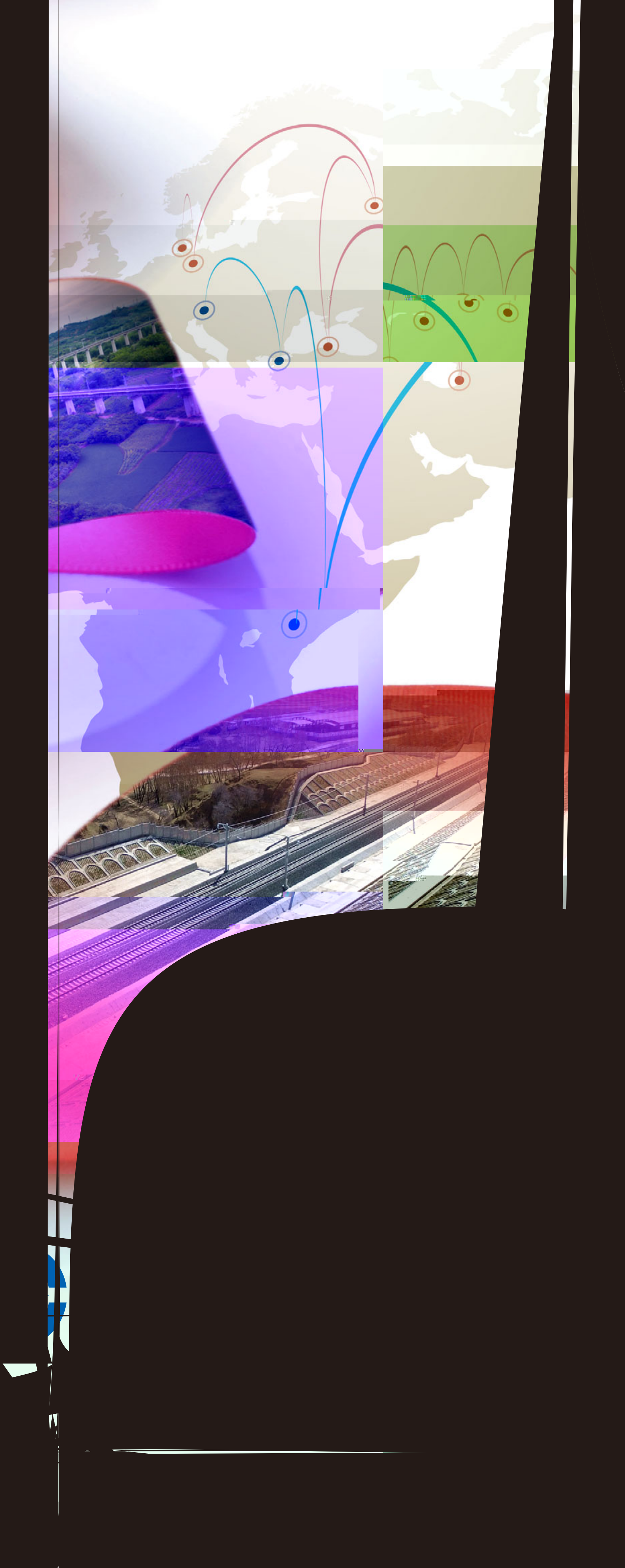

CONTENTS

COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 55th on the 2017 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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

FINANCIAL SUMMARY

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

Summary of Interim Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June					Change 2017 vs
	2017	2016	2015	2014	2013	2016
			_B . .. n			(%)
Revenue						
Infrastructure Construction	**260,889**	240,533	240,609	231,795	204,450	8.5
Survey, Design and Consulting Services	**6,750**	5,738	5,596	4,694	4,226	17.6
Engineering Equipment and Component Manufacturing	**9,321**	7,547	6,876	7,401	6,316	23.5
Property Development	**11,113**	10,873	8,308	10,547	7,579	2.2
Other Businesses	**24,203**	16,674	20,320	28,854	30,276	45.2
Inter-segment Eliminations and Adjustments	**(13,723)**	(12,918)	(17,191)	(15,911)	(13,891)	
Total	**298,553**	268,447	264,518	267,380	238,956	11.2
Gross Profit	**27,447**	21,968	21,531	20,124	16,676	24.9
Profit before Tax	**10,844**	7,804	6,665	6,327	5,277	39.0
Profit for the Period	**7,549**	5,394	4,405	4,299	3,682	40.0
Profit for the Period Attributable to Owners of the Company	**7,707**	5,463	4,577	4,061	3,488	41.1
Basic Earnings per Share (B)	**0.310**	0.224	0.215	0.191	0.164	38.4

FINANCIAL SUMMARY

Summary of Interim Condensed Consolidated Balance Sheet

		As at		Change	
	30 June 2017	31 December 2016	30 June 2016	30 June 2017 vs 31 December 2016	30 June 2017 vs 30 June 2016
		[illegible]		(%)	(%)
Assets					
Current Assets	**601,000**	595,147	571,406	1.0	5.2
Non-current Assets	**166,027**	159,198	154,778	4.3	7.3
Total Assets	**767,027**	754,345	726,184	1.7	5.6
Liabilities					
Current Liabilities	**511,124**	506,603	480,628	0.9	6.3
Non-current Liabilities	**95,356**	98,746	103,536	–3.4	–7.9
Total Liabilities	**606,480**	605,349	584,164	0.2	3.8
Total Equity	**160,547**	148,996	142,020	7.8	13.0
Total Equity and Liabilities	**767,027**	754,345	726,184	1.7	5.6

CHAIRMAN'S REPORT

Dear Shareholders,

We have passed the mid-year mark for 2017, which is also the tenth anniversary of the Group's listing. In the first half of 2017, with a focus on quality and efficiency enhancement and supply-side structural reform, the Group prudently and actively sought progress while maintaining stability and forged ahead with reforms and innovation. Our efforts have borne fruit in terms of production operations, reformative development, corporate governance and corporate management. In the first half of 2017, we achieved new heights in key economic indicators including the value of new contracts, revenue and profits, which laid a solid foundation for achieving our annual target. In 2017, the Company jumped to the 55th place on the Fortune Global 500 list, and was ranked second out of the top global contractors by the Engineering News Record (ENR).

In order to perform well, one must have the necessary tools. In the first half of 2017, we captured opportunities to enhance our quality and efficiency. We deployed along the Belt and Road Initiative, looking for market opportunities, undertook national key projects and were committed to the construction of the Xiong'an New Area. We endeavoured to create a multi-dimensional mega operation encompassing investment, contractor, asset and capital operations, with a continual expansion in the area and scope of operations. We refined our governance and strengthened the management on the basis of operational compliance. We smoothly completed the change of governance structure, enriched the composition of the Board of Directors and amended the Articles of Association to fulfil our social responsibilities in a bid to establish an open-minded, honest and transparent image as a listed issuer, thus setting an excellent example to industry peers. By rationalizing the structure, exerting our strengths and weeding out weaknesses and pushing forward reforms, we optimized resource allocation, adjusted the organizational structure of the headquarters, forged ahead with reforms in labor relations, human resources and distribution systems, revitalized the Company and improved our operational efficiency. We persisted in refining dedicated management and project management through management pilot scheme that set up good examples across the Group. Efforts were made in risk prevention and cost reduction and we enhanced efficiency, controls and profitability while maintaining an appropriate level of expansion. We attached great importance to innovation and kept up with the times. Through active innovations in technology, management, operation mode and business model and targeting the weak points of the industry chain, we tried all out to bolster our areas of weakness. We expanded our financing channels and furthered the integration of production and finance so that we were able to issue USD bonds at a low cost, improve the financing structure and lower the finance costs. Proceeds from the asset restructuring of China Railway Industry, our controlling subsidiary, provided reliable support for the accelerated development of the Company. We also optimized the supply-demand relationship and overcame all difficulties and challenges vigorously. Several national key and large-scale projects were successfully completed, including the Baoji-Lanzhou High-speed Railway, Beijing-Xinjiang Expressway, Phase I of Fuzhou Metro Line 1, Hong Kong-Zhuhai-Macau Bridge and the Beipan River Bridge of Hangzhou-Ruili Expressway. Our capability of providing high quality products and services has also been widely recognized by a growing number of national prizes, such as the National Advanced Science and Technology Prize and the Tien-yow Jeme Civil Engineering Prize.

It is an era of reform and advancement. We will be left in the wake of the rising tide of competition if we do not propel our reforms forward. As it is the tenth anniversary of the domestic and overseas listing of the Group, the new session of the Board of Directors, supervisory committee and management of the Company fully recognized the immense responsibility and challenging mission bestowed upon them. It is the Company's responsibility to seek growth and extend its footprint. With an aim to become a world leading construction group and to achieve the targets of developing, optimizing and expanding the Company's operations, we will adhere to the three core national strategies, facilitate the Belt and Road Initiative and contribute to social-economic development and national rejuvenation. In addition, I would like to express my sincere gratitude to the shareholders who gave support to reforms at the Company, to the general public for their concern and support, and to our employees.

LI Changjin
Chairman

Beijing, the PRC
30 August 2017

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 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	725,274
The total number of shareholders of preference shares with restored voting rights as at the end of the reporting period	0

2 Information on Shareholders ([illegible])

(1) Number of shareholders ([illegible])

(i) Shareholdings of the top ten shareholders

[illegible]

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restriction	Number of pledged or frozen shares: Condition of shares	Number of pledged or frozen shares: Number	Nature of shareholder
1	CRECG ([illegible] 1)	0	12,424,784,308	54.39	308,880,308	Nil	0	State-owned
2	HKSCC Nominees Limited ([illegible] 2)	165,899,333	4,169,890,242	18.25	0	Nil	0	Other
3	China Securities Finance Corporation Limited	392,340,474	1,027,135,059	4.50	0	Nil	0	Other
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Product	0	468,805,172	2.05	0	Nil	0	Other
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	-345,000,000	278,500,643	1.22	0	Nil	0	Other
6	Central Huijin Asset Management Ltd.	0	235,455,300	1.03	0	Nil	0	Other
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	-4,461,200	196,986,916	0.86	0	Nil	0	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	0	100,003,037	0.44	0	Nil	0	Other
9	Anbang Pension Insurance Co., Ltd. – Group Universal Products	0	65,046,237	0.28	0	Nil	0	Other
10	Hong Kong Securities Clearing Company Limited ([illegible] 3)	674,368	57,022,648	0.25	0	Nil	0	Other

Statement on the related relations and concerted actions between the shareholders above	CRECG, 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.

[illegible] 1: C[illegible]EC[illegible] 12,424,784,308 [illegible] 12,260,390,308 A [illegible] ([illegible] 308,880,308 [illegible]) [illegible] 164,394,000 [illegible].

[illegible] 2: [illegible] CC [illegible] C[illegible]EC [illegible].

[illegible] 3: A[illegible] C[illegible].

[illegible] 4: [illegible] 30 [illegible] 2017.

2 Information on Shareholders ([illegible])

(1) Number of shareholders ([illegible])

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

[illegible]

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares: Type	Number
1	CRECG ([illegible] 1)	11,951,510,000	RMB-denominated ordinary shares	11,951,510,000
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited ([illegible] 2)	4,169,890,242	Overseas listed foreign shares	4,169,890,242
3	China Securities Finance Corporation Limited	1,027,135,059	RMB-denominated ordinary shares	1,027,135,059
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Product	468,805,172	RMB-denominated ordinary shares	468,805,172
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	278,500,643	RMB-denominated ordinary shares	278,500,643
6	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	196,986,916	RMB-denominated ordinary shares	196,986,916
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	100,003,037	RMB-denominated ordinary shares	100,003,037
9	Anbang Pension Insurance Co., Ltd. – Group Universal Products	65,046,237	RMB-denominated ordinary shares	65,046,237
10	Hong Kong Securities Clearing Company Limited ([illegible] 3)	57,022,648	RMB-denominated ordinary shares	57,022,648

Statement on the related relations and concerted actions between the shareholders above	CRECG, 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.

[illegible] 1: C EC [illegible] 12,424,784,308 [illegible] 12,260,390,308 A [illegible] ([illegible] 308,880,308 [illegible]) [illegible] 164,394,000 [illegible].

[illegible] 2: [illegible] CC [illegible] C EC [illegible].

[illegible] 3: A [illegible].

[illegible] 4: [illegible] 30 [illegible] 2017.

2 Information on Shareholders (Continued)

(1) Number of shareholders (Continued)

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

Unit: share

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

(2) 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Save as disclosed below, as at 30 June 2017, none of the directors and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

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

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

As at 30 June 2017, the Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

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

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held ([illegible])	Nature of interest	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
BlackRock, Inc.	Interest of controlled corporations	375,649,028	Long position	8.93	1.64
		1,467,000	Short position	0.03	0.006
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
Deutsche Bank Aktiengesellschaft	([illegible] 1)	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending Pool	0.25	0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

6 Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares ([illegible])

[illegible]:

1. [illegible] 2014, [illegible]:

[illegible]	[illegible]	[illegible]
[illegible]	139,171,310	123,424,962
[illegible]	17,515,361	
[illegible]	54,042,600	
[illegible]	10,406,000	
[illegible]	8,668,000	

2. [illegible]:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]				4,180,000				25,000
[illegible]				17,624,000				10,166,000
[illegible]			10,000,000				60,000	

Apart from the foregoing, as at 30 June 2017, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 Directors

The directors of the Company during the six months ended 30 June 2017 are as follows:

Name	Age	Position
LI Changjin (李長進) (re-elected on 28 June 2017)	58	Chairman and Executive Director
ZHANG Zongyan (張宗言) (re-elected on 28 June 2017)	54	Executive Director
ZHOU Mengbo (周孟波) (elected on 28 June 2017)	52	Executive Director
ZHANG Xian (章獻) (elected on 28 June 2017)	56	Executive Director
GUO Peizhang (郭培章) (re-elected on 28 June 2017)	67	Independent Non-executive Director
WEN Baoman (聞寶滿) (re-elected on 28 June 2017)	66	Independent Non-executive Director
ZHENG Qingzhi (鄭清智) (re-elected on 28 June 2017)	65	Independent Non-executive Director
CHUNG Shui Ming Timpson (鍾瑞明) (elected on 28 June 2017)	65	Independent Non-executive Director
MA Zonglin (馬宗林) (elected on 28 June 2017)	60	Non-executive Director
YAO Guiqing (姚桂清) (resigned on 28 June 2017)	62	Vice Chairman and Executive Director
NGAI Wai Fung (魏偉峰) (resigned on 28 June 2017)	55	Independent Non-executive Director

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2017 are as follows:

Name	Age	Position
LIU Chengjun (劉成軍) (re-elected on 28 June 2017)	53	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan (劉建媛) (re-elected on 13 June 2017)	55	Employee Representative Supervisor
WANG Hongguang (王宏光) (re-elected on 13 June 2017)	58	Employee Representative Supervisor
CHEN Wenxin (陳文鑫) (re-elected on 28 June 2017)	53	Shareholder Representative Supervisor
FAN Jinghua (范經華) (re-elected on 13 June 2017)	51	Employee Representative Supervisor

3 Senior Management

The senior management of the Company during the six months ended 30 June 2017 are as follows:

Name	Age	Position
ZHANG Zongyan (張宗言) (re-appointed on 28 June 2017)	54	President
LIU Hui (劉輝) (re-appointed on 28 June 2017)	57	Vice President and Chief Engineer
MA Li (馬力) (re-appointed on 28 June 2017)	59	Vice President
YANG Liang (楊良) (re-appointed on 28 June 2017)	48	Chief Financial Officer
YU Tengqun (于騰群) (re-appointed on 28 June 2017)	47	Secretary to the Board, General Legal Advisor and Joint Company Secretary
TAM Chun Chung (譚振忠) (re-appointed on 28 June 2017)	44	Joint Company Secretary and Qualified Accountant
ZHOU Mengbo (周孟波) (resigned on 28 June 2017)	52	Vice President
ZHANG Xian (章獻) (resigned on 28 June 2017)	56	Vice President

4 Change of Directors, Supervisors and Senior Management

The 2016 annual general meeting of the Company was held on 28 June 2017, at which Mr. LI Changjin and Mr. ZHANG Zongyan were re-elected and Mr. ZHOU Mengbo and Mr. ZHANG Xian were elected as executive directors of the Company; Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were re-elected and Mr. Chung Shui Ming Timpson was elected as independent non-executive directors of the Company; Mr. MA Zonglin was elected as non-executive director of the Company. The aforesaid directors constitute the fourth session of the Board of Directors with a term of three years, commencing on 28 June 2017 and ending on the expiration of the fourth session of the Board of Directors. Accordingly, Mr. YAO Guiqing and Mr. NGAI Wai Fung ceased as directors of the Company from the same date. In addition, the first meeting of the fourth session of the Board of Directors was held on 28 June 2017, at which Mr. LI Changjin was re-elected as the Chairman.

The third joint meeting of chairmen of the second session of employee representative general meeting of the Company was held on 13 June 2017, at which Ms. LIU Jianyuan, Mr. WANG Hongguang and Mr. FAN Jinghua were re-elected as employee representative supervisors of the fourth session of the supervisory committee of the Company, with a term of three years, commencing on 13 June 2017 and ending on the expiration of the fourth session of the supervisory committee of the Company. At the 2016 annual general meeting held on 28 June 2017, Mr. LIU Chengjun and Mr. CHEN Wenxin were re-elected as shareholder representative supervisors of the Company, with a term of three years, commencing on 28 June 2017 and ending on the expiration of the fourth session of the supervisory committee of the Company. The aforesaid supervisors constitute the fourth session of the supervisory committee of the Company. Furthermore, the first meeting of the fourth session of the supervisory committee of the Company was held on 28 June 2017, at which Mr. LIU Chengjun was re-elected as the Chairman of the supervisory committee of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4 Change of Directors, Supervisors and Senior Management (Continued)

At the first meeting of the fourth session of the Board of Directors held on 28 June 2017, Mr. ZHANG Zongyan was re-appointed as vice president of the Company, Mr. LIU Hui was re-appointed as vice president and chief engineer of the Company, Mr. MA Li was re-appointed as vice president of the Company, Mr. YANG Liang was re-appointed as chief financial officer of the Company, Mr. YU Tengqun was re-appointed as general legal advisor of the Company and secretary to the Board, and Mr. TAM Chun Chung was re-appointed as joint company secretary. The terms of office of the aforesaid senior management shall commence on the day of appointment by the Board and end on the expiration of the fourth session of the Board of Directors. Accordingly, Mr. ZHOU Mengbo and Mr. ZHANG Xian ceased to be vice president of the Company.

In addition, in November 2016, CRECG, the controlling shareholder of the Company, received the Notice on Appointment and Dismissal of YAO Guiqing and ZHANG Zongyan (Guo Zi Ren Zi [2016] No. 167) issued by SASAC, pursuant to which, Mr. ZHANG Zongyan was nominated as the general manager of CRECG. On 22 December 2016, the 68th meeting of the first session of the board of directors of CRECG considered and approved the Proposal on Appointment of the General Manager of China Railway Engineering Corporation, agreeing to appoint Mr. ZHANG Zongyan as the general manager of CRECG. The Company received the Letter on Exempting the President of China Railway Group Limited from Restriction on Concurrent Positions (Shang Shi Bu Han [2017] No. 410) issued by the CSRC in early July 2017, agreeing to exempt Mr. ZHANG Zongyan from the restriction to serve concurrent positions as senior management. The Company published the Announcement on Exempting the President of the Company from Restriction on Concurrent Positions of China Railway Group Limited (Lin 2017-031) on the website of the Shanghai Stock Exchange on 4 July 2017 and on the website of the Hong Kong Stock Exchange on 3 July 2017. In the future, the Company will strictly fulfil relevant obligations on information disclosure in strictly compliance with the requirements of the CSRC and make special statement of independent directors in relation to the performance of duties of Mr. ZHANG Zongyan during his terms of office of concurrent positions in the annual reports.

5 Human Resources and Emolument Policy

The Company attaches the importance to recruiting, incentivising, developing and retaining talents and pays close attention to the fairness of its remuneration policy. The Company implemented a policy for annual remuneration adjustment with reference to market terms and work performance.

Employee remuneration of the Company comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Company entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

In accordance with applicable regulations, the Company makes contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions paid by the Company is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Company also makes contributions to employee housing provident fund according to applicable PRC regulations. In addition to statutory contributions, the Company also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans for both current and retired employees, and annuities for current employees.

The Company pays great attention on investments in continuing education and training programs for management and technical staff with an aim to continuously upgrading their skills and knowledge. In addition to sending some of the top managers overseas for training, the Company also offers management courses to its senior managers and annual project management trainings for its project managers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5 Human Resources and Emolument Policy *(Continued)*

The remuneration of executive directors of the Company is on an annual basis and determined with reference to the operating results of the Company and individual's performance in fulfilling his duties. In particular, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi, as independent non-executive directors, will receive annual remuneration that is fixed on a pre-determined basis by virtue of their position. Mr. CHUNG Shui Ming Timpson, as an independent non-executive director, will receive annual remuneration that is fixed on a pre-determined basis by virtue of his position and meeting allowance. While Mr. MA Zonglin, as a non-executive director, will not receive remuneration from the Company.

As at 30 June 2017, the total number of employees hired by the Company was 282,085, among which, the number of on-the-job employees is 242,323. In particular, 6,601 have master degrees or above, 95,668 have bachelor's degree, 59,435 have received tertiary education and 120,381 have received secondary education or below. Employees who have received tertiary education or above amount to 57.3% of the total number of employees. In addition, the Company has 20,612 employees with senior professional titles or above, 54,247 with intermediate professional titles and 64,526 with assistant professional titles.

6 Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), as amended, as the code of conduct regarding securities transactions by directors and supervisors. The Company has made enquiries to all directors and supervisors, each director and supervisor confirmed that he or she has complied with the required standard set out in the Model Code throughout the period from 1 January 2017 to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Industry Development Overview

Infrastructure construction business

In the first half of 2017, the national investment grew slowly but steadily, with the national fixed asset investment (excluding rural households) increased by 8.6% year-on-year to RMB28,100 billion. The support for infrastructure investment was also increasing. In particular, the fixed asset investment in highway and waterway transport amounted to RMB967.27 billion, increased by 23.8% year-on-year. The fixed asset investment in railways increased by 1.9% year-on-year to RMB312.545 billion. The new urban rail transport operating mileage was 247 kilometers, and the new urban rail transport mileage under construction was 381 kilometers. The number of cities covered by urban rail transport increased to 31, with an accumulated operating mileage of 4,400 kilometers; while the number of cities with urban rail transit line construction rose to 53, with a total mileage under construction of 5,770 kilometers. The economic and trading cooperation between China and the Belt and Road countries quickened, and mutual investment remained at a relatively high level. The amount of new contracting projects from countries along the Belt and Road increased by 38.8% year-on-year to US$71.42 billion, representing 57.7% of the amount of new contracting projects of China from all foreign countries during the period. The turnover of completed contracting projects increased by 7.6% year-on-year to US$33.07 billion. A large market has initially been formed for PPP, which is an emerging and important mode of project construction. As of the end of June 2017, 13,554 PPP projects were registered by the Ministry of Finance, covering 19 major economic and social sectors with a total investment of RMB16,400 billion. Among them, 2,021 projects with a total investment of RMB3,300 billion were signed for implementation, translating into a project floor rate of 34.2%.

Survey, design and consulting services business

In the first half of 2017, with consistent fixed asset investment, the project survey, design and consulting services industry maintained a steady growth. Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business is integral to project construction as it 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. During the reporting period, the survey, design and consulting services industry continued to pursue a series of strategies and policies, including the country's Belt and Road Initiative, city cluster development at the midstream of Yangtze River, co-development of Beijing-Tianjin-Hebei, new urbanization construction, development of smart city and green buildings, modernization of the construction industry and urban integrated utility tunnels. The industry devoted efforts to the continual innovation of the operational model, enhancement of the technical capability and service quality, expansion of the scope of service, industrial structure optimization and upgrading, development of a low-carbon economy and establishment of a "resource-saving and environmentally-friendly" society. Meanwhile, during the implementation of overseas construction projects, the industry played an active role in promoting the international recognition of the project standards of the country, so that more domestic equipments and materials could enter the international market.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Industry Development Overview *(Continued)*

Engineering equipment and component manufacturing business

The State Council issued a series of industrial plans including "Made in China 2025" and "13th Five-Year Plan for the Development of National Strategic Emerging Industries", which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. In the first half of 2017, the added value of large-scale industries recorded a year-on-year increase of 6.9%, with the manufacturing industry advancing towards the medium to high end. The added value of the high-tech manufacturing industry and equipment manufacturing industry recorded a year-on-year growth of 13.1% and 11.5% respectively, 6.2 and 4.6 percentage points higher than that of the large-scale industries, representing 12.2% and 32.2% of the large-scale industries. During the reporting period, investment in railways and urban rail transport as well as the demand for turnouts, electric catenary products and construction equipment for railways and highways stayed at a high level. With the increase in construction of railways, highways, urban rail transport, irrigation works and underground development, and in further pursuance of the Belt and Road Initiative, the development and construction of tunnels and underground space saw a new round of growth opportunities, and the markets of tunnel construction equipment and services and construction machinery continued to grow. With the support and encouragement of the government, the green and environmentally friendly steel structures got wider application, and the steel structure products applicable to bridges, transport hubs, commercial storage and residence developed at a swift pace.

Property development business

Since 2017, the property curbs under the city-specific policies have proved to be effective in the sense that key cities have witnessed a timely adjustment of the scale, structure and timing of residential land use supply, acceleration in the construction of commodity housing projects under construction and continual increase in housing supply. During the first half of 2017, the growth rate of investment in property development slowed down with a continuous drop in the saleable area of commodity housing. The investment in property development was RMB5,061.0 billion, representing a year-on-year increase of 8.5%. In particular, the investment in residential housing grew 10.2% year-on-year (a growth of 9.5% for key cities). The sales area of commodity housing in China increased by 16.1% to 746.62 million square meters, and the sales areas of residential housing went up by 13.5%. The sales of commodity housing in China climbed up by 21.5% to RMB5,915.2 billion, and the sales of

MANAGEMENT DISCUSSION AND ANALYSIS

2 Business Development Overview

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

In the first half of 2017, with a focus on the enterprise, the Group began to rationalise the corporate structure, continued with the enhancement of quality and efficiency, and committed itself to the supply-side structural reform. Grasping the opportunities offered by the robust development of the infrastructure construction market, steady advancement of the Belt and Road Initiative and deepened reform of state-owned enterprises, the Group quickened its step in industrial agglomeration, transformation and upgrading, and forged ahead with the transformation of the production operation system. It completed the restructuring of the industrial sectors and the asset swap and listing of China Railway Erju, and also devised and reformed the diversified mixed ownership of its subsidiaries with the employee stock ownership plan as a pilot scheme in order to lift the regional operational capability and international operational level. The Group maintained a steady growth in its economic operation.

In the first half of 2017, the Group's new contracts by business segment are set out as below:

	January to June 2017		
Business segments	**Number of new projects**	**Value of new contracts** *(RMB100 million)*	**Increase/ decrease over the same period last year** *(%)*
Infrastructure construction	1,918	4,751.8	32.5
Including: railways	530	738.4	–27.0
highways	219	1,115.0	149.8
municipal works and others	1,169	2,898.4	36.2
among which: urban rail transport	353	1,137.3	44.2
Survey, design and consulting services		120.7	72.2
Engineering equipment and component manufacturing		159.5	40.3
Property development		156.3	16.5
Others		429.0	56.9
Total		**5,617.3**	**34.5**

2 Business Development Overview *(Continued)*

The Group's new contracts by geographical region are set out as below:

Geographical region	Value of new contracts *(RMB100 million)*	Increase/ decrease over the same period last year *(%)*
Domestic	5,331.1	37.9
Overseas	286.2	–8.2
Total	**5,617.3**	**34.5**

In the first half of 2017, major operating information on the Group's property development business is set out as below:

	Aggregate area/value for the first half of 2017	Increase/ decrease over the same period last year *(%)*
Newly acquired land reserve *(0,000 m^2)*	6.78	–10.2
Area that has commenced construction *(0,000 m^2)*	140	129.5
Area that has completed construction *(0,000 m^2)*	78	–2.5
Contract area *(0,000 m^2)*	158	18.8
Contract value *(RMB100 million)*	156.3	16.5

As at 30 June 2017, the Group has 154 property development projects. Project area and gross floor area under development was 29.95 million square metres and 54.44 million square metres respectively while the land reserve area and gross floor area available for development was 13.91 million square metres and 19.23 million square metres respectively.

As at 30 June 2017, the Group's contract backlog was RMB2,205.89 billion, increased by 8.2% from 31 December 2016. Among which, RMB1,816.63 billion was from infrastructure construction business (representing an increase of 9.5% from 31 December 2016), RMB32.10 billion was from survey, design and consulting services business (representing an increase of 20.1% from 31 December 2016) and RMB30.84 billion was from engineering equipment and component manufacturing business (representing an increase of 12.6% from 31 December 2016).

For the six months ended 30 June 2017, the Group's revenue increased by 11.2% from the corresponding period of 2016 to RMB298.553 billion. The Group realized profit for the period of RMB7.549 billion, representing an increase of 40.0% year on year. For the six months ended 30 June 2017, profit for the period attributable to owners of the Company was 7.707 billion, representing a year-on-year increase of 41.1% while the basic earnings per share of the Company were RMB0.310, representing a year-on-year increase of 38.4%.

A comparison of the financial results for the six months ended 30 June 2017 and the corresponding period of 2016 is set forth below.

3 Consolidated Results of Operations

Revenue

In the first half of 2017, the Group's revenue increased year-on-year by 11.2% to RMB298.553 billion. It was mainly due to the increase in revenue from infrastructure construction business and other businesses. Among which, the revenue generated from overseas was RMB16.281 billion, representing a year-on-year increase of 15.2%. Revenue from overseas accounted for 5.5% of the Group's total revenue, an increase of 0.2 percentage point from 5.3% of same period last year.

Cost of sales and services and gross profit

The Group's cost of sales and services primarily includes cost of raw materials and consumables, equipment usage costs (consisting of maintenance, rental and fuel), employee compensation and benefits, cost of property development and depreciation and amortization expenses. For the six months ended 30 June 2017, the Group's cost of sales and services increased year-on-year by 10.0% to RMB271.106 billion. In the first half of 2017, gross profit of the Group increased year-on-year by 24.9% to RMB27.447 billion. The gross profit margin for the first half of 2017 was 9.2%, representing an increase from 8.2% for the first half of 2016. The increase in gross profit margin for the first half of 2017 compared to same period of last year was primarily due to the increase in gross profit margin of infrastructure construction business and property development business.

Other income

The Group's other income primarily consists of net income from sundry operations supplemental to our principal revenue-generating activities (such as sales of materials, rental, transportation and hotel operation), dividend income, compensation income, subsidies from the government and others. For the six months ended 30 June 2017, the Group's other income decreased by 6.9% to RMB0.860 billion from the corresponding period of last year. The decrease of other income was mainly due to the decrease of subsidies from the government.

Other expenses

The Group's other expenses primarily include expenditures on research and development. For the six months ended 30 June 2017, other expenses increased by 16.7% to RMB3.642 billion from the same period of last year, mainly due to the fact that the Group consolidated its research ability and enhanced its research quality on innovation and transformation.

Other losses, net

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of held-for-trading financial assets, gains/losses on disposal of fixed assets, available-for-sale financial assets and held-for-trading financial assets/liabilities. The other net losses for the first half of 2017 was RMB2.178 billion, representing an increase from other net losses of RMB0.553 billion for same period of last year. It was mainly due to the increase in impairment loss on trade and other receivables of RMB1.444 billion and decrease in net foreign exchange gain of RMB0.792 billion.

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 2017, the Group's selling and marketing expenses was RMB1.301 billion, representing an increase of 14.0% from the same period of last year which was mainly due to the strengthening in marketing effort. Selling and marketing expenses as a percentage of total revenue was 0.4% for the first half of 2017, basically maintaining the same level as that for the first half of 2016.

3 Consolidated Results of Operations *(Continued)*

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 2017, the Group's administrative expenses increased by 9.2% to RMB9.598 billion from the corresponding period of last year, which was mainly due to the increase in staff salary. Administrative expenses as a percentage of total revenue was 3.2%, decreased from 3.3% for the same period of last year.

Interest income

For the six months ended 30 June 2017, the interest income was RMB1.026 billion, basically maintaining the same level as that for the first half of 2016.

Interest expenses

For the six months ended 30 June 2017, the interest expenses decreased by 21.1% to RMB2.082 billion from the corresponding period of last year. It was mainly due to the decrease in the total balance of the Group's interest-bearing liabilities as compared with last year and the comparatively low cost of borrowing.

Profit before income tax

As a result of the foregoing factors, the Group's profit before income tax for the six months ended 30 June 2017 increased by 39.0% to RMB10.844 billion from RMB7.804 billion for the corresponding period of last year.

Income tax expense

For the six months ended 30 June 2017, the income tax expense increased by 36.7% to RMB3.295 billion from the corresponding period of last year. By excluding the land appreciation tax, the effective income tax rate of the Group was 27.4% for the first half of 2017, a year-on-year decrease of 0.8 percentage point from 28.2% for the corresponding period of last year.

Profit for the period attributable to owners of the Company

As a result of the foregoing factors, the profit for the period attributable to owners of the Company for the six months ended 30 June 2017 increased by 41.1% to RMB7.707 billion from RMB5.463 billion for the corresponding period of last year. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2017 was 2.6%, an increase from 2.0% for the corresponding period of last year.

4 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2017 are set forth in the table below.

Business segments	Segment revenue	Growth rate	Profit before tax	Growth rate	Profit before tax margin[1]	Segment revenue as a percentage of total	Profit before tax as a percentage of total
	[illegible]	(%)	[illegible]	(%)	(%)	(%)	(%)
Infrastructure Construction	260,889	8.5	8,691	24.4	3.3	83.5	73.0
Survey, Design and Consulting Services	6,750	17.6	724	–4.7	10.7	2.2	6.1
Engineering Equipment and Component Manufacturing	9,321	23.5	808	14.1	8.7	3.0	6.8
Property Development	11,113	2.2	1,202	59.2	10.8	3.6	10.1
Other Businesses	24,203	45.2	480	Turned loss into profit	2.0	7.7	4.0
Inter-segment Eliminations and Adjustments	(13,723)		(1,061)				
Total	**298,553**	**11.2**	**10,844**	**39.0**	**3.6**	**100.0**	**100.0**

[1] [illegible]

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railways, highways, municipal works, urban rail transport and other engineering construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of the total revenue of the Group. In the first half of 2017, the revenue from the infrastructure construction business accounted for 83.5% of the total revenue of the Group (first half of 2016: 85.5%). In the first half of 2017, due to the continued prosperous development of the domestic infrastructure construction market, the Group recorded a significant increase in revenue from highways, municipal works and urban rail transport. Segment revenue of the infrastructure construction business for the six months ended 30 June 2017 was RMB260.889 billion, an increase of 8.5% 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 2017 was 6.6% and 3.3% respectively (first half of 2016: 5.9% and 2.9% respectively). It was mainly due to the increase in proportion of revenue from municipal works which has higher gross profit margin.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. Benefiting from the stable growth in investment of the domestic infrastructure construction market, segment revenue of the Group's survey, design and consulting services business increased by 17.6% year on year to RMB6.750 billion for the six months ended 30 June 2017. For the first half of 2017, gross profit margin and profit before tax margin for the segment was 28.0% and 10.7% respectively (first half of 2016: 30.8% and 13.2% respectively). It was mainly due to: 1) the increase in outsourcing cost due to the increase in number of projects and tight working schedule resulted from rapid growth of survey and design business; 2) the increase in labour cost.

MANAGEMENT DISCUSSION AND ANALYSIS

4 Segment Results (Continued)

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. Benefiting from the business growth in steel structure, turnout, shield and tunnel construction equipment, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 23.5% year-on-year to RMB9.321 billion for the six months ended 30 June 2017. Gross profit margin and profit before tax margin was 19.7% and 8.7% respectively (first half of 2016: 23.2% and 9.4% respectively). This was mainly due to: 1) fluctuation in gross profit margin resulting from the change in product mix; 2) the increase in costs of raw materials and labour.

Property development business

In the first half of 2017, the Group strictly adhered to the national policy on property market, fulfilled the market demand and accelerated the upgrading of the traditional property development business model. For the six months ended 30 June 2017, segment revenue from the Group's property development business increased by 2.2% year-on-year to RMB11.113 billion. Gross profit margin and profit before tax margin was 28.2% and 10.8% respectively (first half of 2016: 21.8% and 6.9% respectively). Such increase was mainly due to the increase in selling price of the Group's certain property projects in the first half of 2017.

Other Businesses

The Group has progressively implemented the "limited and interrelated" diversification strategy. Segment revenue from other businesses increased year-on-year by 45.2% to RMB24.203 billion for first half of 2017. In the first half of 2017, gross profit margin was 25.5% (first half of 2016: 24.9%). Details are as follows: 1) due to the recovery of macro economy and significant growth in the logistic industry, revenue from highway operation business increased year-on-year by 34.6% to RMB1.510 billion with gross profit margin increased year-on-year by 0.9 percentage point to 59.0%; 2) due to the increase in commodity prices, revenue from mining business increased year-on-year by 90.9% to RMB1.772 billion with gross profit margin increased year-on-year by 34.0 percentage points to 40.0%; 3) since the Group strengthened the implementation of regional procurement and central procurement of railway engineering materials, revenue from merchandise trading business increased year-on-year by 70.3% to RMB15.348 billion with gross profit margin increased year-on-year by 4.1 percentage points to 8.4%; 4) Due to the strict control on financial market and unfavourable sentiment on securities market, revenue from financial business decreased year-on-year by 12.4% to RMB1.950 billion with gross profit margin decreased year-on-year by 2.4 percentage points to 94.9%.

Profit before tax of other businesses amounted to RMB0.480 billion for the first half of 2017 (first half of 2016: loss before tax of RMB0.496 billion), mainly attributable to the increase in gross profit margin of mining business in the first half of 2017.

4 Segment Results (Continued)

Other Businesses (Continued)

As at 30 June 2017, the Group's mining resources and reserve information is shown below:

No	Project name	Type	Grade	Reserve/Reserve Unit	Amount	Group's share (%)	Planned total investment (RMB billion)	Accumulated investment (RMB billion)	Investment in the reporting period (RMB billion)	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.09%	Thousand tonne	716.5	83	4.217	4.131	–	Completed	Commenced production
2	Luishia Copper-Cobalt Mine, Congo (Kinshasa)	Cooper	2.55%	Thousand tonne	759.8	72	1.657	1.770	–	Completed	Commenced production
		Cobalt	0.201%		66.8						
3	MKM Copper-Cobalt Mine, Congo (Kinshasa)	Cooper	3.36%	Thousand tonne	156.0	80.2	1.195	1.199	–	Completed	Commenced production
		Cobalt	0.22%		17.9						
4	Sicomines Copper-Cobalt Mine, Congo (Kinshasa)	Cooper	2.55%	Million tonne	8.5296	41.72	24.915	10.674	–	Completed	Phase I commenced production
		Cobalt	0.20%		570.7						
5	Wulan Lead and Zinc Mine, Guoxinxin Company, Mongolia	Lead	1.67%	Thousand tonne	282.2	100	–	–	–	–	Commenced production
		Zinc	4.80%		765.2						
		Silver	80.2g/t	Tonne	1,367.6						
6	Muhaer Lead and Zinc Mine, Guoxinxin Company, Mongolia	Lead	0.75%	Thousand tonne	81.7	100	–	–	–	–	Exploration and feasibility study in progress
		Zinc	3.50%		382.6						
		Silver	108.33g/t	Tonne	1,184.6						
7	Gold mine, Guoxinxin Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Exploration in progress
8	Lead and Zinc Mine, Guoxianglong Company, Mongolia	Lead	6.28%	Thousand tonne	151.5	100	–	–	–	–	Commenced production
		Zinc	3.81%		91.9						
		Silver	234.67g/t	Tonne	866						

5 Cash Flow

For the six months ended 30 June 2017, the net cash outflow from operating activities of the Group amounted to RMB27.890 billion, representing an increase in net cash outflow of RMB3.601 billion for the corresponding period of 2016. It was mainly due to: 1) the increase in inventory and trade receivables resulted from the expansion of the Group's operating scale; 2) advance payments in certain projects at initial stage. For the six months ended 30 June 2017, the net cash outflow from investing activities of the Group amounted to RMB7.847 billion, representing an increase in the net cash outflow of RMB5.696 billion for the corresponding period of 2016. It was mainly due to the increase in the Group's external equity investment. For the six months ended 30 June 2017, the net cash outflow from financing activities of the Group amounted to RMB1.199 billion, representing a decrease in net cash outflow of RMB6.975 billion for the same period in 2016. It was primarily due to the certain amount of proceeds from the asset restructuring of China Railway Industry, a listed subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

7 Working Capital (Continued)

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 2017, the Group's trade and bills payables was RMB294.877 billion, representing a decrease of 1.3% from RMB298.715 billion as at the end of 2016. The turnover days of trade and bills payables for the first half of 2017 was 197 days, representing an increase from 173 days for 2016. 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 10.1% (31 December 2016: 9.9%) of the total amount.

	As at 30 June 2017	31 December 2016
	RMB million	RMB million
Less than one year	**265,108**	269,171
One year to two years	**17,424**	18,217
Two years to three years	**6,013**	5,549
More than three years	**6,332**	5,778
Total	**294,877**	298,715

8 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2017 and 31 December 2016. As at 30 June 2017, 47.0% (31 December 2016: 46.4%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at 30 June 2017	31 December 2016
	RMB million	RMB million
Bank borrowings		
Secured	**29,429**	30,466
Unsecured	**88,157**	91,760
	117,586	122,226
Long-term debentures, unsecured	**33,755**	33,322
Other short-term borrowings, unsecured	**8,891**	8,755
Other short-term borrowings, secured	**–**	6
Other long-term borrowings, unsecured	**7,979**	7,591
Other long-term borrowings, secured	**–**	425
Total	**168,211**	172,325
Long-term borrowings	**89,230**	92,308
Short-term borrowings	**78,981**	80,017
Total	**168,211**	172,325

MANAGEMENT DISCUSSION AND ANALYSIS

8 Borrowings (Continued)

Bank borrowings carry interest rates ranging from 1.12% to 9.00% (31 December 2016: 1.12% to 9.00%) per annum. Long-term debentures carry fixed interest rates ranging from 2.96% to 6.40% (31 December 2016: 3.07% to 6.40%) per annum. Other short-term borrowings carry interest rates ranging from 4.00% to 7.98% (31 December 2016: 1.00% to 7.98%) per annum. Other long-term borrowings carry fixed or floating interest rates ranging from 4.85% to 6.80% (31 December 2016: 4.75% to 7.80%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 30 June 2017 and 31 December 2016.

	As at 30 June 2017 RMB million	31 December 2016 RMB million
Less than one year	**78,981**	80,017
One year to two years	**25,174**	28,117
Two years to five years	**36,081**	36,931
More than five years	**27,975**	27,260
Total	**168,211**	172,325

As at 30 June 2017 and 31 December 2016, the Group's bank loans comprised fixed-rate bank loans amounting to RMB32.671 billion and RMB1.502 billion and floating-rate bank loans amounting to RMB84.915 billion and RMB120.724 billion, respectively.

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. The following table sets forth the carrying amounts of the Group's borrowings by currencies other than the Group's functional currencies as at 30 June 2017 and 31 December 2016.

	As at 30 June 2017 RMB million	31 December 2016 RMB million
USD	**3,073**	1,946
Euro	**141**	136
Others	**258**	164
Total	**3,472**	2,246

MANAGEMENT DISCUSSION AND ANALYSIS

8 Borrowings (Continued)

The following table sets forth the details of the Group's secured borrowings as at 30 June 2017 and 31 December 2016.

	As at 30 June 2017		As at 31 December 2016	
	Secured borrowings	**Carrying value of pledged assets and contract value of certain rights**	Secured borrowings	Carrying value of pledged assets and contract value of certain rights
	RMB million	**RMB million**	RMB million	RMB million
Property, plant and equipment	**103**	**234**	12	13
Land use rights	**336**	**613**	300	793
Intangible assets	**21,211**	**32,776**	21,043	35,098
Properties under development for sale	**7,434**	**13,570**	8,888	19,428
Trade receivables	**345**	**487**	654	944
Total	**29,429**	**47,680**	30,897	56,276

As at 30 June 2017, the Group's unused credit line facilities from banks amounted to RMB646.662 billion (31 December 2016: RMB518.242 billion).

As at 30 June 2017, the Group's gearing ratio (total liabilities/total assets) was 79.1%, representing a decrease of 1.1 percentage points as compared with 80.2% as at 31 December 2016. It was mainly due to the proceeds from asset restructuring of China Railway Industry, a Group's listed subsidiary and the increase in the Group's profitability.

In July 2017, the Group has completed the issue of notes of USD500 million with coupon interest rate of 2.875% and maturity in 2022. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies.

9 Contingent Liabilities (continued)

[illegible]

10 Business Risks (Continued)

(7) Exchange rate risk: Due to the uncertainties of the exchange rate in the foreign exchange market, the Group may incur loss on certain overseas projects where settlements and payments of contracts are denominated in local currencies.

(8) Commodity price risk: The domestic and international macroscopic economy may cause significant fluctuations in market prices of commodities relating to the Group, which in turn may affect the Group's control on its production and operating costs.

To guard against the occurrence of various types of risks, the Group makes various types of risks correspond to the business process 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 research, planning, reviewing, auditing, approval and decision-making; enhances process control and post-assessment work; and makes measures to deal with risks and contingency plans, aiming to guarantee overall controllability of the Group's various types of risk.

11 Prospect

In the second half of 2017, the State will continue to adhere to the principle of seeking progress while maintaining stability. Upholding the new development philosophy with an emphasis on the supply-side structural reform, the State will expand the aggregate demand to an appropriate level. The fundamentals for the stable and positive economic growth remain unchanged. As the supply-side structural reform deepens and the macroeconomic adjustment gradually takes effect, the economy is expected to maintain a medium-to-high speed growth. For some time in the future, the construction market will continue to flourish and investment-driven infrastructure construction will prevail with relatively larger room for development for the general construction market. In particular, the three core national strategies of the Belt and Road Initiative, co-development of Beijing-Tianjin-Hebei and the Yangtze River Economic Belt, the establishment of Xiong'an New Area and the promulgation of the "National Urban Municipal Infrastructure Planning and Construction under the 13th Five Year Plan" and the "Guiding Opinions on Facilitating Urban (Rural) Railway Development", together with the continuous development of infrastructure construction including new urbanization, high-speed railways, highways and urban rail transport, will provide ample development opportunities for the Group. The Group will continue to explore its operational potentials by implementing regional operational strategies, facilitate management upgrade by deepening the management pilot scheme, innovate in the integration solutions of production and finance, assist in the realization of project financing solutions, and revitalise the enterprise by pushing forward the reform of state-owned enterprises. It will also increase its efficiency through organization streamlining and cost reduction and accelerate its development by creating new revenue sources and increasing its income in a bid to fully enhance the quality and efficiency of its development and achieve its annual operating targets.

SIGNIFICANT EVENTS

1 Overview of General Meeting

Session of meeting	Date of meeting	References of designated websites for the publication of resolutions	Date of publication of the resolutions
Annual General Meeting for the Year 2016	28 June 2017	China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange	29 June 2017

Description of the general meeting:

The annual general meeting for the year 2016 of the Company was held on 28 June 2017 with a combination of on-site and online voting. Proposals including the Report of the Board of Directors for the Year 2016 were passed at the meeting and became formal resolutions. 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 29 June 2017 and on the website of Hong Kong Stock Exchange on 28 June 2017.

2 The Plan for Profit Distribution or Capitalisation of Capital Reserves

(1) The plan for profit distribution and capitalisation of capital reserves prepared for the half year

Whether distributed or capitalised	No
Number of bonus shares per 10 shares (share)	0
Amount of dividend per 10 shares (RMB) (tax inclusive)	0
Number of shares capitalised per 10 shares (share)	0

Description of 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 2016. Pursuant to the profit distribution plan considered and passed at the annual general meeting for the year 2016 convened on 28 June 2017,

3 Performance Status of Undertakings

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

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CRECG	Upon the establishment of China Railway in accordance with the law, CRECG 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 CRECG 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 CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the principle businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	Nil	No	Yes	/	/

3 Performance Status of Undertakings (Continued)

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

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
Undertakings related to refinancing	Other undertakings	CRECG	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, CRECG shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

Note: [illegible] 2017, [illegible] 600528), [illegible] 21 [illegible] 2016. [illegible]

4 Appointment and Removal of Auditors

(1) Explanation on the appointment and removal of auditors

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been providing annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, according to the "Proposal in relation to the Engagement of the Auditors for 2017" and "Proposal in relation to the Engagement of Internal Control Auditors for 2017" which were considered and passed successively at the 31st meeting of the third session of the Board held on 30 March 2017 and at the annual general meeting for the year 2016 held on 28 June 2017, it was agreed to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engage PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2017. For details, please refer to the Announcement on the Resolutions Passed at the Annual General Meeting for the Year 2016 of China Railway published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 29 June 2017.

(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

(1) Litigation, arbitration or matters generally concerned by media which were disclosed in an announcement without subsequent progress

Outline and nature	Information link
Poland A2 Highway construction disputes: The consortium comprising COVEC and China Railway Tunnel Group Co., Ltd. (subsidiaries of the Company) and two third-party companies (the "Consortium") terminated the contract and had dispute with PGDNRM, the project owner, in respect of the bid won for sections A and C of Poland A2 Highway.	2011 Interim Report and subsequent periodic reports of China Railway Group Limited.

During the reporting period, the progress of the abovementioned lawsuit is set out as below:

Based on the intention of the Consortium and PGDNRM to reach a settlement, both parties applied again to the Poland Warsaw Court for suspension of the trial procedures. On 19 May 2017, after several rounds of negotiation, the Consortium and PGDNRM formally entered into the Settlement Agreement. On the date of the agreement, each of PGDNRM and the Consortium submitted an application to the Poland Warsaw Court to withdraw all the litigations. On 22 and 31 May, the Warsaw Court formally approved each of the withdrawal request of PGDNRM and the Consortium, respectively, marking the end of such litigation.

(2) Litigation and arbitration which were undisclosed in an announcement or might have subsequent progress

Not applicable

(3) Others

Not applicable

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

Not applicable

8 Integrity of the Company and its Controlling Shareholders and Ultimate Controller during the Reporting Period

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

9 Share Incentive Scheme, Employee Stock Ownership Plan and Other Employee Incentives and the Impacts thereof

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

Not applicable

(2) Incentives which were undisclosed in an announcement or might have subsequent progress

Not applicable

10 Significant Related Party Transactions

(1) Related party transactions in ordinary course of business

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

Not applicable

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

Unit: [illegible] C[illegible]: [illegible]B

Related parties	Related party 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 Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of services	Lease of office premises, etc.	Contract price	6,509	6,509	Less than 1%
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of services	Receipt of comprehensive services	Contract price	10,145	10,145	Less than 1%
Total					16,654	16,654	
Description of related party transactions				The above two transactions resulted from the implementation of the Comprehensive Services Agreement and Premises Leasing Agreement renewed by the Company and CRECG on 30 December 2015. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved at the 15th meeting of the third session of the Board, 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

10 Significant Related Party Transactions (Continued)

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

(iii) Matters undisclosed in an announcement

Not applicable

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

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

Not applicable

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

Not applicable

(iii) Matters undisclosed in an announcement

Not applicable

(iv) If agreement upon performance is involved, the performance achievements during the reporting period shall be disclosed

Not applicable

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

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

Not applicable

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

Not applicable

(iii) Matters undisclosed in an announcement

Not applicable

(4) Amounts due from/to related parties

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

Not applicable

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

Not applicable

(iii) Matters undisclosed in an announcement

Not applicable

(5) Other significant related party transactions

Not applicable

SIGNIFICANT EVENTS

10 Significant Related Party Transactions (Continued)

(6) Others

(i) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway (Note 1)	Lince Railway Co., Ltd.	678,890	June 2008	June 2027	No
CRECG (Note 2)	China Railway	5,000,000	January 2010	January 2020	No
CRECG (Note 2)	China Railway	3,500,000	October 2010	October 2025	No
CRECG (Note 2)	China Railway	2,500,000	October 2010	October 2020	No

Note 1: At the 2007 [illegible] 25 [illegible] 2008, the [illegible] C[illegible]., Ltd. [illegible] China [illegible] En[illegible] C[illegible]., Ltd. [illegible] RMB820.7 [illegible] 17 [illegible] 2008, the C[illegible] D[illegible] C[illegible] B[illegible] China [illegible] RMB783 [illegible] RMB2.7 [illegible] 29%) [illegible] 30 [illegible] 2008 [illegible] 20 [illegible] 2027 [illegible] C[illegible]., Ltd. [illegible] 2016, [illegible] C[illegible] 12 [illegible] C[illegible] B[illegible] C[illegible]., Ltd. [illegible] 29 D[illegible] 2016, C[illegible] CREC[illegible] C[illegible] A[illegible] E[illegible] B[illegible] C[illegible]., Ltd., [illegible] C[illegible] 100% [illegible] B[illegible] C[illegible]., Ltd. [illegible] CREC [illegible] RMB2,456.336 [illegible]. A[illegible] 30 [illegible] 2017, China [illegible] C[illegible] C[illegible]., Ltd. [illegible] C[illegible]., Ltd. [illegible] C[illegible] E[illegible] C[illegible].

Note 2: [illegible] China [illegible] En[illegible] C[illegible] 10-[illegible] C[illegible] 2010 [illegible] 10-[illegible] 15-[illegible] C[illegible] 2010. A[illegible] 30 [illegible] 2017, the [illegible] RMB10,972.478 [illegible] (31 D[illegible] 2016: RMB10,969.480 [illegible]).

(ii) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	30 June 2017	31 December 2016
Loans	CRECG	**841,500**	1,600,000

SIGNIFICANT EVENTS

10 Significant Related Party Transactions *(Continued)*

(6) Others *(Continued)*

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance

(1) Trusteeship, contracting and leasing

Not applicable

(2) Guarantees

Jnt: [illegible] C[illegible] : [illegible]B

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
Guarantee provided by the Company (excluding those provided to subsidiaries)													
China Railway Group Limited	The same entity	Lince Railway Co., Ltd.	678,890.00	2008/6/30	2008/6/30	2027/6/20	Suretyship of joint and several liability	No	No	0	No	Yes	Others
China Railway Group Limited	The same entity	Inner Mongolia Sunite Railway Co., Ltd	150,000.00	2008/11/24	2008/11/24	2020/11/30	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	173,355.00	2014/9/23	2014/9/23	2019/12/28	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	490,500.00	2013/4/23	2013/4/23	2019/6/12	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,003,495.00	2015/12/24	2015/12/24	2023/11/24	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	300,000.00	2014/3/26	2014/3/26	2019/2/1	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	59,640.24	2012/12/29	2012/12/29	2017/12/31	Suretyship of joint and several liability	No	No	0	No	No	

36,[illegible]91.290

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions

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

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Guangzhou Bureau, China Railway Beijing Bureau, China Railway Shanghai, China Railway Electrification Engineering	Mengxi-Huazhong Railway Co., Ltd.	The civil construction of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project MHSS-3 Section, MHSS-5 Section and MHSS-6 Section; MHQG-2 Section of the relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines	2015-02 2015-07	3,068,982	55-60 months
2	China Railway	Bangladesh Ministry of Railways	Bangladesh Padma Bridge Rail Link Project	2016-08	2,080,897	54 months
3	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification Engineering, China Railway Airport, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	Before-station construction project of Sections SHZQ-3, SHZQ-5, SHZQ-8, SHZQ-10, SHZQ-11, SHZQ-13, SHZQ-15 and SHZQ-16 of the new Shangqiu-Hefei-Hangzhou Railway (Anhui, Zhejiang Section)	2015-11	2,041,162	59.4 months
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-Purpose Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of construction project of Su'ai Passage, Shantou	2016-02	388,377	/
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning City Railway Group Co. Ltd.	Construction Contract of Section 02 of Phase one of Line 3 of Nanning Rail Transit (Keyuan Road and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway No. 7 Engineering	Xiangtan Urban and Rural Construction Development Group Co., Ltd.	Construction contract of the Xiangjiang River Scenery Zone Project in Xiangtan (Shaoyao Port-Xiang Gangtieniu Wharf Heavy Plate Pier-Shuangyong Road)	2016-12	428,000	730 days

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions (Continued)

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Laos-China Railway Company Limited	Survey and design project of the new China-Laos Railway Project (Boten-Vientiane Segment)	2016-12	93,800	48 months
2	China Railway Eryuan Engineering	Chengdu-Lanzhou Railway Co., Ltd.	Survey and design contract of the new Chengdu-Lanzhou Railway	2011-01	84,100	72 months
3	China Railway Consulting	Beijing-Zhangjiakou Inter-city Railway Co., Ltd.	Survey and design contract of the new Beijing-Zhangjiakou Railway	2015-09	44,905	51 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel structure						
1	China Railway Baoji Bridge	Hunan Dayue Highway Dongtinghu Bridge Construction Development Co., Ltd.	Construction project of main bridge steel truss girder of Hang Rui National Highway Hunan Linxiang (Hunan-Hubei Border) – Yueyang Highway Dongtinghu Bridge	2015-08	51,105	22 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ – 1 Section	2014-11	49,048	41 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu – Guiyang High Speed Railway Co., Ltd.	The new Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2016-11	31,712	24 months
2	China Railway Baoji Bridge	Huning Intercity Railway Co., Ltd.	Engineering Corporation management and materials procurement contract of the new Shanghai-Nantong Railway (Nantong-Anting Segment)	2016-03	21,694	/
Construction Machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	Construction contract of the sightseeing light rail lines and equipment purchase contract of the sightseeing light rail train in Yellow Emperor Mausoleum, Huangling County	2016-05	20,794	27 months
2	China Railway Engineering Equipment	CCCC Fourth Harbor Engineering	Shield Sales & Purchase Contract	2016-10	14,479	7 months

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions (Continued)

(iv) Property development business

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

(v) BOT operation projects

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

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (continued)

(3) Other material contracts or transactions (continued)

(vi) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project (RMB100 million)	Construction period	Concession period
1	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016-04	355.59	36 months	29.5 years
2	China Railway and Urumqi Urban Metro Group Co., Ltd	Urumqi Urban Metro Group Co., Ltd.	51%	PPP project of Phase One of the Urumqi Metro Line 3	2016-11	173.88	58 months	30 years
3	China Railway and other parties	Office of Construction and Management of Airport and Railway of Hohhot	49%	PPP project of Hohhot Metro Line 1 Phase One	2016-08	146.8	57 months	30 years
4	China Railway and other parties	Management Office of Urban Rail Transit Construction of Wuhu	14%	Phase One of Wuhu Metro Line 1 and Line 2 project	2016-12	146	3 years	27 years
5	China Railway and other parties	People's Government of Ziyang, People's Government of Chengdu	49%	BOT project of Ziyang-Tongnan (within the territory of Sichuan) Highway	2016-11	135.2	3 years	29 years and 11 months
6	China Railway and other parties	People's Government of Yulin, People's Government of Yan'an	65%	PPP project of the Suide – Yanchuan Motorway (including Qingjian – Zichang High-speed Connection Line) in Shaanxi Province	2016-09	131	39 months	30 years
7	China Railway and other parties	Transportation Bureau of Shantou, Transportation Bureau of Jieyang of Guangdong Province	60%	BOT project of Shantou-Jiexi Segment of Shantou-Zhanjiang Highway	2016-09	117.46	3 years	25 years

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions (Continued)

Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 7 Engineering	Henan Intercity Railway Co. Ltd.	EPC contract of before-station (including part of post-station) construction of Section ZPZQ-I, Section VI and Section VIII of Zhengzhou-Puyang Segment of the new Zhengzhou-Jinan Railway	2017-06	646,771	1,460 calendar days
2	China Railway No. 3 Engineering, China Railway No. 10 Engineering, China Railway Tunnel	Xiang-Pu Railway Co. Ltd.	Before-station construction project of Section XQNQ-2, Section XQNQ-3 and Section XQNQ-5 of Ninghua-Quanzhou Segment of the new Xingguo-Quanzhou Railway	2017-03	523,996	54 months
3	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway Tunnel	East Loop Line of the Hub of Chongqing Railway Construction Headquarters of Chengdu Railway Bureau	EPC contract of before-station construction project (excluding Section DHZQ-5) of Section DHZQ-3, Section DHZQ-4 and Section DHZQ-8 of the east loop line of the hub of the new Chongqing Railway	2017-03	510,238	48 months
Highway						
1	China Railway No. 4 Engineering	Xuzhou Transportation Bureau	PPP project of the elevated expressway at Yingbin Avenue, Xuzhou	2017-01	202,459	2 years
2	China Railway No. 5 Engineering	Qiandongnan Water Investment Co. Ltd.	Highway project of the Qiandongnanzhou "13th Five Year Plan" backbone water supply project	2017-04	320,000	36 months
3	China Railway No. 5 Engineering	Toll Road Management Department of Qinghai province	PPP project of Qinghai Xihai (Haiyan)-Chahannuo Highway Project – Section XC-1	2017-05	175,000	42 months
Municipal works						
1	China Railway No. 4 Engineering	Nanjing South New City Development and Construction (Group) Co. Ltd.	Nanbu Xincheng Honghua-infrastructure project of the airport area – southern area	2017-03	363,800	36 months
2	China Railway No. 5 Engineering	Qiandongnan Water Investment Co. Ltd.	Municipal work project of the Qiandongnanzhou "13th Five Year Plan" backbone water supply project	2017-06	201,290	36 months
3	China Railway No. 3 Engineering	Chifeng High-speed Railway Investment and Development Co., Ltd.	Comprehensive transport hub project of the Chifeng West Station	2017-07	181,296	18 months

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions (Continued)

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Ministry of Railways of Pakistan	Survey and design contract of the upgrading and renovation project of the existing Pakistan ML1 line and the new Havelian Dry Port	2017-05	68,963	36 months
2	China Railway Major Bridge Design Institute	Fuzhou Communication Construction Group Company Limited	Survey and design contract of the Fuzhou-Daoqingzhou Cross-River Corridor project	2017-02	10,002	66 months
3	China Railway Major Bridge Design Institute	Shenzhen-Zhongshan Corridor Management Center	Survey and design contract of the Shenzhen-Zhongshan Cross-River Corridor project (B Contract Segment)	2017-01	6,205	88 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel structure						
1	China Railway Baoji Bridge	Hubei Jiayu Yangtze River Highway Bridge Co., Ltd.	Fabrication contract of the steel box girder and steel anchor beam of Hubei Jiayu Yangtze River Highway Bridge	2017-03	24,932	/
2	China Railway Science & Industry	Ruyi Island Cross-Sea Bridge Project Management Department of the Second Engineering Co., Ltd. Of China Railway 18th Bureau Group	Fabrication and installation contract of the steel structure of the main bridge of Ruyi Island Cross-Sea Bridge on the east Coast of Haikou, Hainan	2017-02	17,592	9 months
Turnout						
1	China Railway Baoji Bridge	Jingfu Passenger Railway Line Anhui Co., Ltd.	Owner-supply merchandise purchase contract of the new Shangqiu-Hefei-Hangzhou Railway (Anhui, Zhejiang Segment)	2017-03	16,118	/
2	China Railway Baoji Bridge	Jingfu Passenger Railway Line Anhui Co., Ltd.	Owner-supply merchandise purchase contract of the new Zhengzhou-Zhoukou-Fuyang Railway (Anhui Segment)	2017-03	9,778	/
Construction machinery						
1	China Railway Science & Industry	Terratec	Shield Sales & Purchase Contract	2017-02	8,790	9 months
2	China Railway Engineering Equipment	Xiamen Xiagong China Railway Heavy Equipment Co., Ltd.	Shield Sales & Purchase Contract	2017-06	7,828	8 months

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance (Continued)

(3) Other material contracts or transactions (Continued)

(iv) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project (RMB100 million)	Construction period	Concession period
1	China Railway and other parties	Qingdao Metro Construction Headquarters Office	11.6%	PPP project of Qingdao Metro Line 8	2017-02	387.3	5.5 years	19.5 years
2	China Railway and other parties	Taiyuan Transportation Bureau	95%	PPP project of the re-routing of Taiyuan Ring Northwest Segment (Taiyuan Northwest Second Ring) of Beijing – Kunming Expressway	2017-06	218.05	3 years	30 years
3	China Railway and other parties	Chengdu Urban and Rural Construction Commission	42%	PPP project of Chengdu Rail Transit Line 9 (Phase 1)	2017-05	199.78	4 years	22 years

(4) Particulars of material properties

(i) Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%

SIGNIFICANT EVENTS

11 Material Contracts and Their Performance ([illegible])

(4) Particulars of material properties ([illegible])

(ii) Property held for development and/or sale

Name of building or project	Location	Current land use	Site area ([illegible])	Floor area ([illegible])	State of completion	Expected completion date	Interests of the Company and its subsidiaries
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, residential	1,060,600	2,425,300	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	528,000	1,141,400	Under construction	2018	67%
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

Ever since its listing, China Railway has been actively participating in the precision poverty alleviation programmes organised by CRECG, who actively fulfilled the responsibilities as a central enterprise by strictly adhering to the requirements of "precision poverty alleviation and elimination" and fully exerted the corporate advantages to strengthen intelligence support, technical services and information and policy guidance. CRECG made due contributions to the timely poverty elimination of targeted poor counties by implementing precision poverty alleviation and elimination.

13 Convertible Corporate Bonds

Not applicable

14 Descriptions of Environmental Protection Condition of the Company and its Subsidiaries Falling into the Category of Heavily Polluting Units Designated by Environmental Authorities

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

On 28 April 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets, Disposal Groups and Discontinued Operations Held for Sale" (Cai Hui [2017] No. 13) and stipulated that the standard shall be effective since 28 May 2017. Pursuant to such standard, the non-current assets, disposal groups and discontinued operations existing on the effective date of such standard shall be treated with prospective application.

SIGNIFICANT EVENTS

15 Explanation for Other Significant Events (Continued)

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

On 10 May 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Hui [2017] No. 15) and stipulated that the standard shall be effective since 12 June 2017. Pursuant to such standard, government grants existing on 1 January 2017 shall be treated with prospective application, while the new government grants received between 1 January 2017 and the effective date of the standard shall be adjusted based on such standard.

The 2017 interim financial statements of the Company prepared in accordance with Chinese Accounting Standard have been disclosed and presented pursuant to the above new requirements, which do not have any material impact on the 2017 interim financial statements.

Description of and reasons for the changes in accounting policies	Standard	Name of accounting item and amount affected
In the form of a standalone standard, the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets, Disposal Groups and Discontinued Operations Held for Sale" (Cai Hui [2017] No. 13) centralizes the regulation of non-current assets, disposal groups and discontinued operations held for sale. The interim financial statements for 2017 have been presented based on such requirements.	"Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets, Disposal Groups and Discontinued Operations Held for Sale" (Cai Hui [2017] No. 13)	Such change in accounting policy did not have any material impact on the financial conditions, operating results and cash flows of the Company.
The "Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Hui [2017] No. 15) clarifies the application of the criteria for government grants and the principle of differentiating government grants and revenue; allows an enterprise to determine the presentation of government grants in the income statement based on the substance of economic operations and present it separately as "other gains" under "operating profits" in the income statement; allows an enterprise to present the government grants on a net basis and include government grants related to the daily activities in other gains (on a gross basis) or use such grants to set off the relevant costs (on a net basis); allows to use government grants related to assets to set off the carrying amount of the relevant assets (on a net basis) or recognize such grants as deferred revenue (on a gross basis), and include such grants in profits and losses in installments in a reasonable and systematic manner during the useful life of the assets; and provides more detailed requirements on the accounting treatment of financial discount. The interim financial statements for 2017 have been presented based on such requirements.	"Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Hui [2017] No. 15)	The government grants related to the daily activities in the amount of RMB59,912,989.34 arising during the period from 1 January 2017 to 30 June 2017 have been transferred from "non-operating income" to "other gains" in the income statement.

15 Explanation for Other Significant Events *(Continued)*

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

Not applicable

(3) Others

Not applicable

16 Compliance with Corporate Governance Code

During the six months ended 30 June 2017, the Company complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules.

17 Review of Interim Financial Report

The 2017 interim financial statements of the Company prepared in accordance with Chinese Accounting Standard and the 2017 condensed interim financial information prepared in accordance with International Accounting Standard 34 (collectively, the "**2017 interim financial report**") have not been audited. The 2017 interim financial report has been reviewed by the Board and the Audit and Risk Management Committee of the Board.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CRECG	China Railway Engineering Corporation
4	China Railway Industry	China Railway Hi-Tech Industry Corporation Limited, formerly known as China Railway Erju Co., Ltd.
5	China Railway Erju	China Railway Erju Co., Ltd.
6	BOT	"Build-Operate-Transfer" mode
7	PPP	"Public-Private-Partnership" mode
8	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied mainly in railway and rail transport projects
9	Belt and Road Initiative	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
10	SASAC	State-owned Assets Supervision and Administration Commission of the State Council
11	CSRC	China Securities Regulatory Commission

COMPANY INFORMATION

Directors

Executive Directors

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

Independent Non-executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Non-executive Director

MA Zonglin

Supervisors

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

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

ZHOU Mengbo
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

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

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
MA Zonglin

Strategy Committee

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

Nomination Committee

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

Safety, Health and Environmental Protection Committee

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED
[illegible]

Introduction

We have reviewed the interim financial information set out on pages 56 to 100, 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 2017 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
[illegible]
Hong Kong

30 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	[illegible]	**2017**	2016
		[illegible]	[illegible]
Revenue	6	**298,553**	268,447
Cost of sales and services	11	**(271,106)**	(246,479)
Gross profit		**27,447**	21,968
Other income	7	**860**	924
Other expenses	7	**(3,642)**	(3,121)
Other losses, net	8	**(2,178)**	(553)
Selling and marketing expenses	11	**(1,301)**	(1,141)
Administrative expenses	11	**(9,598)**	(8,786)
Operating profit		**11,588**	9,291
Interest income	9	**1,026**	1,032
Interest expenses	9	**(2,082)**	(2,638)
Share of post-tax profits of joint ventures		**167**	46
Share of post-tax profits of associates		**145**	73
Profit before income tax		**10,844**	7,804
Income tax expense	10	**(3,295)**	(2,410)
Profit for the period		**7,549**	5,394
Profit attributable to:			
– Owners of the Company		**7,707**	5,463
– Non-controlling interests		**(158)**	(69)
		7,549	5,394
Earnings per share for profit attributable to owners of the Company			
(expressed in RMB per share)			
– Basic	13	**0.310**	0.224

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2017

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2017

		Unaudited 30 June 2017	Audited 31 December 2016
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**22,844**	22,844
Share premium and reserves		**112,685**	105,287
Perpetual notes	*21*	**11,941**	12,038
		147,470	140,169
Non-controlling interests		**13,077**	8,827
Total equity		**160,547**	148,996
LIABILITIES			
Non-current liabilities			
Trade and other payables	*22*	**511**	686
Borrowings	*23*	**89,230**	92,308
Obligations under finance leases		**32**	42
Retirement and other supplemental benefit obligations		**3,231**	3,453
Provisions		**539**	335
Deferred government grants and income		**1,143**	1,140
Deferred tax liabilities		**670**	782
		95,356	98,746
Current liabilities			
Trade and other payables	*22*	**413,697**	407,418
Amounts due to customers for contract work	*18*	**14,081**	12,952
Current income tax liabilities		**3,566**	5,129
Borrowings	*23*	**78,981**	80,017
Obligations under finance leases		**332**	451
Retirement and other supplemental benefit obligations		**378**	466
Provisions		**–**	13
Held-for-trading financial liabilities		**89**	157
		511,124	506,603
Total liabilities		**606,480**	605,349
Total equity and liabilities		**767,027**	754,345

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

The financial statements on pages 56 to 59 were approved by the Board of Directors on 30 August 2017 and were signed on its behalf.

Li Changjin **Zhang Zongyan**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

		Unaudited										
		Attributable to owners of the Company										
	. t	Share capital B	Share premium B	Capital reserve (. t 20) B	Statutory reserve (. t 20) B	Foreign currency translation reserve B	Investment revaluation reserve B	Retained earnings B	Perpetual notes (. t 21) B	Total B	Non-controlling interests B	Total B
Balance at 1 January 2017		**22,844**	**43,982**	**(2,818)**	**7,056**	**(74)**	**490**	**56,651**	**12,038**	**140,169**	**8,827**	**148,996**
Profit/(losses) for the period		-	-	-	-	-	-	7,083	624	7,707	(158)	7,549
Other comprehensive income/ (expenses)		-	-	104	-	(320)	(21)	-	-	(237)	(31)	(268)
Total comprehensive income/ (expenses) for the period ended 30 June 2017		-	-	104	-	(320)	(21)	7,083	624	7,470	(189)	7,281
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		-	-	2,553	-	-	-	-	-	2,553	4,671	7,224
Assets restructuring and non-public offering in exchange for assets of subsidiaries	1	-	-	208	-	-	-	(199)	-	9	(9)	-
Dividends declared to shareholders	12	-	-	-	-	-	-	(2,010)	-	(2,010)	(223)	(2,233)
Dividends declared to perpetual notes holders		-	-	-	-	-	-	-	(721)	(721)	-	(721)
Transferred to reserves	20	-	-	-	16	-	-	(16)	-	-	-	-
Balance at 30 June 2017		**22,844**	**43,982**	**47**	**7,072**	**(394)**	**469**	**61,509**	**11,941**	**147,470**	**13,077**	**160,547**
Balance at 1 January 2016		22,844	43,982	(2,457)	5,374	(566)	633	48,490	12,123	130,423	8,815	139,238
Profit/(losses) for the period		–	–	–	–	–	–	5,116	347	5,463	(69)	5,394
Other comprehensive income/ (expenses)		–	–	–	–	162	(179)	–	–	(17)	8	(9)
Total comprehensive income/ (expense) for the period ended 30 June 2016		–	–	–	–	162	(179)	5,116	347	5,446	(61)	5,385
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	229	229
Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	(3)	(3)
Dividends declared to shareholders	12	–	–	–	–	–	–	(1,964)	–	(1,964)	(335)	(2,299)
Dividends declared to perpetual notes holders		–	–	–	–	–	–	–	(530)	(530)	–	(530)
Transferred to reserves	20	–	–	–	24	–	–	(24)	–	–	–	–
Balance at 30 June 2016		22,844	43,982	(2,457)	5,398	(404)	454	51,618	11,940	133,375	8,645	142,020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
	[illegible]	**2017**	2016
		[illegible]	[illegible]
Net cash used in operating activities		**(27,890)**	(3,601)
Cash flows from investing activities			
– Additions of property, plant and equipment		**(3,925)**	(3,007)
– Deposits for acquisition of property, plant and equipment		**(970)**	(914)
– Disposal of property, plant and equipment		**304**	297
– Deposits paid for land use rights			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	[illegible]	**2017**	2016
		[illegible]	[illegible]
Cash flows from financing activities			
– Capital contributions from non-controlling shareholders of subsidiaries		**7,224**	229
– Net proceeds from issue of debentures		**–**	5,151
– Repayment of debentures		**–**	(9,691)
– Proceeds from bank borrowings		**37,117**	42,606
– Repayments of bank borrowings		**(42,878)**	(40,030)
– Proceeds from other borrowings		**4,321**	3,066
– Repayment of other borrowings		**(2,205)**	(2,734)
– Interests paid		**(3,533)**	(4,529)
– Repayments of obligations under finance leases		**(433)**	(415)
– Dividends paid to non-controlling shareholders of subsidiaries		**(169)**	(177)
– Dividends paid to holders of perpetual notes		**(643)**	(448)
– Other financing cash flows		**–**	(3)
Net cash used in financing activities		**(1,199)**	(6,975)
Net decrease in cash and cash equivalents		**(36,936)**	(16,272)
Cash and cash equivalents at beginning of the period		**114,830**	93,304
Effect of foreign exchange rate changes		**(148)**	(132)
Cash and cash equivalents at end of the period		**77,746**	76,900

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 Corporation ("CRECG") 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 CRECG, 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 2017.

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated.

Significant events and transactions

In January 2017, the Company and China Railway Hi-Tech Industry Co., Ltd. ("Hi-Tech Industry", formerly named as China Railway Erju Co., Ltd., an A share listed subsidiary of the Company) completed the asset restructuring and equity interests transfer transaction, pursuant to which the Company sold to Hi-Tech Industry 100% equity interests held by the Company in China Railway Shanhaiguan Bridge Group Co., Ltd., China Railway Baoji Bridge Group Co., Ltd., China Railway Science & Industry Group Co., Ltd. and China Railway Engineering Equipment Group Co., Ltd., and Hi-Tech Industry swapped with the Company its 100% equity interests in China Railway Erju Engineering Co., Ltd., the difference in the price of the swapped assets was paid by Hi-Tech Industry through issuance of new A shares to the Company by means of a non-public offering.

On 5 January 2017, Hi-Tech Industry completed the formalities of transfer of equity interests and change of business registration regarding the acquiring and disposing assets for the material asset restructuring. On 12 January 2017, Hi-Tech Industry completed the issuance of new shares of 383,802,693 to the Company by means of non-public offering in exchange for assets. After the completion of transfer of equity interests, the Company holds 60.42% equity interests in Hi-Tech Industry directly and indirectly, which is added up to 1,113,577,137 A shares.

The transactions resulted in the transfer of retained earnings to capital reserve amounted to RMB208 million.

On 27 March 2017, Hi-Tech Industry completed the non-public issuance of 378,548,895 A shares ("Issuance"), and received the net proceeds of RMB5,910 million. It was treated as transaction with non-controlling shareholders and resulted in an increase in capital reserve of RMB2,233 million. After the Issuance, the Company holds 50.12% equity interests in Hi-Tech Industry directly and indirectly.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2016, as described in the annual consolidated financial statements.

(a) Amendments to standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 "Statement of cash flows"	1 January 2017
Amendments to IAS 12 "Income taxes"	1 January 2017
Amendment to IFRS 12 "Disclosure of interest in other entities"	1 January 2017

The adoption of the above did not have any material impact on the Group's results for the six months ended 30 June 2017 and the Group's financial position as at 30 June 2017 or result in any significant changes in the Group's accounting policies.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing the condensed consolidated interim financial information.

	Effective for accounting periods beginning on or after
Amendment to IAS 28 "Investments in associates and joint ventures"	1 January 2018
Amendment to IFRS 1 "First time adoption of IFRS"	1 January 2018
Amendment to IFRS 2 "Share-based payment"	1 January 2018
Amendments to IFRS 4, "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts"	1 January 2018
IFRS 9 "Financial instruments"	1 January 2018
IFRS 15 "Revenue from contracts with customers"	1 January 2018
IFRIC 22 "Foreign currency transactions and advance consideration"	1 January 2018
IFRS 16 "Leases"	1 January 2019
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or join venture"	to be determined

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. Accounting policies *(continued)*

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

(i) IFRS 9

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- Financial asset or financial liability are required to be measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for trade receivables that do not have a significant financial component (determined in accordance with IFRS 15) are measured at their transaction price (as defined in IFRS 15).

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. Accounting policies (continued)

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

(i) IFRS 9 (continued)

Based on the Group's financial instruments and risk management policies as at 30 June 2017:

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial instruments. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. In addition, the trade receivables and retention receivables that do not have a significant financial component will be measured at their transaction price.

The directors of the Company (the "Directors") anticipate that the application of new hedging requirements may not have a material impact on the Group's current designation and hedge accounting.

(ii) IFRS 15

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future will have an impact on the amounts reported as timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. The Group is currently assessing the effect of the standard.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. Accounting policies (continued)

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

(iii) IFRS 16

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB467 million as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

4. 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 this 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 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Financial risk management and financial instruments

5.1 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 2016.

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.

5.2 Liquidity risk

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

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

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

	On demand or less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 30 June 2017						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 22)	**337,844**	**974**	**1,258**	**15**	**340,091**	**339,918**
Borrowings (Note 23)	**84,240**	**28,824**	**41,813**	**32,950**	**187,827**	**168,211**
Obligations under finance leases	**332**	**30**	**3**	**–**	**365**	**364**
Financial guarantee contracts (Note 24)	**29,808**	**–**	**–**	**–**	**29,808**	**–**
	452,224	**29,828**	**43,074**	**32,965**	**558,091**	**508,493**
At 31 December 2016						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 22)	338,159	1,201	4,786	36	344,182	344,027
Borrowings (Note 23)	86,626	31,863	43,135	32,738	194,362	172,325
Obligations under finance leases	455	40	5	–	500	493
Financial guarantee contracts (Note 24)	29,224	–	–	–	29,224	–
	454,464	33,104	47,926	32,774	568,268	516,845

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 FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Financial risk management and financial instruments *(Continued)*

5.2 Liquidity risk *(Continued)*

As at 30 June 2017, 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.

5.3 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 FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Financial risk management and financial instruments *(Continued)*

5.3 Fair value estimation *(Continued)*

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

Financial assets/ financial liabilities	Fair value as at (RMB million) 30 June 2017 (Unaudited)		31 December 2016 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate swaps classified as held-for-trading financial assets/liabilities	**Assets/Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**1**	Assets	1				
	Liabilities	**48**	Liabilities	81				
2) Forward foreign exchange contracts classified as held-for-trading financial assets/liabilities	**Assets/Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**–**	Assets	5				
	Liabilities	**11**	Liabilities	–				
3) Future contracts classified as held-for-trading financial assets/liabilities	**Assets/Liabilities**	**Amount**	**Assets/Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**1**	Assets	–				
	Liabilities	**30**	Liabilities	76				
4) Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Transportation	**25**	Transportation	19				
	Finance	**928**	Finance	30				
	Construction	**–**	Construction	–				
	Manufacturing	**17**	Manufacturing	18				
	Mining	**2**	Mining	–				
	Others	**33**	Others	50				
	Total	**1,005**	Total	117				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Financial risk management and financial instruments (Continued)

5.3 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million) 30 June 2017 (Unaudited)		31 December 2016 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**630**	Finance	668				
	Manufacturing	**69**	Manufacturing	65				
	Total	**699**	Total	733				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	**Amount**	**Industry**	**Amount**				
	Construction	**643**	Construction	615				
	Mining	**1**	Mining	1				
	Total	**644**	Total	616				
6) Unlisted open-end equity funds classified as available for- sale financial assets	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:					
	Industry	**Amount**	**Industry**	**Amount**				
	Finance	**303**	Finance	183	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	**869**	Finance	626	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	**1,172**	Total	809				
7) Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	**Industry**	**Amount**				
	Real estate	**3,608**	Construction	3,461				
	Construction	**215**	Real estate	1,115				
	Finance	**1,117**	Finance	1,131				
	Manufacturing	**75**	Manufacturing	31				
	Mining	**220**	Mining	20				
	Others	**1,051**	Others	563				
	Total	**6,286**	Total	6,321				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Financial risk management and financial instruments *(Continued)*

5.3 Fair value estimation *(Continued)*

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

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

Reconciliation of Level 3 fair value measurements:

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

	Available-for-sale unlisted entrusted products RMB million (Unaudited)	Available-for-sale open-end funds RMB million (Unaudited)	Total RMB million (Unaudited)
30 June 2016			
Opening balance at 1 January	6,254	247	6,501
Purchases	1,918	192	2,110
Settlements	(2,166)	–	(2,166)
Closing balance at 30 June	6,006	439	6,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. Fair Value Measurements of Financial Instruments *(Continued)*

5.3 Fair value estimation *(Continued)*

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

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

	As at			
	30/6/2017		31/12/2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB million	***RMB million***	*RMB million*	*RMB million*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Financial assets				
Loan receivables – fixed rate	**15,518**	**16,398**	16,626	17,689
Financial liabilities				
Bank borrowings – fixed rate	**6,283**	**6,456**	1,502	1,516
Long-term debentures – fixed rate	**33,171**	**34,061**	33,322	34,106
Other long-term borrowings – fixed rate	**4,415**	**4,666**	7,192	7,533

The fair values hierarchy of the fair value of fixed rate loans receivables, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. Segment information

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

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

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

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

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

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

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

Revenue between segments is carried out at actual transaction prices.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. Segment information *(Continued)*

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. Segment information *(Continued)*

	Six months ended 30 June 2016 (Unaudited)						
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
External revenue	237,896	5,388	5,912	10,721	12,207	–	272,124
Inter-segment revenue	1,673	293	1,442	31	4,198	(7,637)	–
Other operating income	856	57	193	121	233	–	1,460
Inter-segment other operating income	108	–	–	–	36	(144)	–
Segment revenue	240,533	5,738	7,547	10,873	16,674	(7,781)	273,584
Segment results							
Profit before tax	6,985	760	708	755	(496)	(1,116)	7,596
Segment results included:							
Share of profits/(losses) of joint ventures	4	(3)	24	–	21	–	46
Share of profits/(losses) of associates	82	(1)	18	(4)	(22)	–	73
Interest income	1,316	36	17	80	223	(640)	1,032
Interest expenses	(1,466)	(71)	(80)	(442)	(1,474)	895	(2,638)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. 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	
	2017	2016
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Segment revenue, before inter-segment elimination	**312,276**	281,365
Inter-segment elimination	**(11,998)**	(7,781)
Reconciling items:		
Reclassification of sales tax (note (a))	**–**	(3,677)
Reclassification of other operating income (note (b))	**(1,725)**	(1,460)
Total consolidated revenue, as reported	**298,553**	268,447
Segment interest income, before inter-segment elimination	**1,933**	1,672
Inter-segment elimination	**(945)**	(640)
Reconciling items:		
Reclassification of interest income obtained from other loans and receivables	**38**	–
Total consolidated interest income, as reported	**1,026**	1,032
Segment interest expenses, before inter-segment elimination	**3,127**	3,533
Inter-segment elimination	**(1,045)**	(895)
Total consolidated interest expenses, as reported	**2,082**	2,638
Segment results, before inter-segment elimination	**11,905**	8,712
Inter-segment elimination	**(1,388)**	(1,116)
Reconciling item:		
Land appreciation tax (note (c))	**327**	208
Total consolidated profit before tax, as reported	**10,844**	7,804

(a) Sales tax was included in operating expenses under segment reporting and was classified as a reduction against revenue in the condensed consolidated statement of profit or loss before 30 April 2016. On 1 May 2016, sales tax was replaced with value-added tax. Thus, no sales tax is included in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017.

(b) Other operating income is included in revenue under segment reporting and is classified as other income in the condensed consolidated statement of profit or loss.

(c) 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 FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. Segment information *(Continued)*

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

Segment assets

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Infrastructure construction	**576,414**	563,496
Survey, design and consulting services	**14,144**	14,765
Engineering equipment and component manufacturing	**31,570**	31,605
Property development	**194,652**	149,468
Other businesses	**188,678**	213,287
Inter-segment elimination	**(243,734)**	(224,067)
Total segment assets	**761,724**	748,554

Segment liabilities

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Infrastructure construction	**493,578**	472,462
Survey, design and consulting services	**8,628**	9,842
Engineering equipment and component manufacturing	**21,851**	21,699
Property development	**158,245**	130,009
Other businesses	**157,558**	188,807
Inter-segment elimination	**(236,869)**	(222,820)
Total segment liabilities	**602,991**	599,999

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 FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. 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 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Segment assets, before inter-segment elimination	**1,005,458**	972,621
Inter-segment elimination	**(243,734)**	(224,067)
Reconciling items:		
Deferred tax assets	**4,561**	5,258
Non-tradable shares reform of subsidiaries (Note (a))	**(163)**	(163)
Current income tax recoverable	**905**	807
Prepaid land appreciation tax included in current income tax recoverable	**–**	(111)
Total consolidated assets, as reported	**767,027**	754,345
Segment liabilities, before inter-segment elimination	**839,860**	822,819
Inter-segment elimination	**(236,869)**	(222,820)
Reconciling items:		
Deferred tax liabilities	**670**	782
Current income tax liabilities	**3,566**	5,129
Land appreciation tax payable included in current income tax liabilities	**(747)**	(561)
Total consolidated liabilities, as reported	**606,480**	605,349

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

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

	Six months ended 30 June 2017 RMB million (Unaudited)	Six months ended 30 June 2016 RMB million (Unaudited)
PRC (excluding Hong Kong and Macau)	**282,272**	254,313
Other regions	**16,281**	14,134
	298,553	268,447

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. Segment information (Continued)

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

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
PRC (excluding Hong Kong and Macau)	**105,324**	107,182
Other regions	**8,802**	8,183
	114,126	115,365

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

7. Other Income and Expenses

	Six months ended 30 June 2017 RMB million (Unaudited)	Six months ended 30 June 2016 RMB million (Unaudited)
Other income from:		
Net income from sundry operations (Note (a))	**525**	330
Government subsidies (Note (b))	**136**	260
Compensation income	**13**	21
Dividend income on available-for-sale financial assets	**1**	42
– Listed equity securities	**–**	7
– Unlisted equity investments	**1**	35
Relocation compensation	**3**	99
Others	**182**	172
	860	924
Other expenses on:		
Research and development expenditures	**3,642**	3,121

Notes:

(a) The balances comprise net income from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income, hotel operation income, etc.

(b) 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 FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8. Other Losses, net

	Six months ended 30 June	
	2017	2016
	B	*B [illegible]*
	(Unaudited)	(Unaudited)
Gains/(losses) on disposal and/or write-off of:		
– Property, plant and equipment	**63**	(11)
– Lease prepayments	**17**	(10)
Gains on disposal of available-for-sale financial assets	**3**	21
Impairment loss on mining assets	**–**	(307)
Impairment loss on trade and other receivables	**(2,103)**	(659)
Impairment loss on other loans and receivables	**(74)**	(153)
Impairment loss on interest in associates	**–**	(265)
Gains arising on change in fair value of financial assets/liabilities classified as held-for-trading	**34**	47
Losses on disposal of financial assets/liabilities classified as held-for-trading	**(141)**	(42)
Foreign exchange gains, net	**4**	796
Gains on debt restructurings	**19**	30
	(2,178)	(553)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. Interest Income and Expenses

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest income from:		
Cash and cash equivalents and restricted cash	**538**	541
Imputed interest income on retention receivables	**450**	462
Other loans and receivables	**38**	29
Total interest income	**1,026**	1,032
Interest expenses on:		
Bank borrowings	**2,330**	3,023
Short-term debentures	**–**	27
Long-term debentures	**684**	771
Other long-term borrowings	**188**	300
Other short-term borrowings	**85**	15
Finance leases	**12**	55
	3,299	4,191
Imputed interest expenses on retention payables	**67**	85
Imputed interest expenses on defined benefit obligations	**38**	43
Bank charges	**58**	62
Total borrowing costs	**3,462**	4,381
Less: amount capitalised	**(1,380)**	(1,743)
Total interest expenses	**2,082**	2,638

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB1,380 million (six months ended 30 June 2016: RMB1,743 million) were capitalised in the six months period ended 30 June 2017, of which approximately RMB1,166 million was charged to properties under development for sale, approximately RMB158 million was charged to contract work-in-progress, approximately RMB56 million was included in cost of construction-in-progress (six months ended 30 June 2016: RMB1,683 million was charged to properties under development for sale, approximately RMB60 million was included in cost of construction-in-progress). A general capitalisation rate of 3.00%~7.67% per annum (six months ended 30 June 2016: 2.15%~12.5%) was used, representing the costs of the borrowings used to finance the qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. Income tax expense

	Six months ended 30 June	
	2017	2016
	B	*B n*
	(Unaudited)	(Unaudited)
Current income tax		
– Enterprise income tax ("EIT")	**2,598**	2,864
– Land appreciation tax ("LAT")	**327**	208
– Under-provision/(over-provision) in prior years	**121**	(15)
Deferred income tax	**249**	(647)
	3,295	2,410

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 2016: 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 2016: 12.5%, 15%) during the current interim period.

Certain of the Group's overseas entities are located in Congo, South Africa, Mongolia, Hong Kong, Malaysia, Papua New Guinea and Kenya. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 28%, 10%, 16.5%, 25%, 30% and 37.5% (six months ended 30 June 2016: 30%, 28%, 10%, 16.5%, 25%, 30% and 37.5%) are applied to these entities respectively.

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

11. 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	
	2017	2016
	B	*B n*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**113,273**	107,682
Employee benefit expenses	**54,580**	49,720
Equipment usage costs	**11,137**	10,349
Cost of property development	**7,829**	7,998
Depreciation of property, plant and equipment (*t 14)* and investment properties	**3,376**	3,312
Amortisation of intangible assets (*t 15)*	**433**	379
Amortisation of lease prepayments	**144**	128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. Dividends

The final dividend of RMB0.088 per share in respect of the year ended 31 December 2016, amounting to RMB2,010 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 28 June 2017, and subsequently paid off in August 2017.

The final dividend of RMB0.086 per share in respect of the year ended 31 December 2015, amounting to RMB1,964 million in aggregate, was paid in August 2016.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2016: nil).

13. Earnings per share

Basic earnings per share for the six months ended 30 June 2017 is calculated by dividing the profit attributable to owners of the Company, after deducting the profit attributable to holders of perpetual notes, of RMB7,084 million (six months ended 30 June 2016: RMB5,116 million) by 22,844,302,000 shares (six months ended 30 June 2016: 22,844,302,000 shares) in issue during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. Property, plant and equipment (Continued)

	Six months ended 30 June 2016 RMB million (Unaudited)
At 30 June 2016	
Opening net book amount	51,765
Additions (Note (a))	3,555
Transfer from properties held for sale	181
Transfer to investment properties	(17)
Disposals	(348)
Depreciation	(3,235)
Currency translation differences	51
Closing net book amount	51,952

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

	Six months ended 30 June	
	2017 **RMB million** **(Unaudited)**	2016 RMB million (Unaudited)
Construction in process	**1,971**	908
Buildings	**278**	307
Infrastructure construction equipment	**1,887**	1,409
Transportation equipment	**392**	427
Manufacturing equipment	**130**	98
Testing equipment and instruments	**154**	148
Other equipment	**260**	258
	5,072	3,555

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB234 million (31 December 2016: RMB13 million) (Note 23).

(c) As at 30 June 2017, 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 RMB1,129 million (31 December 2016: RMB1,063 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

1,171
(568)
603

36,821
79
(19)
(433)
36,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. Intangible assets (continued)

	Six months ended 30 June 2016 RMB million (Unaudited)
At 30 June 2016	
Opening net book amount	37,547
Additions (Note (a))	74
Disposals	(23)
Amortisation	(379)
Closing net book amount	37,219

(a) Additions to intangible assets include:

	Six months ended 30 June	
	2017 **RMB million** **(Unaudited)**	2016 RMB million (Unaudited)
Service concession arrangements	**4**	56
Computer software	**75**	18
Total	**79**	74

(b) Agreements with an aggregate carrying amount of RMB32,776 million (31 December 2016: RMB35,098 million) are pledged to obtain borrowings amounting to RMB21,211 million (31 December 2016: RMB21,043 million) (Note 23).

16. Properties under development for sale

As at 30 June 2017, properties under development for sale amounting to RMB13,570 million (31 December 2016: RMB18,526 million) have been pledged to secure borrowings amounting to RMB7,434 million (31 December 2016: RMB8,463 million) (Note 23).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. Trade and other receivables

The majority of the Group's revenue is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions.

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Trade and bills receivables	**185,936**	166,058
Less: provision for impairment	**(3,911)**	(3,679)
Trade and bills receivables – net	**182,025**	162,379
Other receivables (net of impairment)	**46,844**	33,528
Advance to suppliers (net of impairment)	**30,762**	43,531
	259,631	239,438
Less: Amount due after one year included in non-current assets	**(10,398)**	(5,209)
Amount due within one year included in current assets	**249,233**	234,229

Included in trade and bills receivables are retention receivables of RMB48,417 million (31 December 2016: RMB47,961 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contracts. The Group's normal operating cycle with respect to construction contracts is usually more than one year.

The ageing analysis of trade and bills receivables net of provision for impairment, based on invoice date, is as follows:

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Within 6 months	**100,986**	92,483
6 months to 1 year	**34,780**	28,676
1 year to 2 years	**27,929**	23,037
2 years to 3 years	**9,320**	9,328
Over 3 years	**9,010**	8,855
	182,025	162,379

Trade receivables of RMB487 million (31 December 2016: RMB944 million) were pledged to secure borrowings amounting to RMB345 million (31 December 2016: RMB654 million) (Note 23).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. Trade and other receivables (Continued)

As at 30 June 2017, bills receivables – bank acceptance notes of RMB5 million (31 December 2016: Nil) 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 2017, bills receivables – bank acceptance notes of RMB2,875 million (31 December 2016: RMB1,786 million) were endorsed to suppliers, and RMB496 million (31 December 2016: Nil) 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.

18. Amounts due from/(to) customers for contract work

	As at	
	30 June 2017	31 December 2016
	RMB million	RMB million
	(Unaudited)	(Audited)
Contract costs incurred plus recognised profits less recognised losses	**3,723,958**	3,505,568
Less: progress billings	**(3,623,512)**	(3,406,729)
	100,446	98,839
Analysed for reporting purpose as:		
Amounts due from contract customers	**114,527**	111,791
Amounts due to contract customers	**(14,081)**	(12,952)
	100,446	98,839

19. Share capital

	Number of shares		Nominal value	
	Six months ended 30 June 2017 (thousands)	Year ended 31 December 2016 (thousands)	**Six months ended 30 June 2017 RMB million (Unaudited)**	Year ended 31 December 2016 RMB million (Audited)
Registered, issued and fully paid				
A Shares of RMB1.00 each				
At beginning and end of period/year	**18,636,912**	18,636,912	**18,637**	18,637
H Shares of RMB1.00 each				
At beginning and end of period/year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	22,844,302	**22,844**	22,844

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. Share capital (continued)

As at 30 June 2017, the A Shares (18,636,912,000 shares) and H Shares (4,207,390,000 shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

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

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

20. 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 CRECG 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.

(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.

21. Perpetual Notes

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. Perpetual Notes *(Continued)*

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

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

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

22. Trade and other payables

	As at 30 June 2017 *RMB million* (Unaudited)	As at 31 December 2016 *RMB million* (Audited)
Trade and bills payables *(Note (a))*	**294,877**	298,715
Advance from customers	**60,893**	54,542
Accrued payroll and welfare	**2,718**	2,688
Dividend payables	**2,652**	510
Other taxes	**2,163**	2,556
Deposit received in advance	**892**	952
Other payables	**50,013**	48,141
	414,208	408,104
Analysed for reporting purposes as:		
Non-current	**511**	686
Current	**413,697**	407,418
	414,208	408,104

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB5,849 million (31 December 2016: RMB6,548 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. Trade and other payables (Continued)

(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 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Less than 1 year	**265,108**	269,171
1 year to 2 years	**17,424**	18,217
2 years to 3 years	**6,013**	5,549
More than 3 years	**6,332**	5,778
	294,877	298,715

23. Borrowings

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. Borrowings (Continued)

(a) No debentures were issued or repaid in 2017.

(b) Bank borrowings carry interest at rates ranging from 1.12% to 9.00% (31 December 2016: 1.12% to 9.00%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.96% to 6.40% (31 December 2016: 3.07% to 6.40%) per annum.

Other short-term borrowings carry interest at variable rates ranging from 4.00% to 7.98% (31 December 2016: 1.00% to 7.98%) per annum.

Other long-term borrowings carry interest at fixed or variable rates ranging from 4.85% to 6.80% (31 December 2016: 4.75% to 7.80%) per annum.

(c) Movements in borrowings is analysed as follows:

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

	RMB million (Unaudited)
Six months ended 30 June 2016	
Opening amount 1 January 2016	180,422
Proceeds from borrowings	50,823
Repayments of borrowings and interests	(57,022)
Net foreign exchange losses on borrowings	102
Closing amount as at 30 June 2016	174,325

(d) As at 30 June 2017, the Group has undrawn borrowing facilities of RMB646,662 million (31 December 2016: RMB518,242 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. Borrowings (. ntn . .)

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

	As at			
	30 June 2017		31 December 2016	
	Secured borrowings	**Carrying amount of pledged assets and contract value of certain rights**	Secured borrowings	Carrying amount of pledged assets and contract value of certain rights
	B ..	**B ..**	_B . . . n	_B . . . n
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Property, plant and equipment (. t. 14)	**103**	**234**	12	13
Land use rights	**336**	**613**	300	793
Intangible assets (. t. 15)	**21,211**	**32,776**	21,043	35,098
Properties under development for sale (. t. 16)	**7,434**	**13,570**	8,888	19,428
Trade receivables (. t. 17)	**345**	**487**	654	944
	29,429	**47,680**	30,897	56,276

24. Contingencies

	As at	
	30 June 2017	31 December 2016
	B ..	_B . . . n
	(Unaudited)	(Audited)
Pending lawsuits (. t. ( ))		
– arising in the ordinary course of business	**1,417**	987
– overseas lawsuits (. t. ( ) & ( ))	**381**	381
Outstanding guarantees (. t. ( ))	**22,381**	24,301

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

24. Contingencies (Continued)

(b) Exploitations Artisanales Au Congo ("EXACO") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("MKM"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM.

On 1 September 2015, EXACO filed an arbitration application to International Court of Arbitration of the International Chamber of Commerce ("International Court of Arbitration") due to MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD54.77 million (equivalent to approximately RMB356 million) including the loss caused by previous 43.5% share transfer and previous 11.5% share forced sale with the interests due to delayed payment since November 2012, and all arbitration fees and other expenses EXACO has paid for the arbitration proceedings. EXACO also requested that China Railway Resources Global Holding Limited ("CRRGH"), the holding company of MKM, and China Railway Resources Group Co., Ltd. ("CRRG"), the holding company of CRRGH, bear joint liabilities as to the obligations of above compensations.

On 30 November 2016 and 10 April 2017, MKM, CRRGH and CRRG jointly submitted their Statement of Defense and counterclaims to the arbitration tribunal, respectively. EXACO accordingly submitted the responses to the Statement of Defense and counterclaims, which amended the amount of loss caused by 43.5% share transfer from USD54.77 million (equivalent to approximately RMB356 million) to USD53.40 million (equivalent to approximately RMB370 million).

On 22 May 2017, the hearing was held at the International Court of Arbitration in Paris, and the verdict was pronounced on 2 August 2017. International Court of Arbitration rejected the arbitration applications filed by EXACO and the counterclaims made by MKM, CRRGH and CRRG. In addition, EXACO should bear 80% of the arbitration fees amounted to EUR463,470.40 (equivalent to approximately RMB4 million), and compensate 80% of the legal counsel costs and other expenses to MKM, CRRGH and CRRG, amounting to approximately RMB4 million. An interest at 8% per annum will be charged to the outstanding expenses payable by EXACO from the date of arbitration pronouncement till the full amount is paid off.

(c) On 19 May 2017, the case, involving two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd. and two independent parties, and Polish General Directorate for National Roads and Motorways in Poland (the "Poland Case"), was settled. All parties agreed to withdraw the claims and waive the rights for compensation. The Group has no pending litigations relating to the Poland Case.

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

	As at			
	30 June 2017		31 December 2016	
	RMB million	**Expiry period**	RMB million	Expiry period
	(Unaudited)		(Audited)	
Guarantees given to banks in respect of banking facilities to:				
Associates	**7,037**	**2017-2023**	5,467	2017-2023
Joint ventures	**400**	**2017-2019**	400	2017-2019
A government-related entity	**61**	**2017**	61	2017
Property purchasers	**20,677**	**2017-2025**	21,005	2017-2025
Former associates	**1,093**	**2020-2027**	1,363	2020-2024
A former subsidiary	**540**	**2022**	928	2022
	29,808		29,224	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

25. Commitments

(a) Capital expenditure

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

	As at	
	30 June 2017	31 December 2016
	B	*B n*
	(Unaudited)	(Audited)
Property, plant and equipment	**768**	1,242

(b) Investment commitment

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

	As at	
	30 June 2017	31 December 2016
	B	*B n*
	(Unaudited)	(Audited)
Investment commitment to an associate *(t ())*	**18,292**	18,383
Investment commitment to a joint venture	**–**	3,617
	18,292	22,000

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

25. Commitments *(Continued)*

(c) Operating Lease Commitments – as leasee

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

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

	As at	
	30 June 2017	31 December 2016
	RMB million	*RMB million*
	(Unaudited)	(Audited)
No later than 1 year	**303**	593
Later than 1 year and no later than 5 years	**130**	119
Later than 5 years	**34**	35
	467	747

26. Related-party transactions

The Company is controlled by CRECG, the parent company and a state-owned enterprise established in the PRC. CRECG is controlled by the PRC government (CRECG and its subsidiaries other than the Group are referred to as the "CRECG 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

26. Related-party transactions (continued)

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.

(a) Significant related party transactions

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

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Transactions with the CRECG Group		
– Revenue from construction contracts	**1**	77
– Service expenses paid	**10**	12
– Rental expense	**7**	9
– Interest income	**29**	–
– Interest expense	**1**	8
Transactions with joint ventures		
– Revenue from construction contracts	**2,456**	3,535
– Revenue from sales of goods	**17**	13
– Revenue from rendering of services	**–**	7
– Interest income	**44**	17
– Interest expense	**3**	–
– Purchases	**487**	607
Transactions with associates		
– Revenue from construction contracts	**4,144**	5,110
– Revenue from rendering of services	**2**	55
– Revenue from sales of goods	**924**	218
– Interest income	**7**	31
– Rental income	**2**	2
– Purchases	**1,581**	87

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

26. Related-party transactions (continued)

(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 2017 RMB million (Unaudited)	2016 RMB million (Unaudited)
Basic salaries, housing allowances and other allowances	**1,507**	1,544
Contributions to pension plans	**218**	229
Others	**937**	929
	2,662	2,702

(c) Balances with related parties

	As at 30 June 2017 RMB million (Unaudited)	31 December 2016 RMB million (Audited)
Balances with the CRECG Group		
Trade and bills receivables	**50**	57
Advance to suppliers	**94**	128
Loan receivables	**842**	1,584
Trade payables	**9**	9
Other payables	**118**	96
Dividend payables	**1,093**	–
Borrowings	**153**	56
Balances with joint ventures		
Trade and bills receivables	**1,900**	2,179
Other receivables	**1,625**	712
Dividends receivables	**200**	–
Advance to suppliers	**2**	3
Amounts due from customers for contract work	**755**	311
Loans receivables	**451**	574
Trade payables	**209**	312
Other payables	**88**	311
Advance from customers	**73**	45
Borrowings	**414**	551
Balances with associates		
Trade and bills receivables	**4,252**	2,654
Other receivables	**958**	862
Loans receivables	**1,892**	1,937
Dividend receivables	**3**	16
Advance to suppliers	**–**	116
Trade payables	**356**	29
Other payables	**804**	161
Advance from customers	**251**	237
Borrowings	**2**	8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

26. Related-party transactions (Continued)

(d) Guarantees

	As at 30 June 2017 RMB million (Unaudited)	As at 31 December 2016 RMB million (Audited)
Outstanding loan guarantees provided by the Group to		
– Joint ventures	**300**	400
– Associates	**1,667**	1,647
– A government-related entity	**60**	61
Outstanding debentures guarantees provided by CRECG to the Group	**11,000**	11,000

27. Events occurring after the balance sheet date

Subsequent to 30 June 2017, the following significant event took place:

On 25 July 2017, China Railway Xunjie Co. Limited ("中鐵迅捷有限公司"), incorporated in British Virgin Island and an indirectly wholly-owned subsidiary of the Company, issued the second tranche of the notes guaranteed by the Company, in the aggregate principal amount of USD500 million. The notes will mature on 25 July 2022, unless earlier redeemed or purchased. The notes bear interest at a coupon rate of 2.875% per annum, payable semi-annually in arrears on 25 January and 25 July each year. After deducting the issuance expenses, the net proceeds raised through the issuance of the notes amounted to USD499 million. The notes were listed on the HKSE on 26 July 2017.

中