
		Zinc	3.21%	0'000 tonne	20.68						
		Silver	114.54g/t	Tonne	736.89						
7	Wurle Owoo and Zhanggai Tolgoi Gold Mine, New Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	/	/	0	/	Not yet exploited
8	Lead and Zinc Mine, Chafu, Xianglong Mineral Co., Ltd., Mongolia	Lead	7.00%	0'000 tonne	8.97	100	3.3	3.3	0	/	Ceased production
		Zinc	5.09%	0'000 tonne	6.52						
		Silver	200.39g/t	Tonne	256.8						

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5 Cash Flow

For the six months ended 30 June 2019, the net cash outflow from operating activities of the Group amounted to RMB49.805 billion, representing an increase in the net cash outflow from operating activities of RMB28.745 billion for the first half of 2018. It was mainly due to the fact that in order to maintain the production in an orderly manner and in view of the funding of project owners was not fully in place, the Group maintained the necessary reserve of raw materials and settled the payables to suppliers in time abided by contracts. Also, the Group continuously adjusted business structure, increased investment in property development business, and appropriately acquired land reserve. For the six months ended 30 June 2019, the net cash outflow from investing activities of the Group amounted to RMB15.202 billion, basically remained the same as the net cash outflow of RMB16.856 billion for the first half of 2018. For the six months ended 30 June 2019, the net cash inflow from financing activities of the Group amounted to RMB42.442 billion, representing an increase in the net cash inflow from financing activities of RMB18.885 billion for first half of 2018. It was primarily due to the increase in scale of external financing.

#### 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 2019 was RMB10.521 billion (among which, RMB1.998 billion is for construction in progress, RMB3.080 billion is for purchase of property, plant and equipment, RMB4.652 billion is for purchase of intangible assets, RMB0.443 billion is for purchase of investment properties and RMB0.348 billion is for purchase of right-of-use assets), representing an increase of 30.7% as compared to RMB8.051 billion in the corresponding period of last year. It was mainly due to the increase of service concession arrangements on BOT expressway.

#### Working capital

	As at	
	30 June 2019 RMB million	31 December 2018 RMB million
Inventories	48,820	38,553
Properties under development for sale	140,704	99,400
Trade and bills receivables, net	133,460	124,386
Trade and bills payables	329,176	343,801
Turnover of inventory ( <i>days</i> )	24	19
Turnover of trade and bills receivables ( <i>days</i> )	64	79
Turnover of trade and bills payables ( <i>days</i> )	185	181

As at 30 June 2019, the Group's balance of inventories was RMB48.820 billion, increased by 26.6% as compared to the end of 2018. It was mainly due to ① the increase in raw material reserve for ensuring the project construction progress and responding to the price increase of raw materials; ② the increase in work-in-progress resulting from the growth in order of industrial enterprises. The inventory turnover days for the six months ended 30 June 2019 increased to 24 days from 19 days for the year of 2018. As at 30 June 2019, properties under development for sale increased by 41.6% to RMB140.704 billion from RMB99.400 billion as at the end of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade and bills receivables

As at 30 June 2019, net trade and bills receivables was RMB133.460 billion, an increase of 7.3% from RMB124.386 billion as at the end of 2018. The turnover days of net trade and bills receivables decreased from 79 days for 2018 to 64 days for the first half of 2019. 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 31.8% (31 December 2018: 33.4%) 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 as at 30 June 2019 and 31 December 2018, based on invoice date.

	As at	
	30 June 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Less than 1 year	96,945	88,254
1 year to 2 years	24,187	21,196
2 years to 3 years	8,249	9,149
3 years to 4 years	3,723	3,842
4 years to 5 years	2,109	2,438
More than 5 years	6,912	7,621
<b>Total</b>	<b>142,125</b>	132,500

### 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 2019, the Group's trade and bills payables was RMB329.176 billion, a decrease of 4.3% from the end of 2018. The turnover days of trade and bills payables for the first half of 2019 was 185 days, basically remained the same as 181 days for 2018. 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 8.9% (31 December 2018: 8.3%) of the total amount.



## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 30 June 2019 and 31 December 2018, based on invoice date.

	As at	
	30 June 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Less than 1 year	299,968	315,376
1 year to 2 years	17,989	17,644
2 years to 3 years	5,929	5,243
More than 3 years	5,290	5,538
<b>Total</b>	<b>329,176</b>	<b>343,801</b>

## 6 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2019 and 31 December 2018. As at 30 June 2019, 51.6% (31 December 2018: 53.5%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Bank borrowings		
Secured	40,028	29,317
Unsecured	140,370	113,892
Long-term debentures, unsecured	180,398	143,209
Other borrowings	43,301	30,672
Secured	774	2,162
Unsecured	15,686	14,877
	59,761	47,711
<b>Total</b>	<b>240,159</b>	<b>190,920</b>
Long-term borrowings	116,289	88,808
Short-term borrowings	123,870	102,112
<b>Total</b>	<b>240,159</b>	<b>190,920</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings carry interest rates ranging from 0.75% to 9.50% (31 December 2018: 0.75% to 8.00%) per annum. Long-term debentures carry fixed interest rates ranging from 2.88% to 4.88% (31 December 2018: 2.88% to 6.40%) per annum. Other borrowings carry interest rates ranging from 4.85% to 7.00% (31 December 2018: 4.35% to 7.49%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 30 June 2019 and 31 December 2018.

	As at	
	30 June 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Less than 1 year	123,870	102,112
1 year to 2 years	40,667	31,900
2 years to 5 years	44,846	35,849
More than 5 years	30,776	21,059
<b>Total</b>	<b>240,159</b>	<b>190,920</b>

As at 30 June 2019 and 31 December 2018, the Group's bank loans comprised fixed-rate bank loans amounting to RMB89.358 billion and RMB70.599 billion respectively and floating-rate bank loans amounting to RMB91.040 billion and RMB72.610 billion respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2019 and 31 December 2018. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	As at	
	30 June 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
RMB	239,635	179,432
USD	218	11,259
Euro	102	51
Others	204	178
<b>Total</b>	<b>240,159</b>	<b>190,920</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the details of the Group's secured borrowings as at 30 June 2019 and 31 December 2018.

	As at 30 June 2019		As at 31 December 2018	
	Secured borrowings <i>RMB million</i>	Carrying value of pledged assets and contract value of certain rights <i>RMB million</i>	Secured borrowings <i>RMB million</i>	Carrying value of pledged assets and contract value of certain rights <i>RMB million</i>
Property, plant and equipment	7	3	7	6
Intangible assets	16,125	24,414	15,953	24,368
Properties under development for sale	15,217	40,472	11,750	25,032
Trade and bills receivables	1,009	1,029	521	567
Contract assets	8,444	24,911	3,248	9,915
<b>Total</b>	<b>40,802</b>	<b>90,829</b>	31,479	59,888

As at 30 June 2019, the Group's unused credit line facilities from banks amounted to RMB676.711 billion (31 December 2018: RMB637.388 billion).

As at 30 June 2019, the Group's gearing ratio (total liabilities/total assets) was 77.3%, representing an increase of 0.9 percentage point from 76.4% as at 31 December 2018. It was mainly due to ① the increase in scale of assets and liabilities of the Group resulting from the growth in business scale and structural adjustment as well as the incomplete settlement from project owners; ② the increase in right-of-use assets and lease liabilities following the adoption of new accounting standard on leasing.

## MANAGEMENT DISCUSSION AND ANALYSIS

## 7 Contingent Liabilities

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

	As at	
	30 June 2019 RMB million	31 December 2018 RMB million
Pending lawsuits <sup>(Note 1)</sup>		
– arising in the ordinary course of business	3,013	3,615
Outstanding guarantees <sup>(Note 2)</sup>	35,081	31,669

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 as follows:

	As at 30 June 2019		As at 31 December 2018	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	2,308	2020-2023	2,904	2018-2025
Joint ventures	1,190	2028	—	—
A government-related entity	60	2020	60	2019
Property purchasers	30,969	2019-2039	28,992	2018-2038
Former associates	554	2027	554	2027
<b>Total</b>	<b>35,081</b>		<b>32,510</b>	

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 2019, the entity has failed to repay its loan principle and interest. The Group is in the process of negotiating the debt settlement with the entity's shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8 Business Risks

The risks faced by the Group include macroeconomic risk, international business risk, investment risk, quality risk, safe production risk and cash flow risk in the ordinary course of business.

- (1) **Macroeconomic risk:** Due to changes in the international economic environment, political relations, trade barriers, domestic economic situation, material resources condition, market supply and demand, or other factors, the Group may face an adverse market environment, a decline in product's market share, higher default rates of long-term contracts, overcapacity or cash flow constraints, which brings uncertainty to the Group's normal operations, sustainable development and expected operating gains.
- (2) **International business risk:** It refers to the risk that due to the influence of international political situation, foreign policy changes, administrative intervention from government, economic, social, environmental or technological changes and other factors, which may lead to the failure to normally perform the contracts in the Group's overseas investment and contracted projects.
- (3) **Investment risk:** It refers to the risk that due to the uncertainty about investment results arising from uncontrollable external factors, inadequate research and feasibility studies prior to project investment, inappropriate project implementation and management, significant changes in external macro environment and policies and other factors, which may lead to an investment return lower than expected or an investment failure of the Company.
- (4) **Quality risk:** It refers to the risk that there would be uncertainty about quality of products due to a lack of effective management in the product's production cycle, and such uncertainty may cause damage to the Company's image, economic losses and external regulatory penalties.
- (5) **Safe production risk:** It refers to the risk that due to a lack of effective management in the implementation of management system and measures, technical management, subcontract management, equipment management, accident handling, etc., the Group may have serious production safety accidents and potential safety hazards.
- (6) **Cash flow risk:** It refers to the risk that the Group may incur economic losses or loss of reputation in the event of failure to meet the requirements of timely payment, investment expenses or timely repayment of the Company's debts in its operations due to improper management of cash flow.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 9 Prospect

In the second half of 2019, in face of the slowdown in global economic growth and the downward pressure on the domestic economy, China will continue to adhere to the general principle of pursuing progress while ensuring stability and persist in promoting high-quality development. China will focus on the policy of “consolidating, strengthening, upgrading, and ensuring unimpeded flows”, continue to deepen the supply-side structural reform, and implement countercyclical macro policy regulation in a timely and appropriate manner to effectively promote high-quality development. The meeting of the Political Bureau of Central Committee of the Communist Party of China held on 30 July pointed out that it is necessary to stabilize investment in manufacturing and implement projects to strengthen areas of weakness such as renovation of old residential areas in cities, urban parking lots, and construction of urban and rural cold chain logistics facilities. China will continue to promote the joint pursuit of the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic Belt, the Xiong’an New Area, the Guangdong-Hong Kong-Macao Greater Bay Area and other major regional planning and new economic belt construction, and initiate the construction of a number of significant infrastructure projects. In June, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Notice of Effectively Conducting the Issuance of Special Bonds for Local Governments and Ancillary Financing of Projects. While allowing some special bonds to be used as capital funds for eligible major projects, the notice actively encourages financial institutions to provide ancillary financing, which is conducive to further alleviating capital pressure on infrastructure construction projects, amplifying the driving effect of local finance, and accelerating the promotion of key infrastructure projects, thus providing new growth points and development opportunities for the infrastructure market.

Facing the complicated and ever-changing environment, the Group will continue to operate its own business properly and deal with the major challenges brought by the current deleveraging and strengthened supervision in financial sector and increasingly tightened monetary policy and credit environment to the infrastructure construction industry. First, the Group will strengthen production and operation and improve the three-dimensional operating mechanism. The Group will actively adapt to market changes, innovate the three-dimensional business structure, and explore new operation and investment models. Second, the Group will deepen its deleveraging and steadily promote investment operations. The Group will handle the contradiction between investment operations and control over debt ratio, rationally optimize resource allocation and improve the quality of its development. Third, the Group will lay a solid foundation for fine management and promote the improvement in quality and efficiency. The Group will handle the pressure from the rising prices of production factors on the increase in profitability and focus on improving basic cost accounting and cost control capabilities. Fourth, the Group will deepen the reform of overseas system and build a new formation for overseas development. In accordance with the strategic concept of giving priority to overseas development and pursuing high-quality development, the Group will comprehensively accelerate the reform of overseas operating system and mechanism, strengthen the overall coordination function of the Company’s headquarters, promote the reorganization of units engaged in foreign business, and create a new formation for overseas development. In general, favorable factors and unfavorable factors of the Company are intertwined at present, and the complexity of coexistence of opportunities and challenges is unprecedented, thus making the Company have a long way to go for its development.



# SIGNIFICANT EVENTS

## 1 Overview of General Meeting

Session of meeting	Date of meeting	References of designated websites for the publication of resolutions	Date of publication of the resolutions
2018 Annual General Meeting	25 June 2019	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 2019

### Description of the general meeting:

The 2018 annual general meeting of the Company was held on 25 June 2019 with a combination of on-site and online voting. Proposals including the Report of the Board of Directors for the Year 2018 were considered and approved 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 2019 and on the website of Hong Kong Stock Exchange on 25 June 2019.

## 2 The Plan for Profit Distribution or Capitalisation of Capital Reserves

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

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

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

Not applicable

### (2) Formulation and implementation of the cash dividend policy

Profits are distributed in cash under the profit distribution plan of the Company in 2018. Pursuant to the profit distribution plan considered and passed at the 2018 annual general meeting convened on 25 June 2019, a cash dividend of RMB1.28 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2018 was declared by the Company, totaling RMB2,924,070,597.50 and representing 17% of the net profit attributable to the listed company's shareholders under the consolidated income statement for the year 2018 of the Company. The announcement on the profit distribution of A shares was published on 16 July 2019 on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange. As at 29 July 2019, the implementation of the profit distribution plan of the Company for 2018 has been completed.

## SIGNIFICANT EVENTS

## 3 Performance Status of Undertakings

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

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

## SIGNIFICANT EVENTS

Notes:

1. For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as China Railway Hi-Tech Industry Co., Ltd. in January 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.
2. The Company issued the Letter on Extending the Performance Term of Undertakings on Certain Contingencies to China Railway Hi-Tech Industry Co., Ltd. on 20 December 2018, pursuant to which, the performance term of the undertaking in relation to apply for ownership certificates for defective real estate was changed, which was considered and approved by the shareholders' general meeting of China Railway Hi-Tech Industry Co., Ltd. on 12 March 2019. Details of which please refer to the Announcement of China Railway Hi-Tech on Extending the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of the Company published at the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 29 December 2018.

## 4 Appointment and Removal of Auditors

### (1) Explanation on the appointment and removal of auditors

On 29 March 2019, two resolutions including the "Resolution on the Appointment of Auditors for 2019" and "Resolution on the Appointment of Internal Control Auditors for 2019" were considered and passed at the twentieth meeting of the fourth session of the Board of Directors. These resolutions were then considered and passed at the 2018 annual general meeting of the Company on 25 June 2019. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2019 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2019. For details of such changes, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2018 disclosed by the Company on the website of the Shanghai Stock Exchange on 26 June 2019.

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

Not applicable

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

Not applicable

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

Not applicable

## 5 Matters Relating to Insolvency or Restructuring

Not applicable

## 6 Material Litigation and Arbitration

The Company had no material litigation or arbitration during the reporting period.

## SIGNIFICANT EVENTS

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

Not applicable

## 8 Integrity of the Company and Its Controlling Shareholder and Ultimate Controller during the Reporting Period

During the reporting period, the Company and its controlling shareholder and ultimate controller operated legally by strictly following the requirements of the laws and regulations and normative documents, such as the Company Law and the Securities Law, and duly fulfilled all the undertakings without committing any default.

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

Not applicable

## 10 Significant Related Party Transactions

### (1) Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	8,327	8,327	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	11,118	11,118	Less than 1%
<b>Total</b>					<b>19,445</b>	<b>19,445</b>	

Description of related party transactions

The above two transactions resulted from the implementation during the reporting period of the Premises Leasing Agreement and Comprehensive Services Agreement renewed by the Company and CREC on 27 December 2018. Each of the two agreements has a term of three years. The total transaction amount involved was within the decision-making authority of the Board of Directors and was considered and approved at the 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.

## SIGNIFICANT EVENTS

### (iii) Matters undisclosed in announcement

Not applicable

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

Not applicable

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

Not applicable

### (4) Amounts due from/to related parties

Not applicable

### (5) Other significant related party transactions

Not applicable

### (6) Others

#### (i) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guarantee 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 2019, the remaining payable amount of the abovementioned bonds was RMB11,272,560,000 (31 December 2018: RMB11,260,367,000).

#### (ii) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related party	30 June 2019	31 December 2018
Loans	CREC	2,950,000	1,950,000

## SIGNIFICANT EVENTS

Unit: Thousand Currency: RMB

Item	Related party	30 June 2019	31 December 2018
Deposit-taking (Note)	CREC	5,443	144,681
	China Railway State Assets Management Co., Ltd.	87,418	8,029

Note: In order to increase the Company's utilization efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and passed at the 18th meeting of the fourth session of the Board of Directors convened by the Company on 7 December 2018, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement (the agreement would expire on 31 December 2021) with CREC, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CREC and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 28 December 2018 published on the website of the Shanghai Stock Exchange.

As at 30 June 2019, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC in order to supplement the liquid capital of CREC amounted to RMB2.95 billion. During the reporting period, the daily loan balance (including interest accrued) obtained by CREC from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to CREC and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

## (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	51,239	15,931
Interest Expense	CREC	1,005	1,195
Interest Expense	China Railway State Assets Management Co., Ltd.	446	155

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.



## SIGNIFICANT EVENTS

## 11 Material Contracts and Their Performance

## (1) Trusteeship, Contracting and Leasing

Not applicable

## (2) Guarantees

Unit: Thousand Currency: RMB

Guarantor	Relationship between guarantor and listed company		Guarantee provided by the Company (excluding those provided to subsidiaries)							Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party relationship
			Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee								
China Railway Group Limited	The Company	Linha Railway Co., Ltd.	554,240.00	2008/6/30	2008/6/30	2027/6/20	Suretyship of joint and several liability	No	No	-	No	No	/		
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	2,237,245.00	2015/12/24	2015/12/24	2023/1/1/24	Suretyship of joint and several liability	No	No	-	No	No	/		
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	60,396.20	2012/12/29	2012/12/29	2020/6/30	Suretyship of joint and several liability	No	No	-	No	No	/		
China Railway International Group Co., Ltd.	Wholly-owned subsidiary	MontagProp Proprietary Limited	71,025.00	2015/7/31	2015/7/31	2020/7/30	Suretyship of joint and several liability	No	No	-	No	No	/		
China Railway No.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Xuzhou Yingbin Expressway Construction Co., Ltd.	1,190,000.00	2018/10/22	2018/10/22	2028/10/22	Suretyship of joint and several liability	No	No	-	No	No	/		

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	1,435,250.00
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	4,112,906.20
<b>Guarantee provided by the Company and its subsidiaries to its subsidiaries</b>	
Total guarantee to subsidiaries incurred during the reporting period	3,326,782.10
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	44,247,480.80
<b>Aggregate guarantee of the Company (including those provided to subsidiaries)</b>	
Aggregate guarantee (A+B)	48,360,387.00
Percentage of aggregate guarantee to net assets of the Company (%)	24.47
Representing:	
Amount of guarantee provided to shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	44,116,833.90
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	44,116,833.90
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 30 June 2019, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB30,967,785,000.

## SIGNIFICANT EVENTS

## (3) Other material contracts

## (i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Railway</b>						
1	China Railway No. 4 Engineering, China Railway Guangzhou, China Railway No. 3 Engineering, China Railway Shanghai	Construction Headquarters Office of Nanjing Railway Terminal Project of China Railway Shanghai Group Co., Ltd.	Sections NYJZQ-1, NYJZQ-4, NYJZQ-8 and NYJZQ-10 of the before-station construction project of the New South Jiangsu Riverside Intercity Railway	2019-04	1,064,229	4 years
2	China Railway No. 2 Engineering, China Railway Guangzhou, China Railway No. 5 Engineering	Guangzhou Construction Headquarters Office of China Railway Guangzhou Group Co., Ltd.	Lump sum contract of Sections GSSG2, GSSG3 and GSSG4 of the before-station project of the new Guangzhou (Xintang)-Shanwei Railway	2019-03	834,827	4 years
3	China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway Shanghai	Huaihua-Shaoyang- Hengyang Railway Co., Ltd.	Sections CYCZQ-1, CYCZQ-3 and CYCZQ-4 of the before- station project of the new Changde-Yiyang-Changsha Railway	2019-06	661,732	4 years
<b>Highway</b>						
1	China Railway No. 1 Engineering, China Railway No. 4 Engineering, China Railway Eryuan Engineering	Shaoxing Infrastructure Construction Investment Co., Ltd.	Relocation project (Hu'an road to Yuexing road) of the smart expressway of National Highway 329	2019-01	422,580	995 calendar days
2	China Railway Construction	Hohhot City Xinsheng Urban Construction Co., Ltd.	Reconstruction and improvement project of the Hohhot- Bayannur Section	2019-06	273,866	2019.6.25- 10.30
3	China Railway Major Bridge Engineering and other parties	Hangzhou Highway Administration Bureau	Reconstruction project of Hangzhou Segment of the Shanghai-Hangzhou-Ningbo Expressway (toll station of Qiaosi main line to a new bridge over the Qiantang River)-civil engineering construction of Section TJ02 of the key node	2019-05	177,725	853 calendar days

## SIGNIFICANT EVENTS

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Municipal Works</b>						
1	China Railway, China Railway Tunnel, China Railway No. 7 Engineering	Shenzhen Traffic Public Facilities Construction Center	Section 2 of EPC contract of engineering construction of the Mawan Cross-Sea Passage (Moon Bay Avenue-Yanjiang Expressway)	2019-01	555,928	1,820 calendar days
2	China Railway, China Railway No. 1 Engineering, China Railway No. 4 Engineering, China Railway Tunnel	Shenzhen Subway Group Co., Ltd.	EPC construction contract of Huangmugang comprehensive transportation hub in Shenzhen	2019-03	546,879	2,069 calendar days
3	China Railway, China Railway No. 4 Engineering and other parties	Shenzhen Traffic Public Facilities Construction Center	EPC construction contract of the transportation comprehensive reconstruction project of Binhai avenue (headquarters base section) in Shenzhen	2019-01	339,965	731 calendar days

## (ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Chongqing Municipal Committee of Communications	Survey and design of Chongqing-Hunan High-speed Railway (Chongqing-Qianjiang Section)	2019-01	84,500	Until project completion
2	China Railway Eryuan Engineering	Guizhou Gui'an Rail Transit Co., Ltd.	Feasibility study, survey and design of the first phase of the urban rail transit S1 line in Guiyang city	2019-02	34,296	Until project completion
3	China Railway Eryuan Engineering	Dian'nan Railway Co., Ltd.	Survey and design of the new Mile-Mengzi Railway	2019-03	24,030	Until project completion

## SIGNIFICANT EVENTS

## (iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Steel Structure</b>						
1	China Railway Baoji Bridge	CCCC Highway Consultants Co., Ltd.	Manufacturing, transportation and field connection of steel structures of Shaxi Bridge in the YA20 Contract Section of the Zhongxian, Youxi-Lixin, Jianning Segment of the Pu-Yan Expressway	2019-02	28,757	10 months
2	China Railway Science & Industry Group Co., Ltd.	Wuhan Municipal Construction Group Co., Ltd.	Supplemental agreement of the professional subcontracting of steel box girders on the south extension line of Guanggu Avenue (three ring road-outer ring road)	2019-01	20,766	Undecided
<b>Turnout</b>						
1	China Railway Baoji Bridge	China Railway Design Corporation	Purchase contract for the turnouts for the new Hangzhou-Shaoxing-Taizhou Railway	2019-05	25,155	Till the end of the construction period
2	China Railway Baoji Bridge	Shenzhen Construction Headquarters Office of China Railway Guangzhou Group Co., Ltd.	Purchase contract for general-speed turnouts and accessories that are party A-supplied materials managed by the general engineering corporation for the new Ganzhou-Shenzhen Railway (Guangdong Segment)	2019-04	10,127	Till the end of the construction period
<b>Construction Machinery</b>						
1	China Railway Engineering Equipment	China Construction Tunnel Corporation Limited	STM Sales & Purchase Contract	2019-05	8,962	7 months
2	China Railway Engineering Equipment	Chengdu Gongtou Financial Leasing Co., Ltd.	STM Sales & Purchase Contract	2019-06	8,515	1.5 months

## SIGNIFICANT EVENTS

## (iv) Property development business

No.	Project name	Project location	Project type	Planning area (m <sup>2</sup> )
1	Z2 plot of the vocational education area in Qingzhen, Guiyang	Guiyang	Residential, commercial	About 750,000
2	Group constructive land in Chuntai Village, Pidu District, Chengdu	Chengdu	Residential, commercial	About 150,000
3	Pearl of Silk Road TV Tower in Yinchuan	Yinchuan	Comprehensive	About 170,000
4	Mingshui backshop project in Zhangqiu District, Jinan	Jinan	Residential	About 110,000
5	Renovation of shanty towns in Sanhe Village, Hanyang Avenue, Wuhan	Wuhan	Residential, commercial	About 60,000

## (v) 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 Group Limited and other parties	Guiyang Municipal Committee of Communications	70%	PPP project of Guiyang Rail Transit Line 3 (Phase 1)	2019-02	322.31	5 years	25 years
2	China Railway Group Limited and other parties	Yunnan Highway Administration Bureau	90%	PPP project of the Yuxi-Chuxiong Section of the G8012 Mile-Chuxiong Expressway	2019-04	280.00	4 years	30 years
3	China Railway Group Limited and other parties	Yibin Communications and Transportation Bureau	100%	Western section of Yibin Transit Expressway and PPP project of Yibin-Yiliang Expressway (in Sichuan)	2019-01	205.40	4 years	30 years
4	China Railway Group Limited and other parties	Chongqing Urban and Rural Construction Commission	51%	PPP project of Chongqing Rail Transit Line 4 (Min'an Avenue-Shichuan)	2019-05	198.29	3.5 years	30 years

## SIGNIFICANT EVENTS

## (4) Particulars of material properties

## (i) Properties held for investment

No.	Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
1	Beijing Nuode Center Phase III Building S1, S2, 16 and 19	No. 1 South Yvren Road, Fengtai District, Beijing	Commercial	Medium term	100%
2	Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities	No. 50 Lvwei Road, Hebei District, Tianjin	Commercial	Medium term	100%
3	Shanghai Nuode International Plaza	3/5 Block, 219 Lane, Xinzhuang Town, Minhang District, Shanghai	Commercial	Medium term	100%
4	Chengdu Nuode No. 1	Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu	Commercial	Medium term	100%
5	Beijing China Railway Mansion	No. 3 Yard, South Automobile Museum Road, Fengtai District, Beijing	Commercial	Medium term	100%
6	Qingdao Central Plaza	No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong	Commercial	Medium term	100%
7	Reeda Plaza	No. 46 South Shengli Road, Heping District, Shenyang, Liaoning	Commercial	Medium term	100%
8	China Railway South Headquarters Building	No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong	Commercial	Medium term	100%
9	Nanjing Lukou Fur Town Shop District A-H, District J, Boutique Business District	No. 47 Xincheng Avenue, Jiangning District, Nanjing, Jiangsu	Commercial	Medium term	100%
10	Huashuiwan Celebrity Resort	Huashuiwan Hotspring Community, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%

## SIGNIFICANT EVENTS

### (ii) Properties held for development and/or sale

No.	Name of building or project	Specific address	Current land use	Site area (m <sup>2</sup> )	Floor area (m <sup>2</sup> )	State of completion	Expected completion date	Interests of the Company and its subsidiaries
1	Sichuan Heilongtan International Eco Tourism Resort Project	Renshou County, Meishan, Sichuan	Comprehensive	22,660,000	14,180,000	Under construction	2027	100%
2	China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
3	China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
4	Guiyang China Railway Yueshan Lake	Guanshan Lake District, Guiyang, Guizhou	Commercial, residential	2,360,000	2,660,000	Under construction	2020	80%
5	Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	863,900	1,482,700	Under construction	2029	100%

## 12 Poverty Relief Efforts of the Listed Company

### (1) Targeted poverty alleviation planning

In 2019, the Company timely formulated and released the 2019 Poverty Alleviation Plan and scientifically deployed the year-round work. During the year, the Company plans to invest dedicated funds of RMB50 million to targeted poverty alleviation counties, to introduce RMB580,000 of assistance funds to targeted poverty alleviation counties, to train 60 grass-root cadres and 2,620 technical personnel, to purchase RMB1.90 million of agricultural products and help to sell RMB700,000 of agricultural products of poor areas.

### (2) Summary of targeted poverty alleviation during the reporting period

In 2019, the Company continued to implement the requirements of the Leading Group Office of Poverty Alleviation and Development of the State Council and the SASAC on "targeted poverty alleviation and targeted poverty elimination", and based on key aid projects, poverty alleviation by industry, labor force transfer and responsible cadres appointment, paid attention to targeted poverty alleviation, and consolidated the strength of the whole company to promote poverty alleviation. In the first half of the year, a total of 16 units under the Company participated in the poverty alleviation from different levels, invested a total of RMB2.5194 million of dedicated funds, and helped 3,236 registered impoverished people relieve from poverty under the help offered; as of the end of June, the Company purchased and consumed RMB6.713 million of agricultural products from poverty alleviation counties, making due contributions to promoting local economic development.



## SIGNIFICANT EVENTS

## (3) Effectiveness of targeted poverty relief efforts

Unit: 0'000 Currency: RMB

Indicators	Quantity & Implementation
<b>I. General</b>	
Including: 1. Fund	251.94
2. Materials converted into cash	28.79
3. Number of registered impoverished people relieved from poverty under the help offered (person)	3,236
<b>II. Investment Breakdown</b>	
1. Poverty alleviation through industrial development	<input checked="" type="checkbox"/> Agricultural and forestry poverty alleviation <input checked="" type="checkbox"/> Tourism poverty alleviation
Including: 1.1 Type of industrial projects for poverty alleviation	<input checked="" type="checkbox"/> E-commerce poverty alleviation <input checked="" type="checkbox"/> Asset income poverty alleviation <input checked="" type="checkbox"/> Technological poverty alleviation <input checked="" type="checkbox"/> Others
1.2 Number of industrial projects for poverty alleviation	9
1.3 Amount of investment in industrial projects for poverty alleviation	72
1.4 Number of registered impoverished people relieved from poverty under the help offered (person)	898
2. Poverty alleviation through transferred employment	
Including: 2.1 Amount of investment in occupational skill training	176.94
2.2 Number of persons receiving vocational skill training (person/time)	1,892
2.3 Number of registered impoverished people getting employed under the help offered (person)	228
3. Poverty alleviation through relocation	
Including: 3.1 Number of employment for relocated household (person)	35
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in financing needy students	40.94
4.2 Number of poor students financed (person)	838
4.3 Amount of investment in improving the educational resources in poverty-stricken areas	1
5. Poverty alleviation through health	
Including: 5.1 Amount of investment in the medical and health resources of poverty-stricken areas	1.22
6. Poverty alleviation through ecological protection	<input type="checkbox"/> Commencing ecological protection and construction <input type="checkbox"/> Devising ways of ecological protection compensation <input type="checkbox"/> Setting up ecological charity job positions <input checked="" type="checkbox"/> Others
Including: 6.1 Name of project	
6.2 Amount of investment	/

## SIGNIFICANT EVENTS

Indicators	Quantity & Implementation
7. Baseline security	
Including: 7.1 Amount of investment in helping the elderly people, women and left-behind children in rural areas	1.6
7.2 Number of elderly people, women and left-behind children in rural areas helped (person)	64
7.3 Amount of investment in helping needy disabled people	1.7
7.4 Number of needy disabled people helped (person)	201
8. Poverty alleviation through society	
Including: 8.1 Amount of investment in coordinated eastern-western poverty alleviation	65
8.2 Amount of investment in targeted poverty alleviation	53.06
8.3 Public social charitable fund for poverty alleviation	/
9. Other projects	
Including: 9.1 Number of projects	12
9.2 Amount of investment	106.696
9.3 Number of registered impoverished people relieved from poverty under the help offered (person)	50
9.4 Description about other projects	Purchasing agricultural products, carrying out infrastructure construction, implementing "Thousands of Enterprises Helping Thousands of Villages" projects, donating goods, etc.
<b>III. Awards Received (Nature and Level)</b>	
1. Zheng Yan, the first resident secretary from China Railway No. 5 Engineering, was awarded the title of "Outstanding Member of the Communist Party in Poverty Alleviation of Guizhou Province in 2019"	
2. The targeted poverty alleviation work of China Railway Major Bridge Design Institute was rated as "Excellent" in Hubei Province	
3. China Railway Industry won the title of "Advanced Enterprise in Poverty Alleviation" in Baoji	
4. Liu Xiaoying, a poverty alleviation cadre from the Company, won the May 1st Labor Medal of Baode County	

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

Up to now, the Company's three targeted counties have officially got rid of poverty. Guidong County officially got rid of poverty in August 2018; among 42,705 impoverished people in 14,118 households in the county, 41,314 impoverished people in 13,389 households have been lifted out of poverty; the poverty incidence is 0.75%, and the mass recognition is 97.88%. Rucheng County got rid of poverty in March 2019; among 63,735 impoverished people in 20,002 households in the county, 60,419 impoverished people in 18,260 households have been lifted out of poverty; the poverty incidence is 0.91%, and the mass recognition is 98.7%. Baode County got rid of poverty in April 2019; among 37,703 impoverished people in 13,857 households in the county, 37,220 impoverished people in 13,638 households have been lifted out of poverty; the poverty incidence is 0.35%, and the mass recognition is 98.78%. Moreover, in the first half of 2019, the Company further intensified the poverty alleviation work to help fight against poverty by adding two first secretaries, organizing experts from China Railway to carry out "poverty alleviation through intelligence" activities in targeted counties, vigorously carrying out various practical technical trainings, implementing medical assistance, and building agricultural products sales platforms in impoverished counties to promote the sale of agricultural products.

## SIGNIFICANT EVENTS

### (5) Subsequent targeted poverty alleviation plan

It is approximately one year left from now to the achievement of the goal of building a moderately well-off society in an all-round way in 2020 proposed by General Secretary Xi Jinping. Time is tight and the task is arduous. The Company will focus on the following aspects: Firstly, the Company will continue to do a good job in research and supervision, and focus on understanding the poverty alleviation efforts and the consolidation of poverty alleviation achievements in targeted impoverished counties. Secondly, the Company will set clear goals and focus on implementation to ensure that all poverty alleviation indicators are reasonable, compliant and implemented in an orderly manner. Thirdly, the Company will use innovative methods and improve effectiveness by consolidating poverty alleviation achievements through the organization of "China Railway Poverty Alleviation Day" and the establishment of an information-based employment platform.

## 13 Convertible Corporate Bonds

Not applicable

## 14 Environmental Protection Information

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

Not applicable

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

The year of 2019 is a key year for the Company's "13th Five-Year" energy conservation and environmental protection plan. The Company earnestly implemented various national policies on environmental protection, implemented work deployment and various requirements, and conducted environmental protection work in a solid manner. First of all, pursuant to the laws and regulations such as 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 improved the 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, the Company exercised unified leadership and adopted a tiered management model in its subsidiaries and branches in order to achieve clean production and sustainable development. The Company also proactively introduced the ISO14001:2004 environmental management system standard to ensure that the environmental protection work was orderly and controllable. Thirdly, the Company commenced environmental assessment and fulfilled its preliminary environmental protection examination duty as required by the laws. For construction projects invested by the Company, it insisted in conducting environmental impact appraisal and following the environmental review and approval procedures according to the laws. The Company required that its environmental protection projects must be incorporated in the overall construction organization and design of the projects to ensure that the relevant pollution prevention and remediation facilities of the relevant infrastructure and technical innovation projects were designed, constructed and put into operation at the same time with the main construction works. Fourthly, production was carried out at the construction

## SIGNIFICANT EVENTS

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 (smoke) gas and construction dust from the course of production. 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 and water supply protection areas. Upon completion of the construction projects, the Company would rehabilitate the land as required and restore the ecological environment as far as possible. For dust-prone materials in the workshops, the Company would adopt dust prevention measures, such as fences and covers. Construction sewage and mud would only be discharged after being treated in a triple-deck sedimentation tank, which was regularly cleaned by dedicated cleaning staff, in order to actively create a green construction site. The reutilization rate of industrial waters was increased to reduce the water consumption per product unit and save water resources.

In the first half of 2019, the comprehensive energy consumption per RMB ten thousand of revenue from the construction industry of the Company was 0.0468 ton of standard coal/RMB ten thousand, representing a decrease of 6.59% over the same period last year, and achieved the established objectives of the Company's "13th Five-Year" energy saving and emission reduction plan. The comprehensive energy consumption per RMB ten thousand of added revenue value from the construction industry was 0.2911 ton of standard coal, representing a decrease of 2.09% over the same period last year.

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

Not applicable

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

Not applicable

## 15 Explanation for Other Significant Events

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

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 – Leases, Accounting Standards for Business Enterprises No. 12 – Debt Restructuring, Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets, and Notice on Revising and Issuing the 2019 Versions of General Corporate Financial Statement Templates (Cai Kuai [2019] No. 6), respectively in 2018 and 2019. The International Accounting Standards Board published the IFRS 16 "Lease" and certain amendments which were effective on 1 January 2019. The Company has implemented the amendments and notices above to the Accounting Standards for Business Enterprises and the new standards and amendments under International Financial Reporting Standards since 1 January 2019, 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 2019 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 at the date of 2019 interim results announcement, combining the specific circumstances of the Company.

## SIGNIFICANT EVENTS

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

Not applicable

### (3) Others

References are made to the announcements dated 13 June 2018, 6 August 2018, 16 October 2018 and 30 July 2019, the circular dated 23 October 2018 and the poll results announcement dated 7 December 2018 of the Company in relation to the proposed acquisition of 25.32% equity interests in China Railway No.2 Engineering Group Co., Ltd., 29.38% equity interests in China Railway No.3 Engineering Group Co., Ltd., 26.98% equity interests in China Railway No.5 Engineering Group Co., Ltd. and 23.81% equity interests in China Railway No.8 Engineering Group Co., Ltd. held by China Reform Holdings Corporation Ltd. and other 8 entities through issuance of new A shares by the Company (the “**Restructuring**”) in order to implement market-driven debt-to-equity swap.

On 5 May 2019, the Listed Companies Merger and Reorganisation Vetting Committee of the China Securities Regulatory Commission (the “**CSRC**”) held the 20th Working Conference of the Merger and Reorganisation Vetting Committee to review the Restructuring and the Restructuring was unconditionally approved.

On 29 May 2019, the Company received from the CSRC the Approval of the Acquisition of Assets by Issuance of Shares of China Railway Group Limited to China Reform Holdings Corporation Ltd. and Other Entities (Zheng Jian Xu Ke [2019] No. 913). The Company, together with relevant parties, has strictly complied with the provisions of relevant laws, regulations and agreements and actively proceeded with the implementation of the Restructuring.

In accordance with Measures for the Administration of the Offering and Underwriting of Securities, the Company may not issue shares until the implementation of its 2018 dividends distribution plan is completed. The Company has implemented the cash dividend distribution plan to holders of A shares and the cash dividend distribution plan to holders of H shares on 23 July 2019 and 29 July 2019, respectively, and has adjusted the issue price and the number of shares to be issued of the Restructuring according to the implementation of the dividend plans. The issue price has been adjusted to RMB6.75 per share and the number of shares to be issued has been adjusted to 1,726,627,740 shares. For details please refer to the announcement dated 30 July 2019 published by the Company.

During the implementation of the Restructuring, the Company has published announcements on the progress in accordance with the Measures for the Administration of the Material Asset Restructurings of Listed Companies. For details please refer to the Announcement of China Railway Group Limited on the Progress of the Implementation of Major Assets Restructuring (Announcement No.: Lin 2019-051) published on 7 July 2019 and the Announcement of China Railway Group Limited on the Progress of the Implementation of Major Assets Restructuring (Announcement No.: Lin 2019-056) published on 27 August 2019 by the Company. The Company will continue to expedite the closing and share issuance of the Restructuring and make announcements on the progress in accordance with the laws and regulations.

## SIGNIFICANT EVENTS

### 16 Compliance with Corporate Governance Code

During the six months ended 30 June 2019, the Company had complied with all code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

### 17 Review of Interim Financial Report

The 2019 interim financial statements for the six months ended 30 June 2019 of the Company prepared in accordance with CAS and the 2019 interim financial information prepared in accordance with IAS 34 (collectively referred as “**2019 Interim Financial Report**”) have not been audited. The 2019 Interim Financial Report has been reviewed by the Board of Directors of the Company and the Audit and Risk Management Committee under the Board of Directors of the Company.

## DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CREC	China Railway Engineering Group Company Limited, formerly known as China Railway Engineering Corporation
4	BOT	“Build-Operate-Transfer” mode
5	PPP	“Public-Private-Partnership” mode
6	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
7	Belt and Road Initiative	the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”
8	Latest Practicable Date	6 September 2019, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining the relevant information contained in this interim report



## COMPANY INFORMATION

### Directors

#### Executive Directors

ZHANG Zongyan (*Chairman*)  
ZHANG Xian

#### Independent Non-executive Directors

GUO Peizhang  
WEN Baoman  
ZHENG Qingzhi  
CHUNG Shui Ming Timpson

#### Non-executive Directors

MA Zonglin

### Supervisors

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

### Joint Company Secretaries

HE Wen  
TAM Chun Chung *CPA, FCCA*

### Authorized Representatives

ZHANG Xian  
TAM Chun Chung *CPA, FCCA*

### Audit and Risk Management Committee

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

### Remuneration Committee

GUO Peizhang (*Chairman*)  
WEN Baoman  
MA Zonglin

### Strategy Committee

ZHANG Zongyan (*Chairman*)  
GUO Peizhang  
MA Zonglin

### Nomination Committee

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

### Safety, Health and Environmental Protection Committee

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

## COMPANY INFORMATION

### Registered Office

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

### Principal Place of Business in Hong Kong

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

### Auditors

#### Domestic

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

#### International

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

### Legal Advisors

#### For PRC Law

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

#### For Hong Kong Law

Linklaters  
10/F, Alexandra House  
Chater Road  
Hong Kong

### Shares Registrars

#### A Shares

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

#### H Shares

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

### Listing Information

#### A Shares

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

#### H Shares

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

### Principal Bankers

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

### Company Website

<http://www.crec.cn>

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED

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

### Introduction

We have reviewed the interim financial information set out on pages 61 to 120, which comprises the interim condensed consolidated balance sheet of China Railway Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 August 2019

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited Six month ended 30 June	
		2019 RMB million	2018 RMB million
Revenue	7	361,887	316,102
Cost of sales and services	13	(327,069)	(284,970)
<b>Gross profit</b>		<b>34,818</b>	31,132
Other income	8	1,042	881
Other expenses	8	(5,546)	(4,317)
Net impairment losses on financial assets and contract assets	9	(1,221)	(2,206)
Other gains, net	10	231	301
Selling and marketing expenses	13	(1,837)	(1,503)
Administrative expenses	13	(11,019)	(10,289)
<b>Operating profit</b>		<b>16,468</b>	13,999
Finance income	11	1,048	799
Finance costs	11	(3,681)	(2,848)
Share of post-tax profits of joint ventures		101	97
Share of post-tax profits of associates		698	666
<b>Profit before income tax</b>		<b>14,634</b>	12,713
Income tax expense	12	(3,371)	(3,301)
<b>Profit for the period</b>		<b>11,263</b>	9,412
<b>Profit attributable to:</b>			
– Owners of the Company		10,514	9,552
– Non-controlling interests		749	(140)
		<b>11,263</b>	9,412
<b>Earnings per share for profit attributable to owners of the Company</b> (expressed in RMB per share)			
– Basic	15	0.399	0.394
– Diluted	15	0.399	0.394

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six month ended 30 June	
		2019 RMB million	2018 RMB million
<b>Profit for the period</b>		<b>11,263</b>	9,412
<b>Other comprehensive (expenses)/income, net of income tax</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of retirement and other supplemental benefit obligations		(1)	(108)
Income tax relating to remeasurement of retirement and other supplemental benefit obligations		–	26
Changes in the fair value of equity investments at fair value through other comprehensive income		17	(195)
Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income		(2)	21
		<b>14</b>	(256)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		12	23
Share of other comprehensive income of associates		9	24
Fair value (losses)/gains on cash flow hedging instrument, net of deferred tax		(3)	1
		<b>18</b>	48
Other comprehensive income/(expense) for the period, net of tax		<b>32</b>	(208)
<b>Total comprehensive income for the period</b>		<b>11,295</b>	9,204
<b>Total comprehensive income/(expenses) for the period attributable to:</b>			
– Owners of the Company		<b>10,521</b>	9,400
– Non-controlling interests		<b>774</b>	(196)
		<b>11,295</b>	9,204

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30 June 2019 RMB million</b>	Audited 31 December 2018 RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	65,260	64,687
Right-of-use assets	4	2,247	—
Deposits for acquisition of property, plant and equipment		1,390	1,664
Lease prepayments		12,310	12,439
Deposits for lease prepayments		270	270
Deposits for investments		2,219	2,187
Investment properties		8,752	8,543
Intangible assets	17	49,910	46,200
Mining assets		3,787	3,873
Contract assets	21	74,358	67,516
Investments in joint ventures		21,262	19,597
Investments in associates		21,876	15,672
Goodwill		900	899
Financial assets at fair value through other comprehensive income	19	7,739	5,792
Other financial assets at amortised cost	22	16,443	12,474
Financial assets at fair value through profit or loss	23	9,690	7,366
Deferred tax assets		7,410	6,866
Other prepayments		334	415
Trade and other receivables	20	14,710	14,013
		<b>320,867</b>	290,473
<b>Current assets</b>			
Lease prepayments		204	337
Properties held for sale		25,412	27,288
Properties under development for sale	18	140,704	99,400
Inventories		48,820	38,553
Financial assets at fair value through other comprehensive income	19	145	355
Trade and other receivables	20	214,039	212,392
Contract assets	21	136,865	122,947
Current income tax recoverable		3,162	2,263
Other financial assets at amortised cost	22	9,077	9,732
Financial assets at fair value through profit or loss	23	3,544	4,296
Restricted cash		14,012	16,709
Cash and cash equivalents		95,218	117,768
		<b>691,202</b>	652,040
<b>Total assets</b>		<b>1,012,069</b>	942,513

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30 June 2019 RMB million</b>	Audited 31 December 2018 RMB million
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	22,844	22,844
Share premium and reserves		142,885	136,666
Perpetual notes	26	31,929	32,109
		<b>197,658</b>	191,619
Non-controlling interests		<b>32,024</b>	30,362
<b>Total equity</b>		<b>229,682</b>	221,981
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	27	6,907	2,617
Borrowings	28	116,289	88,808
Lease liabilities		951	—
Obligations under finance leases		—	160
Retirement and other supplemental benefit obligations		2,933	3,029
Provisions		1,415	1,002
Deferred government grants and income		1,201	1,278
Deferred tax liabilities		1,150	1,163
		<b>130,846</b>	98,057
<b>Current liabilities</b>			
Trade and other payables	27	421,275	421,814
Contract liabilities	21	99,798	91,999
Current income tax liabilities		4,886	6,081
Borrowings	28	123,870	102,112
Lease liabilities		1,293	—
Obligations under finance leases		—	11
Retirement and other supplemental benefit obligations		321	369
Financial liabilities at fair value through profit or loss	23	82	71
Provision		16	18
		<b>651,541</b>	622,475
<b>Total liabilities</b>		<b>782,387</b>	720,532
<b>Total equity and liabilities</b>		<b>1,012,069</b>	942,513

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

The condensed consolidated interim financial information on pages 61 to 120 was approved by the Board of Directors on 30 August 2019 and were signed on its behalf.

**ZHANG Zongyan**  
Director

**ZHANG Xian**  
Director



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Unaudited										
	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory reserve	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes	Total	Non-controlling interests	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2019	22,844	43,982	2,020	10,896	(525)	343	79,950	32,109	191,619	30,362	221,981
Profit for the period	-	-	-	-	-	-	9,111	1,403	10,514	749	11,263
Other comprehensive (expenses)/income	-	-	(1)	-	17	(9)	-	-	7	25	32
<b>Total comprehensive (expenses)/income for the period ended 30 June 2019</b>	-	-	(1)	-	17	(9)	9,111	1,403	10,521	774	11,295
<b>Total transactions with owners, recognised directly in equity</b>											
Capital contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	1,254	1,254
Transaction with non-controlling interests resulting from liquidation of a subsidiary	-	-	(44)	-	-	-	-	-	(44)	44	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	69	-	69	-	69
Issuance of perpetual notes	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Dividends declared to shareholders	14	-	-	-	-	-	(2,924)	-	(2,924)	-	(2,924)
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(410)	(410)
Dividends declared to perpetual notes holders	-	-	-	-	-	-	-	(1,581)	(1,581)	-	(1,581)
Transferred to reserves	-	-	-	10	-	-	(10)	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>22,844</b>	<b>43,982</b>	<b>1,975</b>	<b>10,906</b>	<b>(508)</b>	<b>334</b>	<b>86,196</b>	<b>31,929</b>	<b>197,658</b>	<b>32,024</b>	<b>229,682</b>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Unaudited											
	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes	Total			
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)		
			(Note 25)	(Note 25)				(Note 26)				
<b>Balance at 1 January 2018</b>	22,844	43,982	(168)	9,529	(386)	129	67,249	12,038	155,217	14,341	169,558	
Change in accounting policies	-	-	-	7	-	829	222	-	1,058	(5)	1,053	
<b>Restated total equity as at 1 January 2018</b>	22,844	43,982	(168)	9,536	(386)	958	67,471	12,038	156,275	14,336	170,611	
Profit/(losses) for the period	-	-	-	-	-	-	9,007	545	9,552	(140)	9,412	
Other comprehensive (expenses)/income	-	-	(82)	-	14	(84)	-	-	(152)	(56)	(208)	
<b>Total comprehensive (expense)/income for the period ended 30 June 2018</b>	-	-	(82)	-	14	(84)	9,007	545	9,400	(196)	9,204	
<b>Total transactions with owners, recognised directly in equity</b>												
Capital contribution from non-controlling shareholders of subsidiaries	-	-	1,856	-	-	-	-	-	1,856	10,598	12,454	
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	-	-	(197)	-	-	-	-	-	(197)	(307)	(504)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	931	931	
Share of other reserves of a joint venture	-	-	11	-	-	-	-	-	11	-	11	
Dividends declared to shareholders	14	-	-	-	-	-	(2,581)	-	(2,581)	-	(2,581)	
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(617)	(617)	
Dividends declared to perpetual notes holders	-	-	-	-	-	-	-	(643)	(643)	-	(643)	
Transferred to reserves	-	-	-	15	-	-	(15)	-	-	-	-	
<b>Balance at 30 June 2018</b>	22,844	43,982	1,420	9,551	(372)	874	73,882	11,940	164,121	24,745	188,866	

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019 RMB million	2018 RMB million
<b>Net cash used in operating activities</b>	<b>(49,805)</b>	(28,745)
<b>Cash flows from investing activities</b>		
– Additions of property, plant and equipment	<b>(4,640)</b>	(5,708)
– Deposits for acquisition of property, plant and equipment	<b>(16)</b>	(650)
– Disposal of property, plant and equipment	<b>356</b>	285
– Deposits paid for lease prepayments	<b>–</b>	(111)
– Additions of lease prepayments	<b>(446)</b>	(304)
– Additions of intangible assets	<b>(2,353)</b>	(1,444)
– Purchase of investment properties	<b>(8)</b>	–
– Acquisition of subsidiaries	<b>824</b>	(1,221)
– Disposal of a subsidiary	<b>–</b>	114
– Investments in associates	<b>(5,526)</b>	(2,206)
– Investments in joint ventures	<b>(3,138)</b>	(4,417)
– Disposal of joint ventures	<b>852</b>	–
– Disposal of associates	<b>62</b>	408
– Purchase of financial assets at fair value through other comprehensive income	<b>(2,084)</b>	(523)
– Disposal of financial assets at fair value through other comprehensive income	<b>163</b>	76
– Purchase of financial assets at fair value through profit or loss	<b>(3,982)</b>	(8,435)
– Disposal of financial assets at fair value through profit or loss	<b>4,220</b>	8,880
– Net flow in respect of other financial assets at amortised cost	<b>(2,075)</b>	(2,378)
– Interests received	<b>399</b>	907
– Dividends received	<b>226</b>	651
– Decrease of restricted cash	<b>1,886</b>	348
– Increase of restricted cash	<b>–</b>	(894)
– Deposits paid for investments	<b>(33)</b>	(382)
– Other investing cash flows	<b>111</b>	148
<b>Net cash used in investing activities</b>	<b>(15,202)</b>	(16,856)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019 RMB million	2018 RMB million
<b>Cash flows from financing activities</b>		
– Capital contributions from non-controlling shareholders of subsidiaries	1,255	11,973
– Repayment of debentures	(915)	(3,109)
– Proceeds from bank borrowings	82,573	59,619
– Repayments of bank borrowings	(44,135)	(42,740)
– Proceeds from other borrowings	13,495	2,823
– Repayment of other borrowings	(3,771)	(5,140)
– Interests paid	(4,874)	(3,881)
– Repayments of obligations under finance leases	—	(23)
– Dividends paid to non-controlling shareholders of subsidiaries	(149)	(189)
– Dividends paid to holders of perpetual notes	(450)	(448)
– Repayments of lease liabilities	(587)	—
<b>Net cash generated from financing activities</b>	<b>42,442</b>	<b>18,885</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(22,565)</b>	<b>(26,716)</b>
Cash and cash equivalents at beginning of the period	117,768	116,688
Effect of foreign exchange rate changes	15	116
<b>Cash and cash equivalents at end of the period</b>	<b>95,218</b>	<b>90,088</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 2019.

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 2019 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 consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 2018, as described in the annual consolidated financial statements.

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

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2019.

	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

Except for the new standard as described in Note 4, the adoption of above did not have any material impact on the Group's results for the six months ended 30 June 2019 and the Group's financial position as at 30 June 2019 or result in any significant changes in the Group's accounting policies.

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

A number of new standards and amendments to standards 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
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to IFRS 3 "Definition of a Business"	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
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 joint venture"	to be determined

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's condensed consolidated interim financial information and discloses the new accounting policies that have been applied from 1 January 2019 in Note 4.2 below.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### 4.1 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.61%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

	RMB million
Operating lease commitments disclosed as at 31 December 2018	2,510
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,410
Add: finance lease liabilities recognised as at 31 December 2018	171
(Less): short-term leases recognised on a straight-line basis as expense	(79)
(Less): low-value leases recognised on a straight-line basis as expense	(91)
<b>Lease liability recognised as at 1 January 2019</b>	<b>2,411</b>
Of which are:	
Current lease liabilities	1,211
Non-current lease liabilities	1,200

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in accounting policies (Continued)

#### 4.1 Adjustments recognised on adoption of IFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at	
	30 June 2019 RMB million	1 January 2019 Restated RMB million
Buildings	504	477
Infrastructure construction equipment	1,426	1,782
Transportation equipment	249	328
Manufacturing equipment	6	7
Other equipment	62	68
<b>Total right-of-use assets</b>	<b>2,247</b>	<b>2,662</b>

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Right-of-use assets: Increased by RMB2,662 million
- Property, plant and equipment: Decreased by RMB280 million
- Advances to suppliers: Decreased by RMB141 million
- Lease liabilities: Increased by RMB2,411 million
- Long-term payables: Decreased by RMB170 million

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in accounting policies (Continued)

#### 4.2 The Group's leasing activities and how these are accounted for

The Group leases various buildings, infrastructure construction equipment, transportation equipment, manufacturing equipment and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Changes in accounting policies (Continued)

#### 4.2 The Group's leasing activities and how these are accounted for (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 except for the definition of lease and accounting for sub-lease. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. At the commencement date, the Group recognises assets held under a finance lease in balance sheet and present them as a receivable at an amount equal to the net investment in the lease. The Group recognises lease payments from operating leases as income on a straight-line basis.

### 5. Estimates

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

### 6. Financial risk management and financial instruments

#### 6.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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

#### 6.2 Liquidity risk

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.2 Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
<b>At 30 June 2019</b>						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 27)	393,479	5,102	2,237	218	401,036	400,193
Borrowings (Note 28)	128,873	44,232	51,530	42,597	267,232	240,159
Lease liabilities	1,309	624	488	41	2,462	2,244
Financial guarantee contracts (Note 30)	35,081	–	–	–	35,081	–
Financial liabilities at fair value through profit or loss ("FVPL") (Note 23)	82	–	–	–	82	82
	<b>558,824</b>	<b>49,958</b>	<b>54,255</b>	<b>42,856</b>	<b>705,893</b>	<b>642,678</b>
<b>At 31 December 2018</b>						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 27)	397,454	1,439	1,290	414	400,597	400,276
Borrowings (Note 28)	106,264	30,502	43,624	29,706	210,096	190,920
Obligations under finance leases	11	88	87	–	186	171
Financial guarantee contracts (Note 30)	32,510	–	–	–	32,510	–
Financial liabilities at FVPL (Note 23)	71	–	–	–	71	71
	<b>536,310</b>	<b>32,029</b>	<b>45,001</b>	<b>30,120</b>	<b>643,460</b>	<b>591,438</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial risk management and financial instruments (Continued)

#### 6.2 Liquidity risk (Continued)

As at 30 June 2019, there is no bank borrowing that contains a repayment on demand clause.

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

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

#### 6.3 Fair value estimation

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited)		31 December 2018 (Audited)					
1) Future contracts at FVPL	<b>Assets/Liabilities</b>	<b>Amount</b>	<b>Assets/Liabilities</b>	<b>Amount</b>				
	Assets	-	Assets	-				
	Liabilities	<u>4</u>	Liabilities	<u>2</u>	Level 2	Discounted cash flow. Future cash flows are estimated based on forward price (from observable future value expectation at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Forward foreign exchange contracts at FVPL	<b>Assets/Liabilities</b>	<b>Amount</b>	<b>Assets/Liabilities</b>	<b>Amount</b>				
	Assets	-	Assets	1				
	Liabilities	<u>-</u>	Liabilities	<u>-</u>	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Listed equity securities, money - market securities investment funds, and bond instruments at FVPL	Held-for-trading financial assets in Mainland China and Hong Kong:		Held-for-trading financial assets in Mainland China and Hong Kong:					
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	<b>1,380</b>	Finance	2,058				
	Construction	-	Construction	-				
	Manufacturing	<b>62</b>	Manufacturing	60				
	Transportation	-	Transportation	34				
	Mining	<b>1</b>	Mining	1				
	Others	<u><b>2</b></u>	Others	<u>2</u>				
		<b>1,445</b>		2,155	Level 1	Quoted bid prices in active markets.	N/A	N/A
	Finance	-		16	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Finance	<u><b>824</b></u>		<u>657</u>	Level 3	Market valuation method by reference to discount rate that reflects the liquidity level.	Discount rates that correspond to the expected liquidity level.	The lower the discount rate, the higher the fair value.	
<b>Total</b>	<u><b>2,269</b></u>		<u><b>2,828</b></u>					

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited)		31 December 2018 (Audited)					
4) Listed equity securities at fair value through other comprehensive income (FVOCI)	Listed equity securities in Mainland China:							
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	595	Finance	599				
	<b>Total</b>	<b>595</b>	<b>Total</b>	<b>599</b>				
	Listed equity securities in Hong Kong:							
	<b>Industry</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>				
	Manufacturing	612	Manufacturing	593				
	<b>Total</b>	<b>612</b>	<b>Total</b>	<b>593</b>	Level 1	Quoted bid prices in active markets.	N/A	N/A

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited)		31 December 2018 (Audited)					
5) Unlisted open-end equity funds at FVPL	Unlisted opened equity funds in Mainland China:							
	<b>Assets</b>		<b>Assets</b>					
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	1,385	Finance	1,846	Level 1	Quoted bid prices in active markets.	N/A	N/A
	Finance	79		79	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Finance	749	Finance	734	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	2,213	Total	2,659				
	<b>Liabilities</b>		<b>Liabilities</b>					
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	78	Finance	69	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited)		31 December 2018 (Audited)					
6) Unlisted entrusted products and other financial assets at FVPL	Unlisted entrusted products in Mainland China:							
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	139	Finance	150	Level 2	Discounted cash flow.	N/A	N/A
	Construction	3,228	Construction	1,900		Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.		
	Finance	2,029	Real estate	799				
	Real estate	1,616	Finance	1,293				
	Mining	11	Manufacturing	6				
	Manufacturing	–	Mining	11				
	Others	1,011	Others	1,305	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	<b>Total</b>	<b>8,034</b>	<b>Total</b>	<b>5,464</b>				
7) Unlisted equity investments at FVOCI	Unlisted equity investment in Mainland China:							
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Construction	4,672	Construction	4,355				
	Finance	908	Manufacturing	110				
	Manufacturing	72	Finance	50				
	Real estate	13	Real estate	2				
	Mining	5	Mining	5				
	Others	862	Others	78				
	<b>Total</b>	<b>6,532</b>	<b>Total</b>	<b>4,600</b>	Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier.	The higher the P/ B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited)		31 December 2018 (Audited)					
8) Unlisted equity investments at FVPL	Unlisted equity investment in Mainland China:				Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier.	The higher the P/ B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	Amount	Industry	Amount				
	Finance	718	Finance	710				
9) Bills receivables at FVOCI	Bills receivables in Mainland China:				Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value discount rate, the higher the fair value.
	Industry	Amount	Industry	Amount				
	Construction	145	Construction	355				

There were no transfers between Level 1 and 2 during the current interim period.

Reconciliation of Level 3 fair value measurements:

	Unlisted entrusted products RMB million (Unaudited)	Unlisted open-end funds RMB million (Unaudited)	Unlisted equity investments RMB million (Unaudited)	Listed equity securities RMB million (Unaudited)	Others RMB million (Unaudited)	Total RMB million (Unaudited)
<b>30 June 2019</b>						
Opening balance at 1 January	4,405	665	5,310	657	1,264	12,301
Purchases	5,876	-	2,293	-	-	8,169
Fair value (losses)/gains attributed to profit or loss	(27)	98	8	167	(79)	167
Fair value losses attributed to other comprehensive income	-	-	(25)	-	-	(25)
Settlements	(3,189)	(92)	(336)	-	(210)	(3,827)
<b>Closing balance at 30 June</b>	<b>7,065</b>	<b>671</b>	<b>7,250</b>	<b>824</b>	<b>975</b>	<b>16,785</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Financial risk management and financial instruments (Continued)

## 6.3 Fair value estimation (Continued)

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

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

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

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

	As at			
	30 June 2019		31 December 2018	
	Carrying amount RMB million (Unaudited)	Fair value RMB million (Unaudited)	Carrying amount RMB million (Audited)	Fair value RMB million (Audited)
<b>Financial assets</b>				
Other financial assets at amortised cost – fixed rate	<b>25,520</b>	<b>26,210</b>	21,707	22,958
<b>Financial liabilities</b>				
Bank borrowings – fixed rate	<b>16,630</b>	<b>16,898</b>	14,226	14,581
Long-term debentures – fixed rate	<b>43,301</b>	<b>43,381</b>	30,672	31,147
Other long-term borrowings – fixed rate	<b>4,774</b>	<b>4,900</b>	5,885	6,113

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Financial risk management and financial instruments (Continued)

#### 6.3 Fair value estimation (Continued)

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

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

### 7. Segment information

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

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

- (a) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works (“Infrastructure construction”);
- (b) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects (“Survey, design and consulting services”);
- (c) Design, research and development, manufacture and sale of turnouts, bridge steel structures, and other railway related equipment, engineering machinery and materials (“Engineering equipment and component manufacturing”);
- (d) Development, sale and management of residential and commercial properties (“Property development”); and
- (e) Mining, financial business, operation of service concession arrangements, merchandise trading and other ancillary business (“Other businesses”).

Revenue between segments is carried out at actual transaction prices.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Segment information (Continued)

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

	Six months ended 30 June 2019 (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	313,497	7,754	8,017	13,738	15,424	-	358,430
Inter-segment revenue	8,903	142	3,016	-	13,781	(25,842)	-
Other revenue	1,641	82	114	160	1,460	-	3,457
Inter-segment other revenue	109	-	-	-	76	(185)	-
<b>Segment Revenue</b>	<b>324,150</b>	<b>7,978</b>	<b>11,147</b>	<b>13,898</b>	<b>30,741</b>	<b>(26,027)</b>	<b>361,887</b>
Timing of revenue recognition:							
– At a point of time	1,750	82	8,724	13,898	30,486	(16,982)	37,958
– Over time	322,400	7,896	2,423	-	61	(9,045)	323,735
Rental income	-	-	-	-	194	-	194
	<b>324,150</b>	<b>7,978</b>	<b>11,147</b>	<b>13,898</b>	<b>30,741</b>	<b>(26,027)</b>	<b>361,887</b>
<b>Segment results</b>							
Profit before tax	10,060	774	891	1,724	1,308	(744)	14,013
Segment results included:							
Share of profits/(losses) of joint ventures	9	-	47	(14)	59	-	101
Share of profits/(losses) of associates	207	-	58	(6)	439	-	698
Interest income	457	59	25	233	325	(413)	686
Interest expenses	(1,718)	(50)	(17)	(748)	(1,894)	1,778	(2,649)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Segment information (Continued)

	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)	–
<b>Segment Revenue</b>	<b>276,636</b>	<b>7,553</b>	<b>9,615</b>	<b>12,411</b>	<b>29,237</b>	<b>(19,350)</b>	<b>316,102</b>
Timing of revenue recognition:							
– At a point of time	1,561	54	8,596	12,411	29,149	(12,012)	39,759
– Over time	275,075	7,499	1,019	–	–	(7,338)	276,255
Rental income	–	–	–	–	88	–	88
	<b>276,636</b>	<b>7,553</b>	<b>9,615</b>	<b>12,411</b>	<b>29,237</b>	<b>(19,350)</b>	<b>316,102</b>
<b>Segment results</b>							
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	319	48	33	236	569	(605)	600
Interest expenses	(1,254)	(29)	(20)	(550)	(2,289)	1,701	(2,441)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Segment information (Continued)

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

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Segment interest income, before inter-segment elimination	1,099	1,205
Inter-segment elimination	(413)	(605)
	686	600
Reconciling items:		
Reclassification of finance income obtained from other financial assets at amortised cost	362	199
Total consolidated finance income, as reported	1,048	799
Segment interest expenses, before inter-segment elimination	4,427	4,142
Inter-segment elimination	(1,778)	(1,701)
	2,649	2,441
Reconciling item:		
Imputed interest expenses on retention payables ( <i>Note 11</i> )	58	–
Asset-Backed Medium-term Notes ("ABN") ( <i>Note 11</i> )	812	302
Asset-Backed Securitization ("ABS") ( <i>Note 11</i> )	111	84
Factoring expense ( <i>Note 11</i> )	51	21
	1,032	407
Total consolidated finance costs, as reported	3,681	2,848
Segment results, before inter-segment elimination	14,757	13,064
Inter-segment elimination	(744)	(645)
	14,013	12,419
Reconciling item:		
Land appreciation tax (a)	621	294
Total consolidated profit before tax, as reported	14,634	12,713

(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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7. Segment information (Continued)

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

#### Segment assets

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Infrastructure construction	692,870	627,019
Survey, design and consulting services	17,935	15,888
Engineering equipment and component manufacturing	34,648	39,698
Property development	254,839	228,861
Other businesses	314,971	278,720
Inter-segment elimination	(312,831)	(256,065)
<b>Total segment assets</b>	<b>1,002,432</b>	<b>934,121</b>

#### Segment liabilities

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Infrastructure construction	557,096	481,932
Survey, design and consulting services	9,133	8,524
Engineering equipment and component manufacturing	23,888	21,685
Property development	220,613	200,153
Other businesses	281,244	248,478
Inter-segment elimination	(313,288)	(244,989)
<b>Total segment liabilities</b>	<b>778,686</b>	<b>715,783</b>

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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Segment information (Continued)

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

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Segment assets, before inter-segment elimination	1,315,263	1,190,186
Inter-segment elimination	(312,831)	(256,065)
	1,002,432	934,121
Reconciling items:		
Deferred tax assets	7,410	6,866
Non-tradable shares reform of subsidiaries (a)	(163)	(163)
Current income tax recoverable	3,162	2,263
Prepaid land appreciation tax included in current income tax recoverable	(772)	(574)
Total consolidated assets, as reported	1,012,069	942,513
Segment liabilities, before inter-segment elimination	1,091,974	960,772
Inter-segment elimination	(313,288)	(244,989)
	778,686	715,783
Reconciling items:		
Deferred tax liabilities	1,150	1,163
Current income tax liabilities	4,886	6,081
Land appreciation tax payable included in current income tax liabilities	(2,335)	(2,495)
Total consolidated liabilities, as reported	782,387	720,532

- (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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Segment information (Continued)

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

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Mainland China	341,015	296,162
Other regions (including Hong Kong and Macau)	20,872	19,940
	<b>361,887</b>	316,102

Non-current assets other than trade and other receivables, 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 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Mainland China	208,097	195,673
Other regions (including Hong Kong and Macau)	11,421	10,833
	<b>219,518</b>	206,506

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8. Other income and expenses

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Other income from:		
Government subsidies (a)	342	275
Dividends from financial assets at FVPL	231	330
Compensation and claim	115	55
Dividends from financial assets at FVOCI	88	44
Income from the sale of waste and materials	41	22
Others	225	155
	<b>1,042</b>	881
Other expenses on:		
Research and development expenditures	<b>5,546</b>	4,317

- (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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9. Net impairment losses on financial assets and contract assets

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Trade and other receivables (excluding advance to suppliers)	827	2,092
Other financial assets at amortised cost	349	61
Contract assets	45	53
	<b>1,221</b>	<b>2,206</b>

## 10. Other gains, net

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Gains on disposal and/or write-off of:		
– Interests in joint ventures	–	182
– Interests in subsidiaries	11	92
– Interests in associates	32	13
– Lease prepayments	51	18
– Property, plant and equipment	15	4
Gains arising on change in fair value of financial assets/liabilities at FVPL	113	52
Losses on disposal of financial assets/liabilities at FVPL	–	(1)
Foreign exchange losses, net	(30)	(81)
Gains on debt restructurings	14	22
Net impairment losses on advance to suppliers	3	–
Negative goodwill arising from acquisition of a subsidiary ( <i>Note 29</i> )	22	–
	<b>231</b>	<b>301</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. Finance income and costs

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Finance income from:		
Cash and cash equivalents and restricted cash	686	600
Other financial assets at amortised cost	362	199
Total financial income	1,048	799
Interest expenses on:		
Bank borrowings	3,721	2,681
Long-term debentures	693	680
Other long-term borrowings	200	198
Other short-term borrowings	102	106
Total borrowing costs	4,716	3,665
Less: amount capitalised	(2,356)	(1,434)
	2,360	2,231
Finance leases	48	17
ABN (Note 20)	812	302
ABS (Note 20)	111	84
Factoring expense (Note 20)	51	21
Imputed interest expenses on retention payables	58	67
Imputed interest expenses on defined benefit obligations	52	67
Others	189	59
Total financial costs	3,681	2,848

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB2,356 million (six months ended 30 June 2018: RMB1,434 million) were capitalised in the six months period ended 30 June 2019, of which approximately RMB2,185 million was charged to properties under development for sale, approximately RMB31 million was included in cost of construction-in-progress and approximately RMB140 million was included in cost of intangible assets (six months ended 30 June 2018: approximately RMB1,414 million was charged to properties under development for sale, approximately RMB20 million was included in cost of construction-in-progress). A general capitalisation rate of 3.16%~7.00% per annum (six months ended 30 June 2018: 2.80%~7.04%) was used, representing the costs of the borrowings used to finance the qualifying assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. Income tax expense

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Current income tax		
– Enterprise income tax (“EIT”)	3,327	3,091
– Land appreciation tax (“LAT”)	621	294
– Under/(over) provision in prior years	12	(33)
Deferred income tax	(589)	(51)
	<b>3,371</b>	3,301

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 2018: 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 2018: 12.5%, 15%) during the current interim period.

Certain of the Group’s overseas entities are located in Israel, Malaysia, Democratic Republic of the Congo, Mongolia, Papua New Guinea, Kenya and Brazil. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 23%, 24%, 30%, 10%, 37.5%, 30% and 15% (six months ended 30 June 2018: 23%, 24%, 30%, 10%, 37.5%, 30% and 15%) 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13. Expenses by nature

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

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Raw materials and consumables used	133,580	117,920
Employee benefit expenses	67,731	58,942
Equipment usage costs	13,147	11,288
Cost of property development	9,347	8,808
Depreciation of property, plant and equipment ( <i>Note 16</i> ) and investment properties	3,949	4,120
Amortisation of intangible assets ( <i>Note 17</i> )	571	551
Amortisation of lease prepayments	198	179

### 14. Dividends

The final dividend of RMB0.128 per share in respect of the year ended 31 December 2018, amounting to RMB2,924 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 29 June 2019, and subsequently paid off in July 2019.

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 paid in July 2018.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2018: nil).

### 15. Earnings per share

#### (a) Basic

Basic earnings per share for the six months ended 30 June 2019 is calculated by dividing the profit attributable to owners of the Company, after deducting the profit attributable to holders of perpetual notes, of RMB9,111 million (six months ended 30 June 2018: RMB9,007 million) by 22,844,301,543 shares (six months ended 30 June 2018: 22,844,301,543 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. Property, plant and equipment

	Six months ended 30 June 2019 RMB million (Unaudited)
<b>At 30 June 2019</b>	
Opening net book amount	64,687
Adjustment for change in accounting policy ( <i>Note 4</i> )	(280)
Restated opening net book amount	64,407
Additions ( <i>a</i> )	4,948
Transfer from investment properties	104
Transfer out	(97)
Acquisition of subsidiaries	3
Disposals	(341)
Depreciation	(3,760)
Currency translation differences	(4)
Closing net book amount	65,260
	Six months ended 30 June 2018 RMB million (Unaudited)
<b>At 30 June 2018</b>	
Opening net book amount	59,769
Additions ( <i>a</i> )	6,142
Transfer from investment properties	26
Transfer out	(809)
Disposals	(281)
Depreciation	(4,024)
Currency translation differences	4
Closing net book amount	60,827



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. Property, plant and equipment (Continued)

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

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Construction in process	1,839	3,295
Buildings	109	122
Infrastructure construction equipment	2,065	1,802
Transportation equipment	421	421
Manufacturing equipment	146	93
Testing equipment and instruments	160	158
Other equipment	208	251
	<b>4,948</b>	<b>6,142</b>

- (b) As at 30 June 2019, bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB3 million (31 December 2018: RMB6 million) (Note 28).
- (c) As at 30 June 2019, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB3,264 million (31 December 2018: RMB2,913 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. Intangible assets

	Six months ended 30 June 2019 RMB million (Unaudited)
<b>At 30 June 2019</b>	
Opening net book amount	46,200
Acquisition of subsidiaries	1,463
Additions (a)	2,818
Amortisation	(571)
Closing net book amount	49,910

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

(a) Additions to intangible assets include:

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Service concession arrangements	2,737	1,631
Computer software	75	45
Others	6	–
Total	2,818	1,676

(b) As at 30 June 2019, bank borrowings amounting to RMB16,125 million (31 December 2018: RMB15,953 million) are secured by concession assets with carrying amount of approximately RMB24,414 million (31 December 2018: RMB24,368 million) (Note 28).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18. Properties under development for sale

As at 30 June 2019, properties under development for sale amounting to RMB40,472 million (31 December 2018: RMB25,032 million) have been pledged to secure borrowings amounting to RMB15,217 million (31 December 2018: RMB11,750 million) (Note 28).

### 19. Financial assets at fair value through other comprehensive income

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
<b>Non-current assets</b>		
Equity instruments		
Unlisted equity investments	6,532	4,600
Listed equity securities		
– Mainland China	595	599
– Hong Kong	612	593
	7,739	5,792
<b>Current assets</b>		
Bills receivables	145	355

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. Trade and other receivables

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Trade and bills receivables	142,125	132,500
Less: loss allowance	(8,665)	(8,114)
Trade and bills receivables – net	133,460	124,386
Other receivables (net of impairment)	66,769	60,406
Advance to suppliers (net of impairment)	28,520	41,613
	228,749	226,405
Less: Amount due after one year included in non-current assets	(14,710)	(14,013)
Amount due within one year included in current assets	214,039	212,392

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

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	96,945	88,254
1 year to 2 years	24,187	21,196
2 years to 3 years	8,249	9,149
3 years to 4 years	3,723	3,842
4 years to 5 years	2,109	2,438
More than 5 years	6,912	7,621
Total	142,125	132,500

Majority of the Group's revenues are generated through infrastructure construction, survey, design and consulting, engineering equipment and component manufacturing contracts. The settlements are made in accordance with the terms specified in the contracts governing the relevant transactions.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. Trade and other receivables (Continued)

- (b) Trade and bills receivables of RMB1,029 million (31 December 2018: RMB567 million) were pledged to secure borrowings amounting to RMB1,009 million (31 December 2018: RMB521 million) (Note 28).
- (c) For the six months ended 30 June 2019, trade receivables of RMB20,009 million (six months ended 30 June 2018: RMB9,226 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB1,755 million (six months ended 30 June 2018: RMB521 million) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.
- (d) As at 30 June 2019, bills receivables – bank acceptance and commercial acceptance notes of RMB381 million (31 December 2018: RMB286 million) were endorsed to suppliers. 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 2019, bills receivables – bank acceptance notes of RMB2,869 million (31 December 2018: RMB3,278 million) were endorsed to suppliers, and RMB221 million (31 December 2018: RMB54 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.
- (e) As at 30 June 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows:

#### Central-governmental enterprises

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	8,145	7,476
1 year to 2 years	1,119	1,074
2 years to 3 years	475	474
3 years to 4 years	176	131
4 years to 5 years	66	56
More than 5 years	109	97
<b>Total</b>	<b>10,090</b>	<b>9,308</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. Trade and other receivables (Continued)

- (e) As at 30 June 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

## Locally-administrated state-owned enterprises

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	47,112	41,831
1 year to 2 years	6,519	7,355
2 years to 3 years	2,939	2,784
3 years to 4 years	736	732
4 years to 5 years	409	371
More than 5 years	377	445
Total	58,092	53,518

## China State Railway Corporation

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	15,563	17,800
1 year to 2 years	1,428	1,669
2 years to 3 years	656	800
3 years to 4 years	195	188
4 years to 5 years	99	83
More than 5 years	72	83
Total	18,013	20,623

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. Trade and other receivables (Continued)

- (e) As at 30 June 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

## Overseas enterprises

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	1,893	2,453
1 year to 2 years	319	311
2 years to 3 years	39	38
3 years to 4 years	9	4
4 years to 5 years	40	61
More than 5 years	4	4
Total	2,304	2,871

## Other entities

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	15,664	13,331
1 year to 2 years	2,785	2,483
2 years to 3 years	820	864
3 years to 4 years	254	379
4 years to 5 years	188	181
More than 5 years	156	133
Total	19,867	17,371

As at 30 June 2019, the amount of individually impaired trade receivables was RMB7,696 million (31 December 2018: RMB4,150 million) with the provision for loss allowance of RMB2,496 million (31 December 2018: RMB1,932 million).

As at 30 June 2019, bills receivables – bank acceptance notes of RMB1,221 million (31 December 2018: RMB335 million) were not impaired. Commercial acceptance notes, which were collectively assessed for impairment, were RMB2,833 million (31 December 2018: RMB2,897 million) with the provision for loss allowance of RMB7 million (31 December 2018: RMB6 million).

As at 30 June 2019, the amount of collectively impaired long-term trade receivables was RMB15,714 million (31 December 2018: RMB15,218 million) with the provision for loss allowance of RMB79 million (31 December 2018: RMB76 million). The amount of individually impaired long-term trade receivables was RMB3,416 million (31 December 2018: RMB3,253 million) with the provision for loss allowance of RMB3,204 million (31 December 2018: RMB3,144 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21. Assets and liabilities related to contracts with customers

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

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Contract assets		
– Amount due from contract customers for contract work and retentions	181,747	170,221
– Financial assets under concession arrangements	22,080	12,879
– Primary land development	8,811	8,734
	<b>212,638</b>	191,834
Less: loss allowance (a)	(1,415)	(1,371)
Less: Amount due after one year included in non-current assets	(74,358)	(67,516)
Amount due within one year included in current assets	<b>136,865</b>	122,947
Contract liabilities		
– Sale of properties	39,063	33,675
– Infrastructure construction and engineering contracts	33,044	28,829
– Amount due to contract customers for contract work	17,037	17,788
– Sales of manufacturing products	3,756	3,395
– Design and consulting services	2,634	3,642
– Sales of materials	1,396	1,924
– Others	2,868	2,746
Total current contract liabilities	<b>99,798</b>	91,999

- (a) As at 30 June 2019, a provision of RMB1,415 million was made against the gross amount of contract assets (31 December 2018: RMB1,371 million).
- (b) As at 30 June 2019, bank borrowings amounting to RMB8,444 million (31 December 2018: RMB3,248 million) are secured by contract assets with carrying amount of approximately RMB24,911 million (31 December 2018: RMB9,915 million) (Note 28).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22. Other financial assets at amortised cost

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Debt investment		
– Short-term	9,966	11,545
– Long-term	19,099	13,857
	29,065	25,402
Less: Loss allowance for debt investments	(3,545)	(3,196)
<b>Total other financial assets at amortised cost</b>	<b>25,520</b>	<b>22,206</b>
Less: Amount due within one year included in current assets	(9,077)	(9,732)
Amount due after one year	16,443	12,474

The other financial assets at amortised cost carry fixed-rate interests within a range of 3.20% to 36.00% (31 December 2018: 3.50% to 36.00%) per annum.

As at 30 June 2019, other financial assets at amortised cost amounting to RMB7,541 million (31 December 2018: RMB4,414 million) are secured by equity investments, property, plant and equipment, lease prepayments, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party. The remaining balances are unsecured and unguaranteed.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23. Financial assets/(liabilities) at fair value through profit or loss

## Financial assets at FVPL

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
<b>Non-current assets</b>		
Equity instruments		
Equity securities listed in Mainland China	857	687
Unlisted equity investments	718	710
	1,575	1,397
Debt instruments		
Unlisted entrusted products	5,922	3,492
Unlisted open-end equity funds	1,237	1,432
Others	956	1,045
	8,115	5,969
	9,690	7,366
<b>Current assets</b>		
Equity instruments		
Listed equity securities		
– Mainland China	106	86
– Hong Kong	–	34
	106	120
Debt instruments		
Money-market securities investment funds	1,306	2,005
Unlisted open-end equity funds	976	1,227
Unlisted entrusted products	1,143	913
Bond instruments	–	16
Others	13	14
	3,438	4,175
Derivative financial instruments (a)		
– forward foreign exchange contracts	–	1
	3,544	4,296
<b>Total</b>	<b>13,234</b>	<b>11,662</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23. Financial assets/(liabilities) at fair value through profit or loss (Continued)

## Financial liabilities at FVPL

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
<b>Current liabilities</b>		
Unlisted open-end equity funds	78	69
Derivative financial instruments – future contracts	4	2
	<b>82</b>	71

- (a) As at 30 June 2019, the Group has one EUR interest rate swap contract with maturity in 2021. The Group will receive interest at fixed rates and pay interest at floating rates under this contract.

## 24. Share capital

	Number of shares		Nominal value	
	Six months ended 30 June 2019 (thousands)	Year ended 31 December 2018 (thousands)	Six months ended 30 June 2019 RMB million (Unaudited)	Year ended 31 December 2018 RMB million (Audited)
Registered, issued and fully paid A Shares of RMB1.00 each At beginning and end of period/year	18,636,912	18,636,912	18,637	18,637
H Shares of RMB1.00 each At beginning and end of period/year	4,207,390	4,207,390	4,207	4,207
	<b>22,844,302</b>	22,844,302	<b>22,844</b>	22,844

As at 30 June 2019, the A Shares (18,636,911,543 shares) and H Shares (4,207,390,000 shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 25. Reserves

#### (a) Capital Reserve

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

In December 2018, the Group received the cash consideration of RMB11,597 million in total from certain third-party investors ("Investors") to acquire a proportion of equity interests in its subsidiaries, namely China Railway No.2 Group Co., Ltd. ("China Railway No.2 Group"), China Railway No.3 Engineering Group Co., Ltd. ("China Railway No.3 Engineering"), China Railway No.5 Engineering Group Co., Ltd. ("China Railway No.5 Engineering") and China Railway No.8 Engineering Group Co., Ltd. ("China Railway No.8 Engineering"). The Company's equity interests in these subsidiaries were diluted to 74.68% in China Railway No.2 Group, 70.62% in China Railway No.3 Engineering, 73.02% in China Railway No.5 Engineering and 76.19% in China Railway No.8 Engineering. The Company remains control over these subsidiaries. At 31 December 2018, the capital contribution resulted in an increase of RMB1,856 million in capital reserve and an increase of RMB9,741 million in non-controlling interests.

As approved by China Securities Regulatory Commission ("CSRC") on 29 May 2019, the Company will issue the ordinary shares to the Investors to acquire 25.32% equity interests in China Railway No.2 Group, 29.38% equity interests in China Railway No.3 Engineering, 26.98% equity interests in China Railway No.5 Engineering, and 23.81% equity interests in China Railway No.8 Engineering. Upon the completion of the shares issuance, these subsidiaries will become 100% owned subsidiaries of the Company, and the total A Shares of the Company held in aggregate by the Investors will represent approximately 8.48% of the total A Shares and approximately 7.03% of the total share capital of the Company as enlarged by the share issuance.

#### (b) Statutory Reserves

The statutory reserves comprise the statutory surplus reserve, trust compensation reserve and general risk reserve.

According to the PRC Company Law and the Company's article of association, the Company is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of the Company. The statutory surplus reserve can only make up losses or use to increase the registered capital of the Company and is not distributable.

According to the relevant laws and regulations for financial institutions and trust management entities in the PRC, certain subsidiaries of the Company are required to set aside certain amounts to trust compensation reserve and general risk reserve to address unidentified potential impairment risks.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 26. Perpetual notes

	Year ended 31 December 2018 RMB million	Additions RMB million	Redemption/ Payment RMB million	Six months ended 30 June 2019 RMB million
Public medium notes (a)	18,934	–	(2)	<b>18,932</b>
Private perpetual notes (b)	2,000	–	–	<b>2,000</b>
Public renewable corporate bonds (c)	10,997	–	–	<b>10,997</b>
Dividends	178	1,403	(1,581)	–
<b>Total</b>	<b>32,109</b>	<b>1,403</b>	<b>(1,583)</b>	<b>31,929</b>

- (a) On 1 July 2014, 21 January 2015 and 11 June 2015, the Company issued three tranches of public medium notes (“Medium Notes”) with an aggregate principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 6.50%, 5.65% and 5.20% per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Medium Notes, and the Medium Notes should be classified as equity.

From 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and 17 December 2018 to 18 December 2018, the Company issued three tranches of Medium Notes with an aggregate principal amount of RMB3 billion, RMB3 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.56%, 4.53% and 4.60% per annum (category one), respectively and 4.80%, 4.80% and 4.80% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 26. Perpetual notes (Continued)

- (b) On 3 April 2015, the Company issued the first tranche of private perpetual notes (“Perpetual Notes”) with an aggregate principal amount of RMB2 billion. Pursuant to the terms and conditions of the Perpetual Notes, the Perpetual Notes bear the initial interest rate of 6.50%, per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Perpetual Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Perpetual Notes, and the Perpetual Notes should be classified as equity.
- (c) On 6 November 2018, 15 November 2018, 27 November 2018 and 18 December 2018, the Company issued four tranches of public renewable corporate bonds (“Renewable Bonds”) with an aggregate principal amount of RMB3 billion, RMB3 billion, RMB3 billion and RMB2 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 4.69%, 4.59%, 4.55% and 4.55% per annum (category one), respectively, and 4.99%, 4.90%, 4.80% and 4.78% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 27. Trade and other payables

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Trade and bills payables (a)	329,176	343,801
Dividend payables	4,818	501
Accrued payroll and welfare	3,440	3,609
Other taxes	3,078	3,757
Deposits received in advance	991	1,021
Deposits (b)	328	823
Advance from customers	228	283
Other payables	86,123	70,636
	<b>428,182</b>	424,431
Analysed for reporting purposes as:		
Non-current	6,907	2,617
Current	421,275	421,814
	<b>428,182</b>	424,431

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB8,443 million (31 December 2018: RMB3,782 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 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Less than 1 year	299,968	315,376
1 year to 2 years	17,989	17,644
2 years to 3 years	5,929	5,243
More than 3 years	5,290	5,538
	<b>329,176</b>	343,801

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 28. Borrowings

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Bank borrowings:		
Secured	40,028	29,317
Unsecured	140,370	113,892
	<b>180,398</b>	143,209
Long-term debentures, unsecured	43,301	30,672
Other borrowings:		
Secured	774	2,162
Unsecured	15,686	14,877
	<b>59,761</b>	47,711
	<b>240,159</b>	190,920
Analysed for reporting purposes:		
Non-current	116,289	88,808
Current	123,870	102,112
	<b>240,159</b>	190,920

- (a) Bank borrowings carry interest at rates ranging from 0.75% to 9.50% (31 December 2018: 0.75% to 8.00%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.88% to 4.88% (31 December 2018: 2.88% to 6.40%) per annum.

Other borrowings carry interest at variable rates ranging from 4.85% to 7.00% (31 December 2018: 4.35% to 7.49%) per annum.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 28. Borrowings (Continued)

(b) Movements in borrowings is analysed as follows:

	RMB million (Unaudited)
<b>Six months ended 30 June 2019</b>	
Opening amount as at 1 January 2019	190,920
Proceeds from borrowings	97,068
Acquisition of subsidiaries	1,702
Repayments of borrowings and interests	(54,246)
Net foreign exchange losses on borrowings	(1)
Accrued interest on borrowings	4,716
<b>Closing amount as at 30 June 2019</b>	<b>240,159</b>

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

(c) As at 30 June 2019, the Group has undrawn borrowing facilities of RMB676,711 million (31 December 2018: RMB637,388 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 28. Borrowings (Continued)

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

	As at			
	30 June 2019		31 December 2018	
	Carrying amount of pledged assets and contract value of secured borrowings		Carrying amount of pledged assets and contract value of secured borrowings	
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Audited)	RMB million (Audited)
Property, plant and equipment (Note 16)	7	3	7	6
Intangible assets (Note 17)	16,125	24,414	15,953	24,368
Properties under development for sale (Note 18)	15,217	40,472	11,750	25,032
Trade and bills receivables (Note 20)	1,009	1,029	521	567
Contract assets (Note 21)	8,444	24,911	3,248	9,915
	<b>40,802</b>	<b>90,829</b>	31,479	59,888

## 29. Business combinations

## Acquisition of Shanxi Jing Xing Highway Co., Ltd.

Shanxi Jing Xing Highway Co., Ltd. ("Shanxi Jing Xing") was a then joint venture of the Group, in which the Group indirectly held 20% equity interests. In 2019, the Group acquired the remaining 80% equity interests in Shanxi Jing Xing from Tianjin Mintong Qiming Enterprise Management Center LLP ("Tianjin Mintong"), the joint venture partner, at a cash consideration of approximately RMB2,130 million. The acquisition was completed on 5 April 2019, being the date of the Group obtaining control over Shanxi Jing Xing. Upon completion of the acquisition, Shanxi Jing Xing became a wholly owned subsidiary of the Group.

Shanxi Jing Xing was incorporated in Shanxi Province, PRC, and is mainly engaged in investment, construction and operation of the highway from Shanxi Jingle County to Xing County.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 29. Business combinations (Continued)

## Acquisition of Shanxi Jing Xing Highway Co., Ltd. (Continued)

The following table summarises the consideration paid for Shanxi Jing Xing and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 5 April 2019 RMB million
Purchase consideration	
– cash paid	2,130
– Fair value of 20% equity interest held at the acquisition date	538
	<b>2,668</b>
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,755
Trade and other receivables	89
Property, plant and equipment	3
Intangible assets	1,463
Borrowings	(1,500)
Trade and other payables	(110)
Deferred tax liabilities	(10)
	<b>2,690</b>
Net assets acquired by the Group	<b>(22)</b>
Goodwill	<b>(22)</b>
Net cash inflow in respect of the acquisition of the Shanxi Jing Xing is analysed as follows:	
Purchase consideration	
– cash paid	2,130
Less: cash and cash equivalents in acquired subsidiary	2,755
	<b>625</b>
Net cash inflow on acquisition	<b>625</b>

Shanxi Jing Xing contributed no revenue and profit to the Group for the period from acquisition date to 30 June 2019. The highway is under construction and has not generated any revenue for the six months period ended 30 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 30. Contingencies liabilities

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Pending lawsuits (a)		
– arising in the ordinary course of business	3,013	3,615
Outstanding guarantees (b)	35,081	31,669

- (a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for those pending lawsuits where the management considered that the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The aggregate sum of those unprovided claims is disclosed in the table above.
- (b) The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties as follows:

	As at			
	30 June 2019 RMB million (Unaudited)		31 December 2018 RMB million (Audited)	
		Expiry period		Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	2,308	2020-2023	2,904	2018-2025
Joint ventures	1,190	2028	–	–
A government-related entity	60	2020	60	2019
Property purchasers	30,969	2019-2039	28,992	2018-2038
Former associates	554	2027	554	2027
	35,081		32,510	

- (c) The Group has an unconditionally non-cancellable purchase arrangement to acquire the controlling shareholdings of an entity (being the owner of a construction project undertaken), then to offer shareholder's loan to repay its debts in condition that the entity fails to repay the loan principle and interest when they fall due. As at 30 June 2019, the entity has failed to repay its loan principle and interest. The Group is in the process of negotiating the debt settlement with the entity's shareholders.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 31. Commitments

## (a) Capital expenditure

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

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Property, plant and equipment	7,226	5,173

## (b) Investment commitment

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

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
Investment commitment to associates (i)	16,972	17,596
Investment commitment to a joint venture	325	25
Investment commitment to financial assets at FVOCI	25	–
Investment commitment to a subsidiary (ii)	728	–
	<b>18,050</b>	<b>17,621</b>

(i) The amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the condensed consolidated interim financial information. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.

(ii) As resolved by the meeting of Board of Directors held on 25 May 2019, the Company was approved to acquire the controlling shareholdings of Beijing Hengtong Innovation Luxwood Technology Co., Ltd. ("Hengtong Tech"), an A share listed company on the ChiNext Market of Shenzhen Stock Exchange. Hengtong Tech provides a full-chain services of producing prefabricated building components, modular design and automated production. The Company will acquire the controlling shareholdings by way of share transfer and agreement to abstain from voting. The acquisition is still in progress. Upon completion, Hengtong Tech will become a subsidiary of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 32. Related-party transactions

The Company is controlled by CREC, the parent company and a state-owned enterprise established in the PRC. CREC is controlled by the PRC government (CREC and its subsidiaries other than the Group are referred to as the “CREC Group”). The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government (“government-related entities”).

During the period, the Group had transactions with government-related entities including, but not limited to, the provision of infrastructure construction services, survey, design and consulting services and sales of goods. The Directors consider that the transactions with these government-related entities are activities in the ordinary course of the Group’s business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties during the period and balances arising from related party transactions at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 32. Related-party transactions (Continued)

## (a) Significant related party transactions

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

	Six months ended 30 June	
	2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
<b>Transactions with the CREC Group</b>		
– Revenue from construction contracts	1	2
– Service expenses paid	11	30
– Rental expense	8	9
– Interest income	51	16
– Interest expense	2	1
<b>Transactions with joint ventures</b>		
– Revenue from construction contracts	11,906	11,121
– Revenue from sales of goods	63	23
– Revenue from rendering of services	–	1
– Interest income	98	128
– Interest expense	1	–
– Purchases	607	540
<b>Transactions with associates</b>		
– Revenue from construction contracts	10,867	7,884
– Revenue from sales of goods	326	596
– Service expenses paid	–	1
– Rental income	1	1
– Rental expense	5	–
– Interest income	102	–
– Interest expense	1	–
– Purchases	2,775	2,346

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

## (b) Key management compensation

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

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Basic salaries, housing allowances and other allowances	2,205	1,252
Contributions to pension plans	357	211
Others	1,239	1,142
	<b>3,801</b>	<b>2,605</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 32. Related-party transactions (Continued)

## (c) Balances with related parties

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
<b>Balances with the CREC Group</b>		
Trade and bills receivables	11	14
Other receivables	4	3
Other financial assets at amortised cost	2,891	1,911
Trade payables	13	8
Other payables	34	147
Deposit for lease prepayments	—	94
Deposits	93	153
Right-of-use assets	8	—
Advance from customers	1	—
Lease liabilities	3	—
<b>Balances with joint ventures</b>		
Trade and bills receivables	4,672	7,489
Other receivables	540	171
Advance to suppliers	15	176
Other financial assets at amortised cost	5,328	3,609
Contract assets	142	866
Trade payables	473	324
Other payables	600	736
Contract liabilities	1,175	1,307
Advance from customers	3	—
Deposits	91	247
<b>Balances with associates</b>		
Trade and bills receivables	6,341	5,480
Other receivables	445	55
Other financial assets at amortised cost	915	118
Contract assets	3,123	2,819
Advance to suppliers	—	55
Trade payables	442	480
Other payables	366	185
Contract liabilities	218	655
Advance from customers	45	25
Deposits	—	222
Right-of-use assets	13	—
Lease liabilities	25	—



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 32. Related-party transactions (Continued)

## (d) Guarantees

	As at	
	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
<b>Outstanding loan guarantees provided by the Group to</b>		
– Joint ventures	1,190	–
– Associates	2,308	2,063
– A government-related entity	60	60
<b>Outstanding debentures guarantees provided by CREC to the Group</b>	<b>11,000</b>	11,000

## 33. Events occurring after the balance sheet date

Subsequent to 30 June 2019, the following significant event took place:

As approved by CSRC, the Company issued the 3rd tranche of public corporate bonds to qualified investors on 16 July 2019, in a principal amount of RMB3,000 million, among which the bond type 1 is three-year with a principal of RMB1,900 million and a coupon rate of 3.59% per annum. The bond type 2 is five-year with a principal of RMB1,100 million and a coupon rate of 3.99% per annum. Interest is payable annually in arrears.



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