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中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

(Stock Code: 1186)

(Listed Debt Securities Code: 5945, 5778, 5610 and 5338)

ANNOUNCEMENT OF 2018 INTERIM RESULTS

The board of directors of the Company is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2018. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the interim results. Printed version of the Company's 2018 Interim Report will be sent to the holders of H shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at <http://www.crcc.cn> on or before 30 September 2018.

Important Notice

- I. The Board and the Supervisory Committee of the Company and the directors, supervisors and members of the senior management warrant the truthfulness, accuracy and completeness of the contents herein and confirm that there are no misrepresentations or misleading statements contained in, or material omissions from, this interim report, and accept several and joint legal responsibilities.
- II. All directors of the Company attended the Board Meeting.
- III. The interim report was unaudited.
- IV. ZHUANG Shangbiao, person-in-charge of the Company, WANG Xiuming, CFO, and QIAO Guoying, Head of the Finance Department (person in charge of accounting), confirm that the financial report in this interim report is true, accurate and complete.
- V. The profit distribution plan or reserves-to-equity transfer plan during the Reporting Period as considered by the Board.

Nil

- VI. The Audit and Risk Management Committee under the Board of the Company has reviewed the interim financial statements of the Group for the six months ended 30 June 2018, which have been reviewed by Deloitte Touche Tohmatsu CPA LLP, and has also discussed with the management of the Company on the adopted accounting policies and practices, internal control and other matters.

- VII. Disclaimer of forward-looking statements

Applicable Not applicable

Forward-looking statements, including future plan and development strategy, contained in this report do not constitute substantive commitments to investors by the Company. The investors and related parties should maintain sufficient risk awareness in this regard, and should understand the differences among plans, forecasts and commitments. Investors should be reminded of such investment risks.

- VIII. Whether the controlling shareholder or its associates has misappropriated the Company's funds for purposes other than for business

No

- IX. Whether the Company has provided external guarantees in violation of any prescribed decision-making procedures

No

- X. Inform of important risks

The main risks the Company may encounter are safety and quality risk, investment risk, international business risk, project management risk and accounts receivable risk. Please refer to the contents of the potential risks and countermeasures in "II Other Disclosures" in "(2) Potential Risks" under "Section IV Discussion and Analysis on Business Operations (Report of Directors)", and investors should be reminded of such risks.

- XI. Others

Applicable Not applicable

The 2018 interim financial report of the Company was prepared according to the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and the related provisions (hereinafter "PRC GAAP Standards"), which was reviewed and issued the relevant review report by Deloitte Touche Tohmatsu CPA LLP. The reporting currency of this interim report is RMB, unless otherwise specified.

The contents of this interim report are in compliance with all the requirements in relation to information to be disclosed in interim report under the SSE Listing Rules and the Hong Kong Listing Rules. In addition, this interim report will be simultaneously published in Mainland China and Hong Kong. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

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Section I Definitions

Unless otherwise stated in context, the following terms should have the following meanings in this report:

DEFINITION OF FREQUENTLY USED TERM

“The Company”, “Company” or “CRCC”	China Railway Construction Corporation Limited
“Group”	China Railway Construction Corporation Limited and its wholly-owned and non-wholly-owned subsidiaries
“CRCCG” or “Controlling Shareholder”	China Railway Construction Co., Ltd., formerly known as China Railway Construction Corporation before restructuring and renaming on 11 December 2017
“General Meeting”	A general meeting of China Railway Construction Corporation Limited
“Board”	The board of directors of China Railway Construction Corporation Limited
“Independent director”	A person who assumes no duties in the Company except the duty of director, and has no relation with the Company and its substantial shareholders which could hinder his independent and objective judgments
“Supervisory Committee”	The supervisory committee of China Railway Construction Corporation Limited
“Articles of Association”	The articles of association of China Railway Construction Corporation Limited
“PRC” or “Mainland China”	The People’s Republic of China, but excluding, for the purposes of this report, Hong Kong, Macau Special Administrative Region and Taiwan region

Section I Definitions (continued)

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SSE Listing Rules”	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“CSRC”	China Securities Regulatory Commission
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Company Law”	The Company Law of the People’s Republic of China
“Securities Law”	The Securities Law of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Reporting Period”	The period from January to June 2018
“end of the Reporting Period”	30 June 2018
“corresponding period of last year”	The period from January to June 2017
“end of last year”	31 December 2017

Section II Basic Corporate Information and Key Financial Indicators

I. CORPORATE INFORMATION

Chinese name of the Company	中國鐵建股份有限公司
Chinese abbreviation	中國鐵建
English name of the Company	China Railway Construction Corporation Limited
English abbreviation	CRCC
Legal representative of the Company	MENG Fengchao

Note:

On 20 July 2018, the Proposal on Candidate for Executive Director of the Company was discussed and approved at the ninth meeting of the fourth session of the Board of the Company. Due to age-related reasons, Mr. MENG Fengchao ceased to hold his positions as the chairman, an executive director and other relevant positions in the Board, with effect from 21 July 2018. As recommended by the controlling shareholder, China Railway Construction Co., Ltd., and approved by the Nomination Committee of the Board, the Board agreed to nominate Mr. CHEN Fenjian as a candidate for Executive Director of the Company. The proposal is subject to be submitted to and discussed at the first extraordinary general meeting of the Company in 2018 which is scheduled to be held on 17 September 2018. As stipulated in Article 177 of the Articles of Association, all directors of the Company recommended Mr. ZHUANG Shangbiao, an Executive Director of the Company, to preside over the General Meeting, convene and preside over board meetings, and sign relevant documents, decide on and perform all matters within the terms of reference of legal representative, etc. on behalf of the Chairman of the Company temporarily before the Board of the Company elects a new Chairman. As stipulated in Article 5 of the Articles of Association, "Chairman is the legal representative of the Company". The Company will execute formalities for change in legal representative according to law after the new director is elected at the first extraordinary general meeting of the Company in 2018 and the new Chairman is elected by the Board of the Company.

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Joint Company Secretaries	Representative of Security Affairs
Name	ZHAO Dengshan	ZHAO Dengshan, LAW Chun Bui	XIE Huagang
Correspondence address	East, No. 40 Fuxing Road, Haidian District, Beijing	East, No. 40 Fuxing Road, Haidian District, Beijing	East, No. 40 Fuxing Road, Haidian District, Beijing
Telephone	010-52688600	010-52688600	010-52688600
Fax	010-52688302	010-52688302	010-52688302
E-mail	ir@crcc.cn	ir@crcc.cn	ir@crcc.cn

Section II Basic Corporate Information and Key Financial Indicators (continued)

III. CHANGES IN BASIC INFORMATION

Registered office of the Company	East, No. 40 Fuxing Road, Haidian District, Beijing
Postal code of registered office of the Company	100855
Principal place of business in the PRC	East, No. 40 Fuxing Road, Haidian District, Beijing
Postal code of principal place of business in the PRC	100855
Principal place of business in Hong Kong	23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Website of the Company	www.crcc.cn
E-mail	ir@crcc.cn
Index to changes during the Reporting Period	During the Reporting Period, there was no change in basic corporate information of the Company.

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times
Website designated by CSRC for publishing the interim report	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing the interim report	www.hkex.com.hk
Place of inspection of the interim report of the Company	Secretariat of the Board of CRCC, East, No. 40 Fuxing Road, Haidian District, Beijing
Index to changes during the Reporting Period	During the Reporting Period, there was no change in information disclosure and place of inspection of the Company.

V. BASIC INFORMATION OF THE SHARES OF THE COMPANY

Class of share	Place of listing	Stock abbreviation	Stock Code
A Share	Shanghai Stock Exchange	China Rail Cons	601186
H Share	Hong Kong Stock Exchange	China Rail Cons	1186

Section II Basic Corporate Information and Key Financial Indicators (continued)

VI. OTHER RELEVANT INFORMATION

Applicable Not applicable

1. Auditor appointed by the Company

Name	Deloitte Touche Tohmatsu CPA LLP
Office address	8/F, Tower W2, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing

2. Legal advisers appointed by the Company

As to Hong Kong law	Name	Baker & McKenzie
	Office address	14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
As to the PRC law	Name	Beijing Deheng Law Office
	Office address	12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing

3. Share registrar of the shares of the Company

Share registrar of A shares of the Company	Name	China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch
	Office address	F/36, China Insurance Building, No.166, Lujiazui East Road, Pudong New Area, Shanghai
Share registrar of H shares of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Section II Basic Corporate Information and Key Financial Indicators (continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: '000 Currency: RMB

Key accounting data	Reporting Period (from January to June)	Corresponding period of last year	Change as compared to the corresponding period of last year (%)
Revenue	308,980,930	288,960,909	6.93
Net profit attributable to shareholders of the Company	8,008,700	6,523,039	22.78
Net profit deducting non-recurring profit or loss attributable to shareholders of the Company	7,143,950	6,052,346	18.04
Net cash flows from operating activities	-45,888,144	-25,456,858	N/A

	As at the end of the Reporting Period	As at the end of last year	Change as compared with the end of last year (%)
Net assets attributable to shareholders of the Company	160,011,029	149,411,983	7.09
Total assets	864,658,524	821,887,459	5.20

(II) Key financial indicators

Key financial indicators	Reporting Period (from January to June)	Corresponding period of last year	Change as compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.56	0.47	19.15
Diluted earnings per share (RMB per share)	0.53	0.45	17.78
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.50	0.45	11.11
Weighted average return on net assets (%)	5.53	5.16	Increasing by 0.37 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	4.90	4.79	Increasing by 0.11 percentage point

Section II Basic Corporate Information and Key Financial Indicators (continued)

Explanations on the key accounting data and financial indicators of the Company

Applicable Not applicable

VIII. ACCOUNTING INFORMATION DIFFERENCES BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Applicable Not applicable

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: '000 Currency: RMB

Non-recurring profit or loss items	Amount
Gains from disposal of non-current assets	24,821
Government grants recognized through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	297,574
Gains/(losses) from debt restructuring	51,274
Investment income from holding and disposal of held-for-trading financial assets	3,984
Gains from fair value changes of held-for-trading financial assets	334,370
Reversal of impairment of accounts receivable that had impairment test separately	380,043
Investment loss from disposal of long-term equity investments	-1,809
Other non-operating income and expenses other than the above items	31,145
Impact on non-controlling interests	-11,403
Impact on income tax	-245,249
Total	864,750

X. OTHERS

Applicable Not applicable

Section III Summary of the Company's Businesses

I. MAJOR BUSINESSES, OPERATION MODEL AND INDUSTRY INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

CRCC's businesses cover a variety of construction operations, survey, design and consultation, industrial manufacturing, real estate development, logistics and materials trading, etc. with refined industry chain covering scientific research, planning, survey, design, construction, supervision and management, maintenance, operation, investment and financing, etc., which has equipped itself with capability of providing one-stop-shop comprehensive services for the users. CRCC has established its industry leadership in fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. The Group adopts the multiple integrated operation models with combination of region, brand, credit and cooperation operations.

(I) Construction operations

Construction operation is the core and traditional business of the Group, and covers multiple fields, such as railways, highways, urban rail transits, water conservancy and hydropower, house buildings, municipal administration, bridges, tunnels, airports and wharfs. The Group's construction operations business provides services in 31 provinces, autonomous regions, municipalities as well as Hong Kong and Macau SARs, except Taiwan Province in the PRC, and also participates in infrastructure construction in a number of countries and regions in Africa, Asia, South America, Europe, etc. Its construction operations mainly take the forms of construction contract and financing contract.

The year 2018 is a key year for implementing national "13th Five-Year Plan". It is also an important year for the Group to comprehensively deepen the reform. In light of the active implementation of the "Belt and Road" Construction, Beijing-Tianjin-Hebei Synergetic Development, Yangtze River Economic Zone Development, Xiongan New Area and Guangdong-Hong Kong-Macau Greater Bay Area Construction, continuously deepens and advances the new-type urbanization, rural revitalization strategy and shantytowns transformation and accelerating the improvement of infrastructure construction in the middle west in China, the domestic market covering the Group operates domestic railway, highway, building, urban rail, municipal administration and water conservancy and hydropower, airport, is maintaining steady and rapid growth. The swift increase in emerging markets, including military and civilian integration, rural development, utility tunnel, sponge city, greening and environmental protection and pollution control are expected to grow rapidly. In the second half of the year, the Group will stick to be issue-oriented and goal-oriented, thoroughly study market development direction, seize the opportunities in the construction market, optimize industry development structure, enhance innovation in operation, intensify efforts in operation, so as to ensure operation tasks of the year will be accomplished successfully.

Section III Summary of the Company's Businesses (continued)

(II) Survey, design and consultancy operations

Survey, design and consultancy operations of the Company mainly comprise 4 large survey design enterprises with comprehensive Grade A qualifications for engineering design, and cover civil engineering and infrastructure construction related to railway, urban rail transits, highways, municipal administration, industrial and civil buildings, water transport, water conservancy and hydropower and civil aviation whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection and military and civilian integration. CRCC was ranked No. 12 in the 2018 Top 150 Global Engineering Design Companies published by ENR (Engineering News Record). The survey, design and consultancy service of the Company is at the front end of engineering construction industry chain, with railway and urban rail transit as the main market, and with highway, municipal administration, industrial & civil construction and marine traffic as the important market for diversified development. The basic operation model is to complete the survey, design and consultancy and related services of engineering projects as contracted through market competition, and to operate general design contracting projects and general engineering contracting projects by fully leveraging on the business advantages of the Company.

The development in survey and design industry is faced with the economic “new normal”, and enterprises faced structural reform and transformation upgrade on the supply side. The market will play a decisive role in resource allocation. The Group will constantly enhance self-development, deepen management innovation and scientific and technological innovation, further improve whole-process engineering consulting service capability, and expand market space. The Group will develop the layout of all-around and in-depth integration with relevant industries and deepen the implementation of the development concept of innovation, coordination, green, opening, sharing.

Section III Summary of the Company's Businesses (continued)

(III) Manufacturing operations

The Group is a manufacturer providing integrated services of R&D, manufacturing, sales and services with a leading position in domestic market and advanced position worldwide. Manufacturing operations mainly cultivate eight core products including large railway track maintenance machinery, excavator machinery, rail equipment, special construction equipment, bridge construction equipment, railway electric construction equipment and materials, hoisting equipment, and steel structures. After the development for many years, the Company has formed the modernized equipment manufacturing industry system with highlighted industrial characteristics, wide product coverage, advanced production facilities and solid R&D strength. The Company has a domestic market share of over 80% in terms of leading products of railway track maintenance machinery, and has moved to the No. 1 place in the industry in terms of the domestic market share of made-in-China excavator machinery. The Group successively completed the R&D and manufacture of full-face tunnel boring machines of earth pressure balance series, mud-water balance series, hard rock (TBM) series, and multiple techniques have broken the long-term monopoly of foreign factories on tunneling, with the expressways contact wire and parts reaching the first class level in terms of manufacturing technologies in the domestic market. The development of new businesses including bridge steel structures improved the industry chain of CRCC. Manufacturing operations will keep strengthening structural reform, accelerate the transformation and upgrade of the enterprise, and centralize equipment manufacturing resources. Through optimizing internal resources allocation and innovating business model, the Group will facilitate the scientific and rapid development of the manufacturing operation industry. The Group actively promotes collaborative operation and collaborative industry in the industrial manufacturing sector, and develops the integrated operation mode among multiple industries.

In recent years, the excessive capacity of traditional general project machine has been continuously compressing the traditional ordinary engineering machinery market, but the high-end equipment manufacturing industry will usher in golden growth. With the launching of the "Belt and Road Initiative", the powerful promotion of the "going global" strategy of high-speed rail and other equipment and the explosive increase in the advanced robot market demand, R&D capability and leading products of high-end railway transportation equipment will reach the global advanced level, which will greatly drive the transformation and upgrade and international expansion of relevant enterprises and will also present broad opportunities and platform for the high-end equipment manufacturing industry in the PRC. The Group will closely focus on the policy and market development trend and promote the industrial transformation and upgrade and facilitate the manufacturing operation enterprises to shift from factors-driven development to innovation-driven development, and from traditional manufacturer to smart manufacturer and comprehensive solutions provider. Moreover, the Group will insist on environmental protection and pay attention to R&D on innovative environmental-friendly construction systems and take full advantage of the whole industry chain of the Company to reinforce the overall profitability of the enterprise.

Section III Summary of the Company's Businesses (continued)

(IV) Real estate development operations

As one of the 16 enterprises directly under the central government taking real estate development as principal business, the Group adopts the business model of “giving priority to residential development supplemented by supporting commercial facilities” for the current real estate business. Sticking to its strategic direction of “based in Beijing, open to the whole country and moving overseas”, the Group focuses on three core urban agglomeration including Yangtze River Delta, Pearl River Delta and Bohai Coastal Region, and steps up efforts to expand the new urban agglomeration and national new district covering Shandong peninsula, Liaodong peninsula, Western Coast of the Straits, Changzhutan, Wuhan, Chengdu and Chongqing. The region layout sticks to putting first- and second-tier cities as the main points, and some the third- and fourth-tiers cities with good development potential as the supplementary. In terms of the real estate section, the real estate performance support system which is centered on Beijing, Shanghai and Guangzhou and supported by Bohai Coastal Region, Yangtze River Delta, Pearl River Delta and Southwest China is gradually developed.

In the first half of 2018, deepening of regulation policies on real estate market were continued; development of long-effect mechanism was promoted steadily; financial regulatory efforts were increased. In the context of stringent policies on property-purchasing restrictions and price restrictions on pre-sale, new property markets in major cities were subject to supply-demand mismatch. Insufficient effective supply resulted in impeded demand release. Moreover, affected by delay in filing and other factors, transaction areas of new properties in major cities across the country continued to shrink, with significant decrease recorded in first-tier cities. In the first half of the year, based on cash flow, the Group continued to adhere to prudent investment strategy, and meanwhile devoted greater efforts in product sales, which led to a relatively rapid year-on-year growth of sales performance. In the second half of the year, the Group will actively understand the market development situation, and organically combine marketing and destocking work, to strive for new breakthroughs in performance; meanwhile, the Company will continue to stick to robust land management investment strategy, and steadily promote exploration and development in emerging fields of real estate and constantly improve professional competence and operation efficiency, to make great efforts to realize the high-quality development of real estate operations.

Section III Summary of the Company's Businesses (continued)

(V) Logistics and material trading and others

CRCC possesses over 70 regional business outlets in important cities and logistics node cities, 1.33 million square meters of logistics sites, over 40,000 meters of special railway line and 32,550 cubic meters of storage capacity of product oil, and provides the integrated circulation service by means of the sound and efficient logistics-informatization, regional and market-oriented service system.

With the deepening of structural reform on the supply side, decapacity work drove the bulk material industry into the upping channel and to recover to the rational range, to provide a benign environment for the development of material logistics industry. In the recent years, the "Belt and Road Initiative" development made breakthrough progress. Overseas infrastructure projects under the "Belt and road Initiative" are increasing gradually and the "going global" development of logistics and material trade business has a promising future. Logistics and material trade section of the Group will focus on "six adheres": i.e. the Company will adhere to the business selection of returning to the material trading, adhere to the business structure with central purchasing agency service as the core section; adhere to the main direction of expanding "internal market of CRCC"; adhere to the target market development strategy with the internal market to drive the external market and with domestic market to drive the international market, adhere to the preferred new field development selection of "Internet + Material Trading" pattern and supply chain financial service, and adhere to the new field development principle of "Internet + Material Trading" and prudent supply chain financial service. It will further optimize the resource allocation and business structure, comprehensively promote the central development of purchasing agency service section, continue to increase the market share of project logistics business, to realize the combination of bulk material spot business and project logistics, vigorously cultivate the collaborative capacity of international business section and processing & manufacturing section, broaden the E-commerce application field, promote the industrial structure upgrading, and realize the long-term sustainable development of the enterprise.

II. EXPLANATION ON MATERIAL CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Applicable Not applicable

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

(I) Distinct advantages of comprehensive competitive strength

The Company has been ranking top 3 among the ENR global largest engineering contractors for many consecutive years, and was ranked at 58 among Fortune Global 500. The Company has powerful market management and expansion capacity, with obvious increase in each business indicator. The global operation landscape has taken shape and the overseas business revenue share increased constantly. The Company has taken advantage of its financing platform of A+H listings and obtained sufficient bank credit and highest international rating in construction industry, created favorable brand effect in the field of infrastructure construction, and obtained stable customer base and abundant market resources.

Section III Summary of the Company's Businesses (continued)

(II) Continuing enhancement of technology leadership

The Company has been in a world leading level in the plateau, alpine region and high-speed rail design and construction technologies. Products with proprietary intellectual property rights have been designed constantly, underground engineering facilities covering hard rock tunnel boring machine with major diameter and full face and hard rock tunnel boring machine with double shields fill the blank in China, large railway track maintenance machinery like narrow-gauge tamping machine and narrow-gauge ballasting have also reached the international leading level and have been exported. Technologies of underground and underwater engineering construction, magnetic suspension engineering construction and E&M system integration have stood on the industrial leading level.

(III) Perfection of industrial structure and layout

The Company has completed the overall layout along the architectural industry chain, with the business covering the engineering contracting, survey, design and consultancy, industrial manufacturing, real estate development, logistics and material trade and other business. With the capability of expansion and synergy throughout the whole industry chain, the Company transferred from a pure construction enterprise to a one-stop solution provider of integrated scientific research, planning, survey, design, construction, supervision and management, maintenance, operation, investment and financing, etc. The Company implemented patent layout by focusing on three major sections, including survey design, project construction, industrial manufacturing. Currently, the Company preliminarily developed the patent protection network for underwater tunnel design, construction and large-diameter shield equipment; in the medium-low-speed magnetic-levitation field, based on retrieval analysis, the Company applied for more than 100 patents in domestic and abroad in 15 technology branches, including F-type guide rail, track beam, overhead contact system. The Company developed the patent portfolio in medium-low-speed magnetic-levitation technology field and improved the protection capacity to proprietary intellectual property rights and enterprise core competitiveness.

(IV) Gradual optimization of organizational and management structure

The Company combined the optimization of organization management structure with workload reduction, loss-generating enterprise governance, zombie company disposal and quality and efficiency improvement and other tasks; and strictly controlled new corporate businesses, greatly reduced small-scale subsidiaries with poor performances, unpromising development prospect, and weak synergy effect with main business, and shortened management chain. In accordance with the principle of scientific and rational, competent and efficient, the Company optimized organization structure, reduced organizational overlapping and overlapping functions, and strictly controlled rigid constraint on organization and staffing. The Company further adjusted and optimized headquarters organizational setting, and developed a management system and operation scheme of effective control, clear assignment of duties and smooth operation.

Section III Summary of the Company's Businesses (continued)

(V) Unshakable and lasting culture of railway corps

The culture of railway corps, centering on that “no way is impossible for railway corps by cutting paths through mountains and building bridges across rivers; there is no difficulties for the railway corps after eating and sleeping in the open air and toiling constantly under the exposure to the weather”, passes through the whole process of development and growth of CRCC. Based on the culture of railway crops, combining with the times and realities, the corporate values of “perpetual sincerity and innovation, competitive products and co-existing with moral quality” was developed, and the corporate spirit of “being fearless of danger and bold in scaling heights, leading the industry and generating prestige home and abroad” and the excellent working styles of “submitting to the whole situation, strictly enforcing orders and prohibitions, striving for victory without fear and being devoted to work” were formed. Under the leadership of railway crops culture, CRCC has created large quantities of excellent projects by constantly overcoming the difficulties and making bold innovations to build the “efficient, honest, innovation” market image and the industry leader image.

Section IV Discussion and Analysis on Business Operations (Report of Directors)

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

In the first half of 2018, faced with domestic and international severe and complicated market situation, the Group earnestly implemented various arrangements proposed at the beginning of the year. With emphasis on the theme of “steady growth, high quality”, the Group enhanced the development of operation capability, deeply cultivated traditional markets, explored emerging markets, working practically and making progress while maintaining stability, which led to steady improvement of enterprise business scale. In the first half of 2018, the Group signed new contracts amounting to RMB609.0294 billion, representing a year-on-year increase of 10.39%; the Group recorded an operating income of RMB308.9809 billion, representing a year-on-year increase of 6.93%; net profit of RMB8.8939 billion, representing a year-on-year increase of 28.53%.

(I) Discussion and analysis of the overall operations during the Reporting Period

1. Value of newly-signed contracts

In the first half of 2018, the value of newly-signed contracts of the Group amounted to RMB609.0294 billion, accounting for 40.33% of the annual plan and representing a year-on-year increase of 10.39%. Among which, the value of newly-signed contracts for domestic business amounted to RMB540.1787 billion, accounting for 88.7% of the total value of the newly-signed contracts, representing a year-on-year increase of 6.62%; and the value of newly-signed contracts for overseas business amounted to RMB68.8507 billion, accounting for 11.30% of the total value of the newly-signed contracts, representing a year-on-year increase of 52.74%. As of 30 June 2018, the value of outstanding contracts for the Group amounted to RMB2,613.2052 billion, representing a year-on-year increase of 27.34%. Of which, the value of outstanding domestic contracts amounted to RMB2,102.4309 billion, accounting for 80.45% of the total value of outstanding contracts; and the value of outstanding overseas contracts amounted to RMB510.7743 billion, accounting for 19.55% of the total value of outstanding contracts. The major indicators are as follows:

Unit: RMB'00 million

	Value of newly-signed contracts			Value of outstanding contracts		
	Reporting Period	Corresponding period of last year	Year-on-year growth	End of Reporting Period	Corresponding period of last year	Year-on-year growth
Construction operations	4,969.076	4,547.468	9.27%	23,143.842	18,388.475	25.86%
Survey, design and consultancy operations	119.308	96.494	23.64%	85.860	69.655	23.26%
Manufacturing operations	105.826	114.573	-7.63%	271.682	163.156	66.52%
Logistics and materials trading operations	430.249	387.759	10.96%	1,649.273	1,249.196	32.03%
Real estate development operations	410.201	350.949	16.88%	981.154	643.849	52.39%
Other businesses	55.634	19.763	181.51%	0.241	7.332	-96.71%
Total	6,090.294	5,517.006	10.39%	26,132.052	20,521.663	27.34%

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

During the Reporting Period, the value of newly-signed contracts for construction operations amounted to RMB496.9076 billion, accounting for 81.59% of the total value of newly-signed contracts and representing an increase of 9.27% year-on-year. Of which, the value of newly-signed contracts for railway construction amounted to RMB82.7297 billion, accounting for 16.65% of the value of newly-signed contracts in the construction operations segment and representing an increase of 45.71% year-on-year; the value of newly-signed contracts for road projects amounted to RMB115.6003 billion, accounting for 23.26% of the value of newly-signed contracts in the construction operations segment and representing a decrease of 15.44% year-on-year; the value of newly-signed contracts for urban rail transit amounted to RMB51.6495 billion, accounting for 10.39% of the value of newly-signed contracts in the construction operations segment and representing a decrease of 29.23% year-on-year; the value of newly-signed contracts for housing construction amounted to RMB118.9329 billion, accounting for 23.93% of the value of newly-signed contracts in the construction operations segment and representing an increase of 47.49% year-on-year; the value of newly-signed contracts for municipal engineering amounted to RMB87.1565 billion, accounting for 17.54% of the value of new contract in the construction operations segment and representing an increase of 8.49% year-on-year; the value of newly-signed contracts for hydraulic and electric engineering amounted to RMB18.2948 billion, accounting for 3.68% of the value of newly-signed contracts in the construction operations segment and representing an increase of 7.30% year-on-year; the value of newly-signed contracts for airports and terminals amounted to RMB7.1773 billion, accounting for 1.44% of the value of the newly-signed contracts in the construction operations segment and representing an increase of 31.74% year-on-year; the newly-signed contract amount of railway construction increased sharply due to outstanding performance of overseas railway operations. the reason for slight decrease in the newly-signed contract amount of road was the impact of policy adjustment in financing market; the reason for slight decrease in the newly-signed contract amount of urban rail transit was increase in overseas orders during the corresponding period last year; the reason for significant increase in the newly-signed contract amount of housing construction was further promotion of new-type urbanization and shantytowns transformation, and the increase in security housing and village-in-city transformation; the reason for significant increase in the newly-signed contract amount of airports and terminals was normal fluctuation due to relatively small overall scale.

During the Reporting Period, the value of newly-signed contracts for non-construction operations segments of the Group amounted to RMB112.1218 billion, accounting for 18.41% of the total value of newly-signed contracts and representing an increase of 15.64% year-on-year. In particular, the value of newly-signed contracts for survey, design and consultancy operations amounted to RMB11.9308 billion, representing an increase of 23.64% year-on-year; the value of newly-signed contracts for manufacturing operations amounted to RMB10.5826 billion, representing a decrease of 7.63% year-on-year; the value of newly-signed contracts for logistics and materials trading operations amounted to RMB43.0249 billion, representing an increase of 10.96% year-on-year; and the value of newly-signed contracts for real estate development operations amounted to RMB41.0201 billion, representing an increase of 16.88% year-on-year.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

2. Performance of main businesses by segment and region

In the first half of 2018, the Group recorded a revenue of RMB308.9809 billion, representing a year-on-year increase of 6.93%. As at the end of the Reporting Period, the Group had overseas operating business distributed in 117 countries all over the world as well as in Hong Kong, Macau and other regions, and had 691 projects under construction in total. The overseas operations recorded stable growth.

Unit: '000 Currency: RMB

By segment	Revenue	Cost of sales	Gross profit margin (%)	Main Businesses by Segment		
				Increase/decrease in revenue as compared to corresponding period of last year (%)	Increase/decrease in cost of sales as compared to corresponding period of last year (%)	Increase/decrease in gross profit margin as compared to corresponding period of last year (%)
Construction operations	267,185,371	246,605,115	7.70	5.78	5.16	Increasing by 0.53 percentage point
Survey, design and consultancy operations	7,025,792	4,656,730	33.72	18.35	13.86	Increasing by 2.62 percentage points
Manufacturing operations	7,398,082	5,631,891	23.87	15.20	20.69	Decreasing by 3.46 percentage points
Real estate development operations	9,911,413	7,663,769	22.68	9.85	5.10	Increasing by 3.50 percentage points
Other businesses	31,626,103	28,174,416	10.91	17.66	16.15	Increasing by 1.15 percentage points
Inter-segment elimination	-14,165,831	-13,707,210	/	/	/	/
Total	308,980,930	279,024,711	9.70	6.93	5.93	Increasing by 0.86 percentage point

By region	Revenue	Cost of sales	Gross profit margin (%)	Main Businesses by Region		
				Increase/ decrease in revenue as compared to corresponding period of last year (%)	Increase/ decrease in cost of sales as compared to corresponding period of last year (%)	Increase/ decrease in gross profit margin as compared to corresponding period of last year (%)
Mainland China	291,289,181	263,604,375	9.50	7.37	6.35	Increasing by 0.87 percentage point
Overseas	17,691,749	15,420,336	12.84	0.15	-0.73	Increasing by 0.77 percentage point
Total	308,980,930	279,024,711	9.70	6.93	5.93	Increasing by 0.86 percentage point

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(1) Construction operations

Construction Operations (Before Elimination of Inter-segment Transactions)

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Growth rate (%)
Revenue	267,185,371	252,594,665	5.78
Cost of sales	246,605,115	234,494,506	5.16
Gross profit	20,580,256	18,100,159	13.70
Gross profit margin (%)	7.70	7.17	Increasing by 0.53 percentage points
Selling and distribution expense	812,309	721,984	12.51
General and administrative expenses ^{Note}	6,182,326	9,969,535	-37.99
Profit before tax	6,142,529	5,345,278	14.92

Note: The general and administrative expenses of construction operations for the Reporting Period decreased by 37.99% as compared to that for the corresponding period of last year, which was mainly attributable to the exclusion of research and development expenses from general and administrative expenses for the Reporting Period as required by the Notice on the Format of Financial Statements for General Business Enterprise issued in 2018.

(2) Survey, design and consultancy operations

Survey, Design and Consultancy Operations (Before Elimination of Inter-segment Transactions)

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Growth rate (%)
Revenue	7,025,792	5,936,242	18.35
Cost of sales	4,656,730	4,090,017	13.86
Gross profit	2,369,062	1,846,225	28.32
Gross profit margin (%)	33.72	31.10	Increasing by 2.62 percentage points
Selling and distribution expense	419,018	368,635	13.67
General and administrative expenses ^{Note 1}	409,168	604,489	-32.31
Profit before tax ^{Note 2}	1,529,038	871,250	75.50

Note 1: The general and administrative expenses of survey, design and consultancy operations for the Reporting Period decreased by 32.31% as compared to that for the corresponding period of last year, which was mainly attributable to the exclusion of research and development expenses from general and administrative expenses for the Reporting Period as required by the Notice on the Format of Financial Statements for General Business Enterprise issued in 2018.

Note 2: The profit before tax of survey, design and consultancy operations for the Reporting Period increased by 75.50% as compared to that for the corresponding period of last year, which was mainly attributable to the increase in revenue and the increase in proportion of design business with relatively high gross profit as at the Reporting Period.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(3) Manufacturing operations

Manufacturing Operations (Before Elimination of Inter-segment Transactions)

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Growth rate (%)
Revenue	7,398,082	6,421,686	15.20
Cost of sales	5,631,891	4,666,400	20.69
Gross profit	1,766,191	1,755,286	0.62
Gross profit margin (%)	23.87	27.33	Decreasing by 3.46 percentage points
Selling and distribution expense	187,151	154,297	21.29
General and administrative expenses ^{Note}	400,234	621,043	-35.55
Profit before tax	888,096	875,749	1.41

Note: The general and administrative expenses of manufacturing operations for the Reporting Period decreased by 35.55% as compared to that for the corresponding period of last year, which was mainly attributable to the exclusion of research and development expenses from general and administrative expenses for the Reporting Period as required by the Notice on the Format of Financial Statements for General Business Enterprise issued in 2018.

(4) Real estate development operations

Real Estate Development Operations (Before Elimination of Inter-segment Transactions)

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Growth rate (%)
Revenue	9,911,413	9,022,665	9.85
Cost of sales	7,663,769	7,291,855	5.10
Gross profit	2,247,644	1,730,810	29.86
Gross profit margin (%)	22.68	19.18	Increasing by 3.50 percentage points
Selling and distribution expense	258,465	234,586	10.18
General and administrative expenses ^{Note}	396,317	299,021	32.54
Profit before tax	1,044,442	816,574	27.91

Note: The general and administrative expenses of real estate development operations for the Reporting Period increased by 32.54% as compared to that for the corresponding period of last year, which was mainly attributable to the increase in consultation fees and employee remuneration.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(5) *Logistics and materials trading and other businesses*

Logistics and Materials Trading and Other Businesses (Before Elimination of Inter-segment Transactions)

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Growth rate (%)
Revenue	31,626,103	26,879,185	17.66
Cost of sales	28,174,416	24,256,139	16.15
Gross profit ^{Note 1}	3,451,687	2,623,046	31.59
Gross profit margin (%)	10.91	9.76	Increasing by 1.15 percentage points
Selling and distribution expense	309,814	380,800	-18.64
General and administrative expenses	516,170	637,753	-19.06
Profit before tax ^{Note 2}	1,941,971	1,004,845	93.26

Note 1: The gross profit of logistics and materials trading and other businesses for the Reporting Period increased by 31.59% as compared to that for the corresponding period of last year, which was mainly attributable to the increase in revenue of material trading and the increase in proportion of finance, investment, financing and other businesses with high gross profit margin.

Note 2: The profit before tax of logistics and materials and other businesses for the Reporting Period increased by 93.26% as compared to that for the corresponding period of last year, which was mainly attributable to the increase in revenue and the increase in proportion of businesses with high gross profit margin and the decrease in non-production expenditure.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(II) Analysis of main businesses

1. Analysis of changes of relevant items in the financial statements

Unit: '000 Currency: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Change (%)
Revenue	308,980,930	288,960,909	6.93
Cost of sales	279,024,711	263,410,127	5.93
Selling and distribution expenses	1,986,757	1,860,302	6.80
General and administrative expenses	7,904,215	7,187,563	9.97
Finance costs	2,093,436	1,329,036	57.52
Net cash flows generated from operating activities	-45,888,144	-25,456,858	N/A
Net cash flows generated from investing activities	-18,239,765	-16,783,875	N/A
Net cash flows generated from financing activities	35,419,204	24,001,908	47.57
R&D expenses	5,437,638	4,944,278	9.98

The change in revenue was due to the steady expansion of the business scale of construction operations, logistics and material trading and other businesses.

The change in cost of sales was due to the expansion of the business scale of the Group, resulting in an increase in the costs accordingly.

The change in selling and distribution expenses was due to the increase in value of newly-signed contracts of the Group.

The change in general and administrative expenses was due to the increase in staff salaries of the Group during the Reporting Period.

The change in finance costs was due to the increase in the interest expenditure of the Group during the Reporting Period.

The change in net cash flows generated from operating activities was due to the increase in cash paid for the purchase of goods and acceptance of labor services by the Group during the Reporting Period.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

The change in net cash flows generated from investing activities was due to the increase in cash paid for investment by the Group during the Reporting Period.

The change in net cash flows generated from financing activities was due to the increase in cash received from investment and issuing bonds by the Group during the Reporting Period.

The change in R&D expenses was due to the increase in technical research and development input by enhancing applications of scientific and technological achievements by the Group.

2. Others

(1) *Particulars of material changes in profit composition or source of the Company*

Applicable Not applicable

(2) *Others*

Applicable Not applicable

(III) Explanation on material changes in profit due to non-core businesses

Applicable Not applicable

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(IV) Analysis of assets and liabilities

Applicable Not applicable

1. Assets-Liabilities analysis table

Unit: '000 Currency: RMB

Name of item	Amount at the end of the Reporting Period	Percentage of amount at the end of the Reporting Period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the Reporting Period as compared to that of last year (%)	Explanation
Cash and bank balances	112,309,834	12.99	141,206,185	17.18	-20.46	Mainly due to the increase in cash paid by the Group during the Reporting Period
Financial assets at FVTPL	-	-	489,712	0.06	-100.00	Mainly due to financial assets at FVTPL reclassified into held-for-trading financial assets according to new financial instrument accounting standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Held-for-trading financial assets	2,748,585	0.32	-	-	-	Mainly due to financial assets at FVTPL and some available-for-sale financial assets reclassified into trading financial assets as required by new financial instrument standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Bills receivable and accounts receivable	159,375,636	18.43	153,528,817	18.68	3.81	
Advances to suppliers	22,346,861	2.58	18,784,004	2.29	18.97	
Other receivables	63,614,280	7.36	55,278,965	6.73	15.08	
Inventories	154,290,002	17.84	266,604,158	32.44	-42.13	Mainly due to some inventories reclassified into contract assets as required by new revenue standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

Name of item	Amount at the end of the Reporting Period	Percentage of amount at the end of the Reporting Period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the Reporting Period as compared to that of last year (%)	Explanation
Contract assets	143,821,276	16.63	-	-	-	Mainly due to some inventories reclassified into contract assets as required by new income standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Other current assets	12,534,683	1.45	8,414,479	1.02	48.97	Mainly due to the increase in the amount of prepaid tax and deductible VAT of the Group during the Reporting Period.
Other non-current financial assets	267,716	0.03	-	-	-	Mainly due to some available-for-sale financial assets reclassified into other non-current financial assets as required by new financial instrument standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Available-for-sale financial assets	-	-	8,382,301	1.02	-100.00	Mainly due to reclassification of available-for-sale financial assets as required by new financial instrument standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Other equity instrument investments	8,068,193	0.93	-	-	-	Mainly due to financial assets at FVOCI specified by non trading equity instrument investment reclassified into other equity instrument investment by the Group as required by new financial instrument standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Long-term equity investments	21,620,802	2.50	17,869,525	2.17	20.99	Mainly due to the increase in investment in joint ventures and associates by the Group during the Reporting Period.
Fixed assets	47,582,865	5.50	45,981,850	5.59	3.48	
Intangible assets	44,188,697	5.11	40,155,864	4.89	10.04	
Short-term loans	49,525,769	5.73	29,499,098	3.59	67.89	Mainly due to the increase in external borrowings due to the increase in need of short-term working capital of the Group during the Reporting Period.
Bills payable and accounts payable	309,917,019	35.84	323,491,509	39.36	-4.20	

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

Name of item	Amount at the end of the Reporting Period	Percentage of amount at the end of the Reporting Period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the Reporting Period as compared to that of last year (%)	Explanation
Advances from customers	-	-	85,682,565	10.43	-100.00	Mainly due to advances from customers reclassified into contract liabilities as required by new revenue standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Contract liabilities	95,338,534	11.03	-	-	-	Mainly due to advances from customers reclassified into contract liabilities as required by new revenue standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Other payables	55,552,794	6.42	49,797,546	6.06	11.56	
Other current liabilities	7,744,589	0.90	8,053,925	0.98	-3.84	
Long-term loans ^{Note1}	88,301,080	10.21	77,231,016	9.40	14.33	
Bonds payable ^{Note2}	46,551,334	5.38	45,665,034	5.56	1.94	
Employee benefits payable ^{Note3}	10,115,904	1.17	11,084,863	1.35	-8.74	
Other non-current liabilities	504,187	0.06	787,842	0.10	-36.00	Mainly due to the change in fair value of convertible bonds of the Group during the Reporting Period.

Note 1. "Long-term loans" includes "long-term loans due within one year".

Note 2. "Bonds payables" includes bonds payable as "non-current liabilities due within one year".

Note 3. "Employee benefits payable" is the sum of the "employee benefits payable" in the current liabilities and the "long-term employee benefits payables" in the non-current liabilities plus the "post-employment benefits due within one year".

2. Major assets restriction by the end of the Reporting Period

Applicable Not applicable

3. Other explanation

Applicable Not applicable

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(V) Liquidity and capital resources

1. Cash flow of the Group

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year	Increase/ decrease for the Reporting Period as compared to the corresponding period of last year
Net cash flows used in operating activities	-45,888,144	-25,456,858	-20,431,286
Net cash flows used in investing activities	-18,239,765	-16,783,875	-1,455,890
Net cash flows generated from financing activities	35,419,204	24,001,908	11,417,296

The net cash flows used in operating activities for the six months ended 30 June 2018 amounted to RMB45,888,144,000, representing an increase of RMB20,431,286,000 as compared to the corresponding period of last year, mainly attributable to the increase in cash paid for the purchase of goods and acceptance of labor services by the Group during the Reporting Period.

The net cash flows used in investing activities for the six months ended 30 June 2018 amounted to RMB18,239,765,000, representing an increase of RMB1,455,890,000 as compared to the corresponding period of last year, mainly attributable to the increase in cash paid in investment by the Group during the Reporting Period.

The net cash flows generated from financing activities for the six months ended 30 June 2018 amounted to RMB35,419,204,000, representing an increase of RMB11,417,296,000 as compared to the corresponding period of last year, mainly attributable to the increase in cash received from absorbing investment and issuing bonds by the Group during the Reporting Period.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

2. Capital expenditures

The Group incurred capital expenditures mainly for the construction of contracting projects, expansion and technology upgrade of facilities, purchase of equipment and construction of investment projects such as PPP, BOT projects. The Group's capital expenditures were RMB12.5965 billion for the six months' period ended 30 June 2018, representing a year-on-year decrease of RMB0.6403 billion, mainly due to the decrease in investment in fixed assets of the Group during the Reporting Period.

Unit: '000 Currency: RMB

Item	Reporting Period	Corresponding period of last year
Construction operations	7,097,066	7,559,746
Survey, design and consultancy operations	111,119	153,089
Manufacturing operations	654,636	622,737
Real estate development operations	10,882	135,054
Other businesses	4,722,761	4,766,162
Total	12,596,464	13,236,788

3. Working capital

(1) Accounts receivable

Accounts receivable of the Group increased from RMB146.5039 billion as at 31 December 2017 to RMB155.6781 billion as at 30 June 2018, representing an increase of RMB9.1742 billion. The Board of the Company considered that the Group has made adequate provisions for credit losses.

The following table sets forth the aging analysis of accounts receivable as at the balance sheet date indicated:

Unit: '000 Currency: RMB

Item	30 June 2018	31 December 2017
Within 1 year	137,022,497	127,639,261
1-2 years	13,179,098	13,353,735
2-3 years	5,105,572	5,750,429
Over 3 years	4,410,904	3,731,557
Subtotal	159,718,071	150,474,982
Less: Provision for bad debts	4,040,003	3,971,091
Total	155,678,068	146,503,891

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

The following table sets forth the turnover days of the Group's accounts receivable and accounts payable as at the balance sheet dates indicated:

Item	30 June 2018	31 December 2017
Turnover days of accounts receivable ^{Note 1}	88	75
Turnover days of accounts payable ^{Note 2}	178	160

Note 1: The number of turnover days of accounts receivable is derived by dividing the arithmetic mean of the opening and closing net values of accounts receivable for the six months ended 30 June 2018 by revenue multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2017).

Note 2: The number of turnover days of accounts payable is derived by dividing the arithmetic mean of the opening and closing net values of accounts payable for the six months ended 30 June 2018 by cost of sales multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2017).

(2) Long-term receivables

Long-term receivables of the Group increased from RMB40.6621 billion as at 31 December 2017 to RMB40.9025 billion as at 30 June 2018, representing an increase of RMB0.2404 billion.

(3) Accounts payable

Accounts payable of the Group decreased from RMB282.0802 billion as at 31 December 2017 to RMB269.3192 billion as at 30 June 2018, representing a decrease of RMB12.7610 billion, mainly due to the increase in the amount paid during the Reporting Period. The following table sets forth the aging analysis of accounts payable as at the balance sheet date indicated:

Unit: '000 Currency: RMB

Item	30 June 2018	31 December 2017
Within 1 year	259,619,609	273,543,533
1–2 years	7,025,385	6,450,391
2–3 years	1,572,755	1,299,220
Over 3 years	1,101,410	787,061
Total	269,319,159	282,080,205

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

4. Advances to suppliers and other receivables

Advances to suppliers and other receivables of the Group increased from RMB74.0630 billion as at 31 December 2017 to RMB85.9611 billion as at 30 June 2018, representing an increase of RMB11.8981 billion, or 16.06%; mainly due to the increase in loans for cooperative development project paid during the Reporting Period.

5. Other payables and accruals

Other payables and accruals included advances from customers, contract liabilities, other payables, employee benefits payables (including long-term employee benefits payable), taxes payable and deferred income (including deferred income due within one year). As at 31 December 2017 and 30 June 2018, the Group had other payables and accruals of RMB153.3628 billion and RMB164.8514 billion, respectively, representing an increase of RMB11.4886 billion, mainly due to the increase in advances for the sale of properties and payables for advances and accrual of dividends payable.

6. Indebtedness

(1) Loans

The short-term loans of the Group as at 30 June 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Pledged loans	880,000	–
Mortgaged loans	180,000	–
Guaranteed loans	3,509,680	2,602,701
Credit loans	44,956,089	26,896,397
Total	49,525,769	29,499,098

The long-term loans of the Group due within one year as at 30 June 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Pledged loans	145,000	170,000
Mortgaged loans	1,926,430	2,787,940
Guaranteed loans	1,683,500	1,206,000
Credit loans	16,717,671	14,240,283
Total	20,472,601	18,404,223

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

The long-term loans of the Group as at 30 June 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Pledged loans	22,936,000	20,534,420
Mortgaged loans	5,804,990	3,330,040
Guaranteed loans	12,132,362	10,123,666
Credit loans	26,955,127	24,838,667
Total	67,828,479	58,826,793

The bonds payable of the Group as at 30 June 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Bonds payable	37,058,482	35,677,923
Bonds payable due within one year	9,492,852	9,987,111
Total	46,551,334	45,665,034

As at 30 June 2018 and 31 December 2017, the Group's gearing ratio was 70% and 69%, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities include the net amount of the sum of all loans, due to customers, due to banks, financial liabilities of other current liabilities, bills payable and accounts payable, other payables, bonds payable, long-term payables (exclude specific payable), non-current liabilities due within one year (excluding long-term employee benefits payable due within one year) and the financial liabilities of other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the company and non-controlling interest stated in the consolidated balance sheet.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(2) Commitments

The commitments made by the Group decreased RMB5.1235 billion from RMB12.3418 billion as at 31 December 2017 to RMB7.2183 billion as at 30 June 2018, which was mainly due to the relative commitments carried out and completed during the Reporting Period.

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Capital commitments	413,823	364,024
Investment commitments	2,915,852	3,515,230
Other commitments	3,888,666	8,462,504
Total	7,218,341	12,341,758

(3) Contingent liabilities

During the Reporting Period, the Group had no material contingent liabilities.

7. Pledge of assets

The pledge of assets made by the Group increased RMB7.8838 billion from RMB43.4664 billion as at 31 December 2017 to RMB51.3502 billion as at 30 June 2018, which was mainly due to the increase in borrowings arising from pledge of concession loans of intangible assets during the Reporting Period. The following table sets forth the mortgage and pledge of assets as of the balance sheet date:

Unit: '000 Currency: RMB

Category	30 June 2018	31 December 2017
Intangible assets	34,765,530	28,101,597
Inventories	15,036,709	14,710,869
Fixed assets	658,775	653,950
Long-term receivables	546,553	–
Bills receivable and accounts receivable	389,222	–
Total	51,396,789	43,466,416

Please see “64 Assets with title restrictions” in Note V to the Financial Statements of this report for details.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

8. Foreign Exchange Risks and Profit or Loss on Exchange

The major production and operation activities of the Group are located in the PRC and the principal operations are settled in RMB. The assets and liabilities in foreign currency recognized by the Group and the transactions to be denominated in foreign currencies in the future are subject to foreign exchange risks. As regards the cash and bank balances, bills receivable and accounts receivable, other receivables, short-term loans, bills payable and accounts payables, other payables, long-term loans and bonds payable denominated in foreign currencies (primarily in US dollar, Euro, Algerian Dinar, Malaysian Ringgit, Saudi Riyal and so on) held by the Group as at 30 June 2018, please see “65 Foreign currency monetary items” in Note V to the financial statements of this report for details.

The management of the Group closely monitors the impact of changes in exchange rate on the Group’s exchange risks. Although the Group has not entered into any significant forward exchange contracts, the finance department of the Group which is responsible for monitoring exchange risks will hedge material exchange risks when necessary. Please see “3 Financial Instruments Risks” in Note VIII to the financial statements of this report for the exchange rate risks.

(VI) Analysis of investment

1. Overall analysis of investment in external equities

Applicable Not applicable

As at 30 June 2018, the carrying balance of the Group’s long-term equity investment was RMB21.6208 billion, representing an increase of RMB3.7513 billion, or 20.99%, as compared to RMB17.8695 billion at the beginning of the year.

(1) Major equity investment

Applicable Not applicable

(2) Major non-equity investment

Applicable Not applicable

(3) Financial assets measured at fair value

Applicable Not applicable

	Opening balance	Closing balance	Changes in the period	Effect on profit of current period
Securities investment	557,408	2,283,744	1,726,336	28,388
Equities of other listed companies	2,200,661	1,701,712	-498,949	19,510
Trust products and others	380,416	522,716	142,300	-
Total	3,138,485	4,508,172	1,369,687	47,898

Unit: '000 Currency: RMB

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

① Investment in securities

Unit: '000 Currency: RMB

No.	Type of securities	Stock code	Abbreviated stock name	Amount of initial investment	Number of securities held (share)	Carrying value at the end of the period	Percentage over total securities investment at the end of the period (%)	Profit/loss during the Reporting Period
1	Stock	HK03969	CRSC	131,950	25,000,000	117,401	5.14	-11,543
2	Stock	HK01258	CHINF Mining	64,863	36,363,000	70,451	3.08	3,384
3	Open-ended Fund	000652	Bosera-Yulong Hybrid	17,370	17,369,836	34,879	1.53	495
4	Stock	601618	MCC	59,265	10,600,000	20,734	0.91	178
5	Open-ended Fund	519606	Guotai Jinxin	3,908	3,908,303	6,394	0.28	-1,414
6	Stock	600028	SINOPEC	533	135,000	760	0.03	81
7	Open-ended Fund	003473	China Southern Tiantianli Money Market Fund	400,000	400,000	406,634	17.81	6,634
8	Open-ended Fund	004282	Bosera Xingrong Money Market Fund	300,000	300,000	306,156	13.41	6,156
9	Open-ended Fund	000620	E Funds Cash Money Market Fund	300,000	300,000	306,486	13.42	6,486
10	Open-ended Fund	003281	Guangfa Huoqibao Money Market B Fund	150,000	150,000	152,064	6.66	2,064
11	Open-ended Fund	002758	CCB Cash Increase Money Market Fund	500,000	500,000	505,912	22.15	5,912
12	Open-ended Fund	001478	Taikang Xinyibao Money Market B Fund	50,000	50,000	50,923	2.23	923
13	Open-ended Fund	005202	CIB Wentianying Money Market B Fund	300,000	300,000	304,950	13.35	4,950
	Other investment in securities held at the end of the period			/	/	/	/	/
	Profits/loss from disposal of investment in securities during the Reporting Period			/	/	-	-	4,082
Total				2,277,889	/	2,283,744	100.00	28,388

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

② Shareholdings in other listed companies

Unit: '000 Currency: RMB

Stock code	Abbreviated stock name	Initial investment cost	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications	49,892	0.07	0.07	231,468	2,970	-18,953	Other equity instrument investment	Original issue stock
HK3898	CRRRC Times Electric	9,800	0.90	0.90	200,321	4,410	-70,439	Other equity instrument investment	Original issue stock
002159	Sante Cableway	3,000	0.99	0.99	22,532	-	48	Other equity instrument investment	Original issue stock
600885	Hongfa	1,440	0.71	0.71	43,617	614	-1,559	Other equity instrument investment	Original issue stock
600809	Shanxi Fenjiu	708	0.05	0.05	25,156	-	2,360	Other equity instrument investment	Original issue stock
000759	Zhongbai Group	1,058	0.14	0.14	6,909	-	-2,348	Other equity instrument investment	Original issue stock
601169	Bank of Beijing	2	-	-	1,209	-	-225	Other equity instrument investment	Original issue stock
600322	Tianjin Real Estate Development	160	0.03	0.03	546	-	-95	Other equity instrument investment	Original issue stock
601211	Guotai Jun'an	7,604	0.10	0.10	111,093	-	-28,743	Other equity instrument investment	Original issue stock
600061	SDIC Capital	268,452	1.66	1.66	567,637	3,792	-240,743	Other equity instrument investment	Original issue stock
834898	Zhuzhou Department Stores	360	0.31	0.31	1,479	-	20	Other equity instrument investment	Original issue stock
HK00687	HKICIM Group	208,027	5.03	5.03	90,827	7,724	-9,131	Other equity instrument investment	Subscription
000630	Tongling Nonferrous	500,000	1.71	1.71	398,918	-	-128,158	Other equity instrument investment	Subscription
Total		1,050,503	/	/	1,701,712	19,510	-497,966	/	/

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

③ Trust products held and others

Unit: '000 Currency: RMB

Name of investees	Amount of initial investment	Percentage of shares held (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 7)	54,816	9.90	54,816	-	-	Other non-current financial assets	Subscription
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 9)	2,500	9.88	2,500	-	-	Held-for-trading financial assets	Subscription
Asset-backed securities of Phase-I receivables special project of China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 11)	67,200	6.40	67,200	-	-	Held-for-trading financial assets	Sponsorship
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 11)	24,000	19.66	24,000	-	-	Other non-current financial assets	Subscription
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 20)	47,900	20.00	47,900	-	-	Other non-current financial assets	Subscription
Asset-backed securities of (2017) Phase I accounts receivable of China Railway Construction Bridge Engineering Bureau Group	11,000	0.99	11,000	-	-	Held-for-trading financial assets	Sponsorship
CCB Capital – Asset-backed securities of (2017) Phase I accounts receivable of China Railway 18 th Bureau Group	88,000	8.52	88,000	-	-	Held-for-trading financial assets	Sponsorship
Ping An Securities–Asset-backed securities of Phase I accounts receivable of CRCC Assets Management Co., Ltd.	26,000	1.45	26,000	-	-	Other non-current financial assets	Sponsorship
BOC International–Asset-backed securities Phase I accounts receivable of CRCC Factoring	29,000	1.46	29,000	-	-	Other non-current financial assets	Sponsorship
2017 trench I nonpublic placed asset-backed notes of China Railway Construction (Beijing) Property Management Co., Ltd.	30,000	3.13	30,000	-	-	Other non-current financial assets	Sponsorship
Haitong Securities–Asset-backed securities of Phase I accounts receivable of CRCC Assets Management Co., Ltd.	31,000	1.47	31,000	-	-	Other non-current financial assets	Sponsorship
Ping An Securities–Asset-backed securities of Phase I accounts receivable of CRCC Assets Management Co., Ltd.	25,000	1.47	25,000	-	-	Other non-current financial assets	Sponsorship
Others	86,300	/	86,300	-	-	Held-for-trading financial assets	Sponsorship
Total	522,716	/	522,716	-	-	/	/

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(VII) Disposal of significant assets and equity interest

Applicable Not applicable

(VIII) Analysis of major companies controlled and invested in by the Company

Applicable Not applicable

1. Major Subsidiaries

During the Reporting Period, the major subsidiaries of the Company are as follows:

Unit: '000 Currency: RMB

Name of the Company	Major financial indicators as at 30 June 2018				Principal operations	Industry
	Registered capital	Total assets	Net assets	Net profit		
China Civil Engineering Construction Corporation	3,000,000	25,512,483	6,735,795	717,205	Construction	Construction
China Railway 11 th Bureau Group Co., Ltd.	5,030,000	50,783,115	12,043,871	570,948	Construction	Construction
China Railway 12 th Bureau Group Co., Ltd.	5,060,677	44,004,232	9,670,620	681,604	Construction	Construction
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	3,000,000	42,625,746	6,106,412	193,760	Construction	Construction
China Railway 14 th Bureau Group Co., Ltd.	3,110,000	37,931,232	5,726,505	355,220	Construction	Construction
China Railway 15 th Bureau Group Co., Ltd.	3,000,000	27,757,816	4,237,278	54,953	Construction	Construction
China Railway 16 th Bureau Group Co., Ltd.	3,000,000	38,581,453	5,516,791	204,121	Construction	Construction
China Railway 17 th Bureau Group Co., Ltd.	3,003,724	35,761,961	5,686,157	170,135	Construction	Construction
China Railway 18 th Bureau Group Co., Ltd.	3,000,000	39,332,440	5,918,024	360,120	Construction	Construction
China Railway 19 th Bureau Group Co., Ltd.	5,080,000	34,012,427	5,853,965	63,003	Construction	Construction
China Railway 20 th Bureau Group Co., Ltd.	3,130,000	37,694,804	5,677,837	385,522	Construction	Construction
China Railway 21 st Bureau Group Co., Ltd.	1,880,000	24,191,833	2,676,885	99,638	Construction	Construction
China Railway 22 nd Bureau Group Co., Ltd.	1,057,000	25,354,625	4,893,922	123,168	Construction	Construction
China Railway 23 rd Bureau Group Co., Ltd.	2,000,000	22,038,509	3,352,760	66,420	Construction	Construction
China Railway 24 th Bureau Group Co., Ltd.	2,000,000	18,385,892	2,885,951	178,980	Construction	Construction
China Railway 25 th Bureau Group Co., Ltd.	2,000,000	17,059,288	2,911,334	51,712	Construction	Construction
China Railway Construction Group Ltd.	3,000,000	45,805,698	7,380,767	267,089	Construction	Construction
China Railway Electrification Bureau Group Co., Ltd.	710,000	22,350,903	7,241,987	597,093	Construction	Construction
China Railway Construction Real Estate Group Co., Ltd.	7,000,000	138,995,827	21,341,731	637,807	Real estate development and operations	Real estate
China Railway Material Group Co., Ltd.	3,000,000	19,564,935	2,601,241	236,723	Purchase and sales of goods and materials	Logistics
China Railway Construction Investment Group Co., Ltd.	12,000,000	77,833,948	18,615,649	213,930	Project investment	Investment
CRCC Finance Company Limited	9,000,000	78,180,995	10,919,605	527,960	Financial Agency	Finance
China Railway Urban Construction Group Co., Ltd.	2,000,000	15,720,603	2,460,261	236,881	Construction	Construction

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

Name of the Company	Major financial indicators as at 30 June 2018				Principal operations	Industry
	Registered capital	Total assets	Net assets	Net profit		
CRCC High-Tech Equipment Corporation Limited	1,519,884	6,967,960	5,385,325	82,294	Industrial manufacturing	Industry
China Railway Construction Heavy Industry Co., Ltd.	3,855,540	14,880,373	8,634,307	606,183	Industrial manufacturing	Industry
CRCC Chongqing Investment Group Co., Ltd.	3,000,000	6,904,171	3,828,289	41,867	Project investment	Investment
CRCC Kunlun Investment Group Co., Ltd.	3,000,000	21,002,127	4,563,520	562,639	Project investment	Investment
CRCC Assets Management Co., Ltd.	3,000,000	31,707,856	4,596,296	160,127	Asset management	Finance

During the Reporting Period, the Group had no subsidiary with operating results representing over 10% of consolidated operating results of the Group.

2. Major companies in which the Company invested

There was no important company invested by the Group. For detailed information, please see "12 Investments in joint ventures and associates" in Note V to the Financial Statements of this report.

(IX) Status of the structured entity controlled by the Company

Applicable Not Applicable

II. OTHER DISCLOSURE

(1) Warning and explanation on anticipated loss on the cumulative net profits from the beginning of the year to the end of the next reporting period or significant changes over the corresponding period last year

Applicable Not Applicable

(2) Potential risks

Applicable Not Applicable

The Group has always attached great importance to the internal and external exposure to risks, consistently collected and analyzed risk-related information, regulated the risk management process, strengthened major risk control measures, for the purpose of prudent and steady development. The Company identifies the following categories of risks that are likely to confront the Group in 2018 through our annual systematic assessment of risks: safety and quality risks, investment risks, international operational risks, project management risks and risks related to accounts receivable.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

1. Safety and quality risks

Contracted construction projects comprising of a large variety of building tasks account for a large share of the Group's business. The production safety and quality of projects of the Company are exposed to major risks due to the nature of the industry and impacts of the construction environment, as the Company's projects feature multiple sites, wide range and long construction periods, and are constantly faced with landslides, debris flows, floods, gas, gushing and other risks. The Group always place high priority on the safety and quality. In 2018, the Company will continue to conscientiously implement the requirements and plans of the CPC Central Committee, the State Council and relevant ministries, firmly establish the "red line awareness", and stringently implement the requirements of "one post for double responsibilities, the CPC Committee and the management sharing responsibilities and tracing responsibilities for dereliction of duty". Guided by the principles of "thought in advance, found in advance and eliminated the safety risks in advance", the Company will continue to focus on strengthening the foundation work such as developing the safety management system, further improving the safety management platform, and carrying out standardization of safety and quality. Meanwhile, the Company will reinforce education and trainings on safety and quality, conduct regular checks and inspections on production safety, strengthen accident management in relation to production safety, give full play to the education, intimidation and warning functions of the face-to-face talk system, and urge all units to further fulfill their responsibility of safe production, so as to firmly prevent significant safety accidents from happening. The Company will also practically enhance emergency management of production safety by adhering to the principle of "placing emergency and life rescue as the core".

2. Investment risks

The investment projects of the Group feature large scales, long construction periods, a wide range of sectors, high complexity, strict construction deadlines and high quality requirements, which expose the operation of such projects to major risks such as increase in payment risks associated with property owners, increased difficulty in financing, and narrowing profit margin of investments under the external circumstances of increasing debt pressure faced by property owners, tightening financial regulations, and intensified market competition. With respect to investment, the Group will continue with its "active, prudent, flexible and effective" approach, deepen project feasibility studies and evaluations, and systematize decision-making process, in order to guarantee expected profit from the source. The Company will stress on operational planning to promote operational efficiency, attach importance to resource allocation and enhance procedural management and control, in order to ensure that anticipated financial targets are met. The Company will establish a mechanism with functions of full-life-cycle management and monitoring and analysis of dynamic risks arising from production process. In particular, as for major investment, project-based inspection systems will be established, under which risks can be properly alerted and managed by conducting analysis and evaluation on a regular basis, and risk management system can be perfected by de-briefing and analyzing risks following the completion of project. In addition, post-investment evaluation will be made in a timely manner to ensure that risk evaluation is conducted as a routine work.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

3. International operation risks

Expansion and operation in overseas market are accompanied with various risk factors. In addition to the same inherent risks occurred in domestic market, overseas risks feature special characteristics due to differences in business models and environments. Political events or government actions in the project location and political relations with other countries may lead to political risks; local social behaviors, cultures, religious beliefs, local community organizations, as well as local residents' demands and attitudes to overseas project contractors may result in to social, cultural and environmental risks. Moreover, changes in the local macroeconomic situation and various laws, regulations and policies may lead to economic, labor, legal and other risks. Since the proactive implementation of the "going-out" strategy and the strengthening of international operational expansion, the Group has attached great importance to overseas risk management, in the sense that it reinforced the investigation of risks in countries involved and established the interconnected system covering information feedback and domestic/international risk control. In the future, the Company will further straighten project management relationships, implement risk accountability system at all levels, strictly enforce internal control system and procedures, and constantly improve its international operation and project management systems. The Company will also further strengthen the procedures of identification, information collection, management and control of overseas risks, practically conduct preliminary market research and project inspection, strictly review contracts, duly carry out process management and control of projects and proactively avoid, transfer or mitigate political, economic, legal and labor risks in international operations by purchasing insurance or other means. It will improve the communication with and the reporting to the Ministry of Foreign Affairs, the Ministry of Commerce, foreign embassies, economic affairs office, foreign contractors association, and other departments or institutions in China to obtain services and guidance on consular management and risk alert, in purpose of comprehensively enhancing the management and risk prevention capabilities in overseas projects, and realizing vibrant development of overseas business.

4. Project management risks

Project management risks are inherent to the industry in which the Group operates. The main business activity of the Group is construction, which features complicated product structure, frequently changing of work sites, fast staff flows and wide range of sites. Many activities are conducted outdoor, at high elevations, in water bodies or underground, are subject to impacts of adverse work environment, climate and geological conditions and other natural environmental factors, and are faced with inherent risks of our business. In response, the Company firmly complies with the relevant laws and regulations promulgated by the State and local governments, and will consistently innovate in management mechanism, standardize on-site management, further clarify the positioning of each level in project management, continue to organize business training and pre-post safety training for on-site operating staff, attach importance to training and management of project managers and constantly strengthen the development of project teams. Through adopting "adherence to standards", "strict inspection", "problem identification", "precise problem resolution", "comprehensive management" and other specific preventative and control policies, the Company will implement advanced project management measures, promote replicable engineering process modules, and gradually realize institutionalized, normalized and standardized project management. The Company also aims to identify problems in project management, safety and quality, construction progress, energy saving and environmental protection of complicated projects, and solve them promptly through organizing of comprehensive inspections on project management and safe production inspections, so as to guarantee the construction progress, quality, safety and controllability, as well as smooth and orderly operation of the project.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

5. Risks related to accounts receivable

Risks related to accounts receivable increase in proportion to the scale of accounts receivable, the higher the sales volume realized by using commercial credit, the higher the risk of accounts receivable. CRCC comprehensively strengthened the management of accounts receivable. Firstly, the Group strictly controlled the process of bidding and signing of contracts, in order to limit the scale of accounts receivable from the source. Upon effective control of existing accounts receivable, the Company further improved the risk classification capability of new business. The Group attached great importance to quality and efficiency of operating contracts, and insisted on the principle of "Six Don't Undertakes". The Group also strengthened the review of fund appropriation terms, and enhanced communication with property owners. Secondly, the Group reinforced routine management and control to effectively mitigate the risks of accounts receivable. At present, the Company has initially established an accounts receivable risk management and control mechanism. In addition to consolidating the existing mechanism, the Company will endeavor to improve it by establishing risk alert mechanism, stepping up inspection and supervision, and improving evaluation and assessment, so as to continuously enhance the overall level of debt clearing and collection management and realize effective management and control of the risks associated with accounts receivable.

During the Reporting Period, to address the major risks identified by our system, the Company issued the Notice on Strengthening the Management and Control of the Major Risks in 2018 (《關於狠抓2018年度重大風險管控的通知》) to clarify risk control measures and task assignment, and set out relevant management and control requirements. In light of such, all departments-in-charge of the Group and their associated units have formulated and strictly implemented proposals for risk management in specific works, and enhanced supervision and check measures, striving to realize full-coverage of risk management and control.

Section IV Discussion and Analysis on Business Operations (Report of Directors) (continued)

(3) Other discloseable matter

Applicable Not Applicable

1. Main projects in financing contract mode

Unit: 0'000 Currency: RMB

No.	Project	Total investment	Investment share/ shareholding proportion	Investment during the Reporting Period	Accumulative investment in the projects	Project progress
1	Deyang-Duijiangyan Segment BOT Project of G0511	1,595,400	100%	71,218	203,124	Normal progress
2	Investment, Financing and Construction BT Project of Phase I and II of Metro Line 5 of Chengdu	1,719,899	100%	259,919	979,219	Normal progress
3	The Investment and Financing BT Project of Line 6 of Chengdu Subway	1,766,031	100%	178,754	448,543	Normal progress

Note:

- The above projects were those with a total investment exceeding 10% of the Group's unaudited net assets attributable to the shareholders of the listed company at the end of the previous year within the scope of consolidated statements.
- The Bot Project of Jianyang-Pujiang Expressway in Sichuan commenced trial operation on 28 December 2017. At the end of the Reporting Period, the construction of such project was basically completed.

Section V Significant Events

I. BRIEF INTRODUCTION TO SHAREHOLDER'S GENERAL MEETING

Name of the meeting	Time of meeting	Website for publication of the resolutions	Disclosure date of the publication of the resolutions
2017 Annual General Meeting	11 June 2018	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	12 June 2018

Explanation on Shareholder's General Meeting

Applicable Not applicable

II. PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY TRANSFER PLAN

(I) *The proposed profit distribution plan or reserve-to-equity transfer plan for the half year*

Whether to distribute profit or transfer reserves No

(II) *Details of the implementation or adjustment of the profit distribution plan during the Reporting Period*

The 2017 profit distribution plan had been considered and approved at the 2017 annual general meeting of the Company convened on 11 June 2018, at which a cash dividend of RMB0.18 (tax inclusive) per share based on the total share capital of 13,579,541,500 shares as at 31 December 2017 was declared, totaling RMB2,444,317,470.00. As of 3 August 2018, the distribution of the above cash dividend had been completed.

Section V Significant Events (continued)

III. THE PERFORMANCE OF UNDERTAKINGS

(I) **Undertakings during or carried forward to the Reporting Period by ultimate controller, shareholders, related parties, acquirers of the Company and the Company and other related parties**

Applicable Not applicable

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Is there timely and strict performance	If the Undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the Undertaking fails to be fulfilled in due time, please state the plan in the next step
Commitments associated with the share reform								
Commitments in acquisition report or report on changes in equity								
Commitments associated with major asset reorganization								
Commitments associated with IPO								
Commitments associated with refinancing	Others	CRCCG	If CRCC violates the laws and regulations due to failure in disclosing idle land or other reasons, causing loss to CRCC and its investors, CRCCG shall bear the civil liability of compensation for CRCC and its investors pursuant to the laws.	Long-term	No	Yes		

Section V Significant Events (continued)

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Is there timely and strict performance	If the Undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the Undertaking fails to be fulfilled in due time, please state the plan in the next step
Commitments associated with share incentive	Others	Directors and senior management	If CRCC violates the laws and regulations due to failure in disclosing idle land or other reasons, causing loss to CRCC and its investors, directors and senior management shall bear the civil liability of compensation for CRCC and its investors pursuant to the laws.	Long-term	No	Yes		
Other commitments made to minority shareholders of the Company								
Other commitments	Resolving ownership defects of lands and other properties	CRCCG	Obtaining land certificate and property ownership certificate, covering the costs of obtaining the aforesaid certificates and losses caused thereby.	Long-term	No	Yes		

Note: For more details, please refer to relevant announcements published on 29 March 2014, 19 June 2014, 13 May 2015, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section V Significant Events (continued)

IV. APPOINTMENT AND REMOVAL OF AUDITORS

Explanation on appointment and removal of auditors

Applicable Not applicable

This year, the Company continued to appoint Deloitte Touche Tohmatsu CPA LLP as the external auditor of the Company for the year 2018 to carry out auditing for the financial statements of the Company and to review its 2018 interim financial statements. The Company has appointed Deloitte Touche Tohmatsu CPA LLP to provide auditing services for two consecutive years. The related auditing fees are still under negotiation.

Explanation on change in the auditor during the auditing period

Applicable Not applicable

Explanation of the Company on issuance of a "Non-Standard Auditing Report" by the auditor

Applicable Not applicable

Explanation of the Company on issuance of a "Non-Standard Auditing Report" by the registered accountant in the financial statements of the last year's annual report.

Applicable Not applicable

V. EVENTS REGARDING BANKRUPTCY AND RESTRUCTURING

Applicable Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigation and arbitration during the Reporting Period The Company had no material litigation or arbitration during the Reporting Period

VII. PUNISHMENTS AND RECTIFICATIONS INVOLVED BY LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR ACQUIRER

Applicable Not applicable

VIII. EXPLANATION ON CREDIBILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

IX. INFORMATION ABOUT THE COMPANY'S SHARE INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

(I) Related share incentive events which were disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

(II) Incentive events which were not disclosed in the temporary announcements or with subsequent progress

Information on share incentive

Applicable Not applicable

Other explanation

Applicable Not applicable

Information on employee stock ownership plan

Applicable Not applicable

Other incentive measures

Applicable Not applicable

Section V Significant Events (continued)

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) The related party transactions in relation to the ordinary operations

1. Events disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

Summary of the event

Document for inspection

The 49th meeting of the third session of the Board of the Company was held on 30 October 2017. At the meeting, the Renewal of the Property Leasing Framework Agreement and the Proposal in Relation to the Determination of the Caps of Continuing Connected Transactions for 2018–2019 was considered and approved; the Company agreed to renew the Property Leasing Framework Agreement with the Controlling Shareholder and to determine caps of the relevant connected transactions. According to the Property Leasing Framework Agreement entered into between the Company and the Controlling Shareholder, the annual caps of transaction amount incurred in respect of all leasing properties and lands by the Controlling Shareholder shall not exceed RMB300 million. Prior to submission to the Board for review, the proposal had been approved by independent non-executive Directors of the Company. During the Board review process, independent non-executive Directors also gave independent opinions in favor of the proposal.

For details, please refer to the announcement of the Company dated 31 October 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

The 21st meeting of the third session of the Board of the Company was held on 28 December 2015. At the meeting, the Proposal in relation to the Determination of the Caps of Continuing Connected Transactions for 2016–2018 and the Renewal of the Services Provision Framework Agreement was approved; the Company agreed to renew the Services Provision Framework Agreement with the Controlling Shareholder and to determine caps of the relevant connected transactions. According to the Services Provision Framework Agreement entered into between the Company and the Controlling Shareholder, the annual transaction amount for 2016–2018 shall not exceed RMB600 million. Prior to submission to the Board for review, the proposal has been approved by independent non-executive Directors of the Company. During the Board review process, independent non-executive Directors also gave independent opinions in favor of the proposal.

For details, please refer to the announcement of the Company dated 29 December 2015 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section V Significant Events (continued)

Summary of the event	Document for inspection
<p>The Company and CRCC Financial Leasing Co., Ltd. ("CRFL") entered into the Services Mutual Provision Framework Agreement in 2016, which standardized the financial assistance, equipment procurement and leasing services provided by CRFL to the Company and its subsidiaries and set annual caps. The Company published an announcement in relation to the entering into of the Services Mutual Provision Framework Agreement. The 39th meeting of the third session of the Board of the Company was held from 29 to 30 March 2017. At the meeting, the Proposal on Renewal of the Services Mutual Provision Framework Agreement entered into between the Company and CRFL was considered and approved. The Company adjusted the details for the business transactions with CRFL and reset the annual caps based on its own business development plan. The Company re-entered into the Services Mutual Provision Framework Agreement with CRFL for a term from 1 January 2017 to 31 December 2019. Prior to submission to the Board for review, the proposal had been approved by independent nonexecutive directors of the Company. During the Board review process, independent non-executive directors also gave independent opinions in favor the proposal.</p>	<p>For details, please refer to the announcement of the Company dated 31 December 2016 and 31 March 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).</p>
<p>The 22nd meeting of the third session of the Board of the Company was held on 25 January 2016. At the meeting, the Proposal on Renewal of the Financial Services Agreement entered into between CRFL and the Controlling Shareholder was considered and approved; CRFL, being non-wholly-owned subsidiary of the Company, was approved to renew the Financial Services Agreement with the Controlling Shareholder, and provide deposit, loan, clearing and other financial services to the controlling shareholder and its subsidiaries (excluding the Company) based on the agreement. Prior to submission to the Board for review, the proposal has been approved by independent non-executive Directors of the Company. During the Board review process, independent non-executive Directors also gave independent opinions in favor the proposal.</p>	<p>For details, please refer to the announcement of the Company dated 26 January 2016 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).</p>

Section V Significant Events (continued)

During the Reporting Period, the above-mentioned related-party transactions in relation to ordinary operations have been conducted in accordance with provisions of the agreements, with no change has been made. During the Reporting Period, actual execution of the above-mentioned related party transactions is as follows:

- (1) Related-party transactions with the Controlling Shareholder in relation to ordinary operations of the Group

Unit: '000 Currency: RMB

Related party	Related party transactions type	Related party transactions content	Pricing principle of related party transactions	Related party transactions price	Related party transactions amount	Proportion in similar transactions (%)	Settlement method of related party transactions	Market price	Reason for the difference between transaction price and market price
11 units including Shaanxi Railway Engineering Investigation Co., Ltd.	Expenditure for labor service	Survey, design and consultation	Contracted pricing	/	419,841	0.15	Cash	/	/
Controlling Shareholder	Property leasing expense	Property leasing	Contracted pricing	/	31,796	0.01	Cash	/	/

- (2) Continuing connected transactions between the Company and CRFL

Unit: '000 Currency: RMB

Nature of transaction	Project	Annual cap of 2018	Consolidated amount of transaction during the Reporting Period
Revenue	At the comparable market price which is no less than that of the third party, CRFL will purchase tunnel boring machines and other mechanical equipment from the Company and its related subsidiaries, but the cumulative amount per year shall not exceed RMB9 billion.	9,000,000	539,165
	Under the pre-condition of compliance with the relevant laws and regulations of the state, according to its scope of operation, CRFL may take term deposits of 3 months or more (both days inclusive) from China Railway Construction Heavy Industry Co., Ltd. ("CRCHI") and Beijing CRCC Tianrui Machinery Equipment Co., Ltd. ("CRCC Tianrui"), both of which are subsidiaries of the Company. CRFL shall pay interest based on the agreed interest rate, and the interest rate paid by CRFL shall be no less than the applicable loan rate of the same type offered by major domestic commercial banks. Within the validity term of the agreement, the deposit balance (including accrued interest) that CRFL obtained from CRCHI and CRCC Tianrui shall not exceed RMB500 million.	500,000	-
Expense	CRFL provides financial leasing services and operating leasing services to the Company or its related subsidiaries. Within the validity term of the agreement, CRFL shall charge the fees in relation to the leasing services provided by CRFL to the Company based on the charging standard which is not higher than that of the similar service items provided by financial institutions of the same type in China. The total amount of annual charge for leasing services shall not exceed RMB31.5 billion.	31,500,000	441,057

Section V Significant Events (continued)

- (3) For details of the continuing connected transaction between CRCC Finance Company Limited, a subsidiary controlled by the Company, and the Controlling Shareholder, please refer to “X. (IV) Claims and liabilities between related parties” in this section.

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

3. Events not disclosed in the temporary announcements

Applicable Not applicable

(II) Related party transactions from acquisition and disposal of assets, equity interests

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

3. Events not disclosed in temporary announcements

Applicable Not applicable

4. If agreement upon performance is involved, the performance achievements during the Reporting Period shall be disclosed

Applicable Not applicable

(III) Significant related party transactions on the joint external investment

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

3. Events not disclosed in temporary announcements

Applicable Not applicable

Section V Significant Events (continued)

(IV) Claims and liabilities between related parties

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

Unit: '000 Currency: RMB

Related party	Related party relationship	Provision of funds to related party by the listed company			Provision of funds to the listed company by related party		
		Opening balance	Accrual	Ending balance	Opening balance	Accrual	Ending balance
China Railway Construction Co., Ltd. ^{Note 1}	Controlling Shareholder	1,700,000	300,000	2,000,000	780,564	-	780,564
China Railway Construction Co., Ltd. ^{Note 2}	Controlling Shareholder	-	-	-	170,549	-34,367	136,182
China Railway Construction Jinli Assets Management Co., Ltd. ^{Note 2}	Wholly-owned subsidiary of the Controlling Shareholder	-	-	-	337,721	19,204	356,925
Beijing Tongda Jingcheng Highway Co., Ltd. ^{Note 2}	Non-wholly owned subsidiary of the Controlling Shareholder	-	-	-	242,485	-38,452	204,033
Beijing Railway Construction Technology Magazine Co., Ltd. ^{Note 2}	Wholly owned subsidiary of the Controlling Shareholder	-	-	-	3,136	-141	2,995
Total		1,700,000	300,000	2,000,000	1,534,455	-53,756	1,480,699

Section V Significant Events (continued)

During the Reporting Period, the amount of funds provided to the Controlling Shareholder and its subsidiaries by the Company	300,000
Reasons for claims and liabilities between the Company and related parties	Claims and liabilities between the Company and the related parties were claims and liabilities resulted from operations.
Settlement of claims and liabilities between the Company and related parties	Settlement by normal progress.
Commitments related to claims and liabilities between the Company and related parties	None.
Impact of such claims and liabilities between the Company and related parties on the Company's operating result and financial position	No significant impact.

Note 1: The capital provided by the Company to the related party is the principal of the loan provided from CRCC Finance Company Limited to the Controlling Shareholders. The capital provided by the related parties to the Company was mainly the amount granted by the Ministry of Finance to the Controlling Shareholder, the Controlling Shareholder lent out such amount to the Company by way of entrusted loans, the interest rate of such entrusted loans was determined by RMB loan benchmark rate of the financial institutions for the same period.

Note 2: The amount includes deposits of the Controlling Shareholder and its subsidiaries in CRCC Finance Company Limited, a subsidiary of the Group.

3. Events not disclosed in temporary announcements

Applicable Not applicable

(V) Other material related party transactions

Applicable Not applicable

(VI) Other

Applicable Not applicable

Section V Significant Events (continued)

XI. MAJOR CONTRACTS AND PERFORMANCE

(I) Trusteeship, contracting and leasing matters

Applicable Not applicable

(II) Related guarantee

Applicable Not applicable

Unit: '000 Currency: RMB

External guarantees by the Company (exclusive of the guarantees to subsidiaries)

Guarantor	Relationship with the listed company	Party guaranteed	Guarantee amount	Date of guarantee occurrence (date of signing the agreement)	Guarantee start date	Guarantee due date	Guarantee type	Performance completed or not	Overdue or not	Overdue amount	Counter guaranteed or not	Guarantee by related party	Connected relationship
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	67,200	28 December 2006	28 December 2006	28 December 2026	General guarantee	No	No		No	No	
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	50,400	16 April 2008	16 April 2008	16 April 2028	General guarantee	No	No		No	No	
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd.	992,490	17 March 2014	17 March 2014	30 December 2023	General guarantee	No	No		No	Yes	Associate
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd.	285,837	20 May 2015	20 May 2015	20 November 2023	General guarantee	No	No		No	Yes	Associate
China Railway Construction Investment Group Co., Ltd.	Wholly-owned subsidiary	CRCC Shandong-Beijing-Shanghai Highway Jile Co., Ltd.	195,000	8 December 2016	8 December 2016	7 December 2025	General guarantee	No	No		No	Yes	Associate

Total amount of guarantees for the Reporting Period (exclusive of the guarantees for subsidiaries)	15,920
Ending balance of guarantees for the Reporting Period (A) (exclusive of the guarantees for subsidiaries)	1,590,927

Guarantees for subsidiaries by the Company

Total amount of guarantees for subsidiaries for the Reporting Period	-1,568,854
Ending balance of guarantees for subsidiaries for the Reporting Period (B)	18,185,378

Total guarantees by the Company (inclusive of such guarantees to its subsidiaries)

Total guarantees (A+B)	19,776,305
The proportion of total guarantees in net assets of the Company (%)	10.28
Among which:	
The amount of guarantees provided for the shareholders, actual controllers and their related parties (C)	–
Debt guarantees directly or indirectly to guaranteed objects with the gearing ratio higher than 70% (D)	19,776,305
Of total guarantees, the portion in excess of 50% net assets of the Company (E)	–
Total of the above three categories of guarantees (C+D+E)	19,776,305
Explanation on the potential joint liability arising from the immature guarantees	Not applicable

Explanation on the guarantees

(1) Company's Guarantees for Wholly-Owned Subsidiaries:

It was considered and approved at the 3rd meeting of the fourth session of the Board held from 28 to 29 March 2018 and the 2017 annual general meeting of the Company held on 11 June 2018 that the total cap of the guarantee of the Company to its wholly-owned subsidiaries in 2018 was RMB80 billion. Within the guarantee amount, the Company may adjust the guarantee amount of different business segments according to actual business needs. During the Reporting Period, guarantees granted to wholly-owned subsidiaries by the Company had been in strict compliance with the guarantee cap and did not exceed the approved cap of guarantee.

(2) Company's External Guarantees

- ① In 2006, China Railway Construction Co., Ltd. (formerly known as "China Railway Construction Corporation") had provided RMB67.2 million of guarantee for Sichuan Naxu Railway Co., Ltd.'s RMB400 million of loans pursuant to its 16.8% of capital contribution. Due to the reform in December 2007, it entered into a tripartite agreement with the Company and the Luzhou Branch of China Construction Bank to revise the subject of the contract to the Company. The resolutions in relation to provision of guarantee to the Sichuan Naxu Railway Co., Ltd. for loans were considered and approved at the 10th meeting of the first session of the Board in October 2008. In proportion to the capital contribution of 16.8%, a guarantee of RMB50.4 million was agreed to be provided to Sichuan Naxu Railway Co., Ltd. for its loans of RMB300 million. In 2014, Sichuan Naxu Railway Co., Ltd. was renamed as "Chuantie (Luzhou) Tielu Co., Ltd.", with the amount guaranteed remained unchanged. As at 30 June 2018, the actual effective balance of such guarantee amount was RMB0.1176 billion.
- ② The resolution in relation to the investment in the development and construction of Mirador Copper Mine Project in Ecuador was considered and approved at the 14th meeting of the second session of the Board in August 2012, pursuant to which the Company agreed to provide guarantee of USD387 million, according to the shareholding proportion, for the loan applied by CRCC-Tongguan Investment Co., Ltd. The resolution in relation to the provision of guarantee for the loan advanced to CRCC-Tongguan Investment Co., Ltd. by the Export-Import Bank was considered and approved in the 32nd meeting of the second session of the Board of the Company on 29 April 2014, pursuant to which it was agreed that in proportion to its shareholding ratio of 30%, a guarantee of USD0.0432 billion would be provided to CRCC-Tongguan Investment Co., Ltd. As at 30 June 2018, the actual effective balance of the two aforementioned guarantees amount provided by the Company was RMB1.2783 billion in equivalence.
- ③ CRCC Shandong-Beijing-Shanghai Expressway Jile Co., Ltd. was originally a subsidiary of the Company. In 2017, the Company lost control of the said company due to the disposal of its equity interests, which was no longer included in the scope of consolidation. As the Company can still exert a significant influence over the said company, the Company accounts it as an associate. The original guarantee of RMB195 million for the said company remained with effect after consideration of the Company, hence it was changed to a guarantee for an associate.

Section V Significant Events (continued)

The total amount of the three aforementioned guarantees above was RMB1.5909 billion, increased by RMB15.9 million as compared with the beginning of the period, which was mainly due to the impact of the change of exchange rate between the RMB and the US dollar.

(III) Other Material Contracts

Applicable Not applicable

1. Domestic business contract

Unit: '00 million Currency: RMB

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
1	10 January 2018	The general contracting project of the construction of Shenzhen Urban Rail Transit Line 16	184.262	A consortium comprising China Railway Construction Corporation Limited, China Railway 14 th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 16 th Bureau Group Co., Ltd., China Railway 25 th Bureau Group Co., Ltd., China Railway 24 th Bureau Group Co., Ltd., China Railway 22 nd Bureau Group Co., Ltd., China Railway 19 th Bureau Group Co., Ltd., China Railway 12 th Bureau Group Co., Ltd., China Railway 11 th Bureau Group Co., Ltd.	A construction term of 2,036 calendar days
2	31 January 2018	Wuxi (Chongqing Municipality) to Zhenping (Shaanxi Province) Expressway (Chongqing Section) project	99.1	China Railway Construction Corporation Limited	A construction period of 4 years and an operating period of 30 years
3	1 February 2018	Design and general contracting project of construction of Pearl Bay Bridge (excluding the foregoing section)	30.846	A consortium comprising China Railway Construction Bridge Engineering Bureau Group Co., Ltd. and China Railway Fourth Survey and Design Institute Group Co., Ltd.	A construction term of 1,260 calendar days

Section V Significant Events (continued)

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
4	8 April 2018	Shanty-town renovation and construction project in Bailang River District	41	China Railway 18 th Bureau Group No.2 Engineering Co., Ltd.	A construction term of 1,825 calendar days
5	20 April 2018	The Public-Private-Partnership (PPP) project for the highway project of Zhangye-Wenchuan National Expressway (G0611) (Zhangye-Biandukou Section)	58.726	China Railway Construction Investment Group Co., Ltd., Guangde CRCC-Blue Ocean Longxin Investment Center (LLP), China Railway First Survey and Design Institute Group Co., Ltd., China Railway 20 th Bureau Group Co., Ltd., China Railway 21 st Bureau Group Co., Ltd.	A construction period of around 3 years and an operating period of 30 years
6	25 June 2018	The BOT Project of Huanglong-Pucheng Highway (in Shaanxi Province) of the National Highway Yulin-Lantian Expressway (G65E)	75.36	China Railway 20 th Bureau Group Co., Ltd.	A construction period of 3 years and an operating period of 30 years
7	29 June 2018	The general contracting project of the construction of Hangzhou Metro Line 8 (phase I)	49.314	A consortium comprising China Railway Construction Corporation Limited, China Railway 11 st Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 16 th Bureau Group Co., Ltd. and China Railway 19 th Bureau Group Co., Ltd.	A construction term of 1,086 calendar days

Section V Significant Events (continued)

2. Overseas operation contracts

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
1	15 May 2018	Implementation of Addendum No.4 (Ibadan-Kaduna Segment of the Nigeria Lagos/Kano Rail Line with Branch Line from Oshogbo to Ado-Ekiti)	US\$6.681 billion	China Civil Engineering Construction Corporation	48 months
2	28 June 2018	Open-pit mining and stripping engineering of the Mirador Copper Mine in Ecuador	US\$919.9975 million	China Railway 19 th Bureau Group Co., Ltd.	From the signing date of the contract to 31 December 2029

XII. THE WORK OF THE LISTED COMPANY ON POVERTY ALLEVIATION

Applicable Not applicable

(I) Targeted poverty alleviation plan

Applicable Not applicable

Basic principle: Conscientiously implementing the instructions of General Secretary Xi Jinping on the spirit of “targeted poverty reduction and elimination”, and the decision of the CPC Central Committee, the State Council and the SASAC on strengthening targeted poverty alleviation work, following the working policy of “sincerely making great efforts on poverty alleviation, taking targeted measures to help people lift themselves out of poverty, achieving win-win results on poverty alleviation, making innovations in poverty alleviation and keeping honest in conducting poverty alleviation”, combining with the characteristics of the enterprise itself, adhering to the combination of government predominance and enterprise help, adhering to the combination of mutual benefit and poverty alleviation, adhering to the principle of combining comprehensive advancement with key breakthroughs, promoting the work of taking targeted measures to help people lift themselves out of poverty, and resolutely winning the fight against poverty.

Overall objective: Working together with the local government to achieve “two ensurings”. By 2020, ensuring that the poor in the assisted areas will be out of poverty, and ensuring that the poor districts and counties in the assisted areas will be out of poverty.

Main tasks: Providing poverty alleviation aid to Wanquan District and Shangyi County in Zhangjiakou City, Hebei Province; Gande County in Qinghai Province; Sunjia Xiaozhuang Village in Guoleizhuang Town, Sanlizhuang Village in Jiubao Township, and Nanzhaonian Village in Xiamajuan Township, Shangyi County, Zhangjiakou City; Xielong Village in Gande County, Qinghai Province; Liangsan Village in Liangwangzhuang Township, Jinghai District, Tianjin; Nanlilou Village in Zhangluji Township, Yuncheng County, Shandong Province; Shahukou Village in Youyu County, and Qingxiang Village in Fenxi County, Shanxi Province; Wutai Village in Guanghuo Street, Ningshan County, and Beiguan Village in Long County, Baoji City, Shaanxi Province; Yanluozhai Village in Shiyangshao Township, and Daimaopo Village in Yanmen Town, Mayang County, Huaihua City, Hunan Province; Yinmenghu Village in Langhe Town, Danjiangkou, Hubei Province; Lama Village and Balang Village in Lujing Township, Dingxi City, Gansu Province; Longna Village in Mashan County, and Hongyang Village in Long’an County, Nanning City, Guangxi Province; Teke Village in Xinshiba Town, Ganluo County, Sichuan Province; Meibai Village in Yunyang County, Chongqing; and Xiadang School and Xiadang Village in Shouning County, Ningde City, Fujian Province.

Section V Significant Events (continued)

Safeguard measures: Firstly, improving mechanism and strengthening responsibility. Paralleling with the adjustment of the leadership team, the Party Committee of CRCC timely adjusts the composition of the leading group of fixed-point poverty alleviation work to ensure the continuous performance of leadership responsibilities. Each secondary unit participating in the fixed-point poverty alleviation work has set up its leading group of fixed-point poverty alleviation work, as well as the front-line working group for poverty alleviation work (undertaken by cadres taking temporary posts) and the rear services support group (composed of the relevant department of each unit), establishing a working mechanism of “unified management and hierarchical responsibility”, in which the leading group makes overall decisions, the support group ensures cohesive operation, the relevant department provides support and coordinates, and the cadres taking temporary posts undertake tasks, which promotes the fixed-point poverty alleviation work by attaching equal importance to upper level and lower level, through linkage between the front-line working group and the rear services support group, and by making it deeply rooted in the Company. Secondly, selecting excellent cadres, and strengthening the assessment. Selecting outstanding young cadres who have good political and ideological quality, strong sense of responsibility and dedication, strong working ability and development potential to the assisted areas to take a temporary post (or to hold a post). Adhering to the combination of strict management and positive incentives, and strengthening the application of the results of the assessment on term objectives and annual targets so as to stimulate the enthusiasm of the work of poverty alleviation cadres. Thirdly, enforcing strict disciplines and enhancing supervision. The transparent operation and use of the poverty alleviation projects and funds are ensured through such measures as standardizing the use of poverty alleviation funds, strengthening the construction of work style of poverty alleviation cadres, and enhancing discipline enforcement and supervision. CRCC has full coverage of supervision on targeted poverty alleviation work in Sanqu County to strictly inspect violations of rules and disciplines in the work of targeted poverty alleviation. Meanwhile, the dispatched unit is required to visit the place for poverty alleviation once every three months to look over financial accounts, receipts and vouchers, and signed contracts, as well as be briefed on local people’s advice and public opinions at any time to ensure the progress of poverty alleviation work in a healthy and orderly manner.

(II) Summary of targeted poverty alleviation during the Reporting Period

Applicable Not applicable

In the first half of the year, the Company sent a total of 23 cadres for fixed-point poverty alleviation, and paid the funds of RMB28.71 million. The materials donated by the Company were equivalent to RMB1.02 million. The Company helps 2,057 people who were on the records of the poor households to lift themselves out of poverty. The Company invested RMB10.22 million into 19 industrial poverty alleviation projects.

1. Defined corporate responsibility and strengthening of organizational responsibility

CRCC resolutely implemented the decisions and arrangements of the CPC Central Committee, the State Council and the SASAC, and proactively performed its political and social responsibilities. While maintaining corporate development, it took the initiative to shoulder the heavy responsibility of poverty alleviation, implemented hundred-percent the strategic thinking of “targeted poverty alleviation and elimination”, and spared no efforts in assisting and supporting the deprived regions to accelerate the pace of poverty alleviation. Upon consideration, the Standing Committee of the Party Committee of the Company decided to issue the Notice on Further Stepping Up the Efforts in Poverty Alleviation, calling for the whole system to perform its social responsibility and enhance the undertaking of responsibility. In the process of poverty alleviation, the relevant assisting organization strengthened and implemented its organizational responsibility and main responsibility, ensured clear work assignment, defined responsibility, distribution of tasks to each staff member and appropriate assessment, thereby establishing a working mechanism, in which the Company carried out overall planning, the relevant unit took charge, and the front-line cadres focused on the implementation of poverty alleviation. All departments fulfilled their respective responsibilities and made joint efforts at the same time. The Party Committees of multiple subsidiaries of the Company has set up their leading groups of poverty alleviation, with each leading group comprising the leaders as the head of group and deputy secretary of the Party Committee responsible for the specific work. The responsibilities and the specific working bodies and contact institutions of the leading group of poverty alleviation work were clarified to ensure that the poverty alleviation work could be carried out smoothly among organizations at three-levels, being county, township and village.

2. Strengthening poverty alleviation management and paying close attention to the implementation of key projects

In the first half of the year, CRCC convened two meetings on the progression of poverty alleviation work. The poverty alleviation related issues were also specially discussed at four meetings of the Standing Committee of the Party Committee. Subsidiaries at all levels undertaking poverty alleviation work strengthened poverty alleviation management, focused on the discussion and formulation of targeted poverty alleviation work plans for the regions with harsh natural environment and severe poverty issues, so as to implement specific poverty alleviation work. China Railway Fourth Survey and Design Institute Group Co., Ltd. timely revised and issued the Administrative Measures for the Poverty Alleviation Task Force Dispatched to Villages (《驻村扶貧工作隊管理辦法》) to supplement and enhance the assisting work force dispatched to villages to, and impose more rigid requirements on the management of the task force dispatched to villages. The Party Committee of each subsidiary providing targeted assistance proactively implemented poverty alleviation management, and the main leaders of the Party took the lead in arrangement and deployment, contact with the assisted region, investigation and research, inspection and supervision, and active contact with the local government. Based on extensive and in-depth investigation and research, poverty alleviation plans were formulated for conscientious implementation of poverty alleviation tasks. Li Chunde, the secretary of the Standing Committee of the Party Committee and Discipline Inspection Committee of CRCC, led a team to visit Teke Village in Xinshiba Town, Ganluo County, Liangshan Yi Ethnic Group Autonomous Prefecture, Sichuan Province, and carried out investigation and inspection of work style in poverty alleviation to ensure the implementation of various poverty alleviation measures.

Section V Significant Events (continued)

3. To achieve better poverty alleviation results through joint efforts

CRCC is committed to solving the most direct and most realistic problems which the poverty-stricken masses are most concerned about. Targeting the starting point of local poverty alleviation and by combining corporate characteristics with local features and advantages, the Company carried out industrial development promotion, education base construction, labour service export, infrastructure construction, agricultural resources export and poverty alleviation led by Party building, thereby promoting poverty alleviation work in an all-round way and at multiple levels to practically improve the effectiveness of poverty alleviation.

Further promoting poverty alleviation work with joint efforts. CRCC has joined forces to provide continuous and strong support for the development of Hebei Wanquan Mine Machinery Factory (河北萬礦機械廠), Hebei Zhangjiakou Yuebei Shenshui Mineral Water Development Co., Ltd. (河北省張家口市粵北神水發展有限責任公司), Shangyi Jinlunbi Clothing Company (尚義金倫比服飾公司), Guzhichan Zhangjiakou Food Co., Ltd. (穀之禪張家口食品有限公司) and Wantie Trading Co., Ltd. (萬鐵商貿有限公司) and other enterprises, with the purposes of increasing sales of products and stimulating employment of local people through industrial development. In the first half of the year, China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司) assisted in the sale of mineral water aggregating over 50,000 boxes, with sales of nearly RMB2.5 million. All departments within the company actively placed orders. China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司) contributed RMB8 million to jointly establish Weinan Heli Industrial Poverty Alleviation Co., Ltd. (渭南合力產業扶貧有限公司) with 11 entities including Shaanxi Nonferrous Metal Holding Group Co., Ltd. (陝西有色金屬控股集團有限責任公司) for active participation in industrial poverty alleviation projects. China Railway 12th Bureau Group Co., Ltd. contributed RMB200,000 to promote the construction of infrastructure for ecological projects in Shahukou Village in Youyu County, Shanxi Province. China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司) invested over RMB150,000 in the construction of 12 mushroom cultivation greenhouses in Fenxi County, Shanxi Province, which has formed a production base of a certain scale, to help the deprived region to be lifted out of poverty as soon as possible.

With the support of educational resources improvement, promoting poverty alleviation through the establishment of new education bases with the support of educational resources improvement. CRCC introduced a smart cloud education platform, which is worth over RMB7 million, from Yunxiao (Beijing) Technology Co., Ltd. (雲校(北京)科技有限公司) to provide continuous teaching service to the primary schools and kindergartens in Wanquan District and Shangyi County free of charge, benefiting thousands of students and promoting balanced development of education in underdeveloped regions. China Railway 12th Bureau Group Co., Ltd. and China Railway 17th Bureau Group Co., Ltd. jointly contributed RMB4.35 million to assist in the construction a youth activity center in Gande Town, which will provide various activities for teenagers in this deeply impoverished region. China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司) donated RMB300,000 to build a small recording room in Chengguan Town, Qingshuihe County, Inner Mongolia. China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司) donated RMB200,000 for repair and maintenance of the teaching building of Shangyi No.3 Middle School, proactively improving local educational resources.

Section V Significant Events (continued)

Based on the core business, accelerating the pace of poverty alleviation through export of labour service. Our subsidiaries actively carried out export of labour service in impoverished regions to domestic and overseas projects, with employment of 13 documented labours and 19 college graduates in Wanquan District and Shangyi County. China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司) entered into the Letter of Intent on Cooperation Framework of Labour Employment and Training Assisted by Central Enterprises for Targeted Poverty Alleviation (《精準扶貧央企助力勞務用工培訓合作框架意向書》) with Wenshan Autonomous Prefecture and the Cooperation Agreement on Labour Employment for a Well-off Standard of Living (《攜手奔小康勞務用工合作協定書》) with Guangnan County, with the purposes of establishing a base with relatively stable supply of labour service and matching between export and receiving of labour service, and accelerating the pace of poverty alleviation. China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司) carried out training sessions for the labour forces in the village and have them employed by the nearby white goose farm and its projects, thereby achieving stable employment of labour forces in poverty.

Based on infrastructure projects, ensuring people's livelihood through infrastructure improvements. Railway 14th Bureau Group Co., Ltd. invested RMB3.76 million in the joint establishment of a nursing home with the government of Ximaquan Township, Shangyi County; invested RMB700,000 in the improvement of the photovoltaic power generation project in Nanzhaonian Village; and invested RMB600,000 in the road maintenance project in Nanlilou Village, Yuncheng County. China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司) transformed a piece of collectively-owned land with an area of 270 mu in Daxingwan, Zhoumen Village, Caidian District, Wuhan City, Hubei Province, into a large-scale crab and shrimp pond, which contributed to the development of collective economy of the village; and invested RMB350,000 in the road construction in Zhuping Village, Baiguo Township, Enshi Autonomous Prefecture, Hubei Province. China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) invested RMB260,000 to carry out the "Household to Household" project in Daimaopo Village. China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司) invested RMB200,000 in the building of a leisure square in the neighborhood of targeted poverty alleviation households in Xiachengzi Town.

Based on the plantation of local agricultural products, carrying out poverty alleviation through export of agricultural products. The 260 mu of pollution-free minor cereals supply base established by China Railway 14th Bureau Group Co., Ltd. employs local people with financial difficulties to conduct plantation and management, which has stimulated the employment of nearly 2,000 local people with financial difficulties. China Railway Fourth Survey and Design Institute Group Co., Ltd. (中鐵第四勘察設計院集團有限公司) got access to over RMB300,000 of project fund for the construction of greenhouses for Chinese medicinal herbs plantation in Menghu Village, which has promoted the local development of Chinese medicinal herbs plantation. China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司) self-raised RMB110,400 of project fund for the construction of a pepper plantation demonstration base with an area of 500 mu, which has laid the foundation for the development of characteristic industries. China Civil Engineering Construction Corporation (中國土木工程集團有限公司) invested RMB20,000 to assist Xiadang Village in establishing the first tea garden in the country under the brand name of "Taste of the Countryside" custom-made for poverty alleviation.

Section V Significant Events (continued)

Based on grassroots Party building, promoting poverty alleviation by enhancing Party spirit of grassroots Party members. CRCC invested RMB500,000 in the establishment of a Party building activity center in Sanlizhuang Village. Multiple poverty alleviation units under CRCC carried out construction and maintenance of service centers for Party members and the masses in the villages, assistance to Party members and the masses with financial difficulties, Party member education and training of the Party branch secretary, thereby standardizing the system of “three meetings and one lesson” in the Party branch of the assisted village, enhancing grassroots Party building and improving abilities and quality of the personnel in the Party branch committee and villagers’ committee for them to be the backbone power in poverty alleviation work. With awards and rankings, Party members are encouraged to take the lead in poverty alleviation.

(III) Achievements of targeted poverty alleviation

Applicable Not applicable

Unit: 0'000 Currency: RMB

Indicator	Quantity and implementation
I. Overall situation	
Including: 1. Funds	2,871.56
2. Amount of money converted from materials	102.19
3. Number of the people lifted out of poverty, who were on the records	2,057
II. Itemized investments	
1. Lifting the poor out of poverty through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation in agriculture and forestry industry <input type="checkbox"/> Poverty alleviation in tourism <input checked="" type="checkbox"/> Poverty alleviation in e-commerce <input checked="" type="checkbox"/> Poverty alleviation in assets profit <input checked="" type="checkbox"/> Poverty alleviation in science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	19
1.3 Amount invested in industrial poverty alleviation projects	1,021.94
1.4 Number of the people lifted out of poverty, who were on the records	1,554

Section V Significant Events (continued)

Indicator	Quantity and implementation
2. Lifting the poor out of poverty through finding jobs elsewhere	
Including: 2.1 Amount invested in vocational skills training	14.15
2.2 Number of the poor who have received vocational skills training	219
2.3 Number of the poor on the records who are helped to get employed	93
3. Lifting the poor out of poverty through relocation	
Including: 3.1 Number of the poor out of poverty through relocation who are helped to get employed (person)	-
4. Lifting the poor out of poverty through education	
Including: 4.1 Amount invested in helping the poor students	57.84
4.2 Number of the poor students who are funded	320
4.3 Amount invested for improving educational resources in poor areas	69.07
5. Lifting the poor out of poverty through better health care	
Including: 5.1 Investment amount of medical and health resources in poverty – stricken areas	7.18
6. Poverty alleviation through ecological protection	
Including: 6.1 Project title	<input type="checkbox"/> Ecological protection and construction <input type="checkbox"/> Establishing Compensation Mode of Ecological Protection <input type="checkbox"/> Establish ecological public welfare post <input checked="" type="checkbox"/> Others
6.2 Amount invested	21.34
7. Guaranteed basic living standard for people unable to work	
Including: 7.1 Investment in left-behind children, women and the elderly	402.83
7.2 Number of left-behind children, women and the elderly assisted	450
7.3 Investment in assisting poor people with physical disabilities	15.03
7.4 Number of poor people with disabilities assisted	104

Section V Significant Events (continued)

Indicator	Quantity and implementation
8. Social poverty alleviation	
Including: 8.1 Investment in coordinated poverty alleviation in East and West China	–
8.2 Investment in targeted poverty alleviation programs	203.40
8.3 Charity funds for poverty alleviation	920.21
9. Other projects	
Including: 9.1 Number of projects	21
9.2 Amount invested	240.2
9.3. Number of registered poor people lifted out of poverty	16
9.4 Explanation for other projects	Local infrastructure construction project, assistance in public facilities construction, donation of disaster relief supplies, assistance in plantation project, purchase in lieu of donation, the “visiting people and sending support” activity
III. Honors (contents and levels)	
CRCC was honoured “Poverty Alleviation Model Company of Qinghai Province 2017 (青海省2017年度脱贫攻坚先进单位)” (Provincial level)	

(IV) **Stage progress in fulfilling the social responsibility of targeted poverty alleviation**

Applicable Not applicable

Currently, all poverty alleviation projects in the counties, townships and villages for targeted poverty alleviation are progressing according to the established procedures. Wanquan District in Zhangjiakou City is at the final stage of poverty alleviation task in 2018.

(V) **Subsequent targeted poverty alleviation plan**

Applicable Not applicable

In the second half of the year, CRCC will extend project assistance, intellectual assistance and market assistance, and make our due contribution to the realization of the goals for poverty alleviation with more robust measures, more effective organization, greater perseverance and more practical work in accordance with the requirements of the CPC Central Committee, the State Council and the SASAC.

Furthering the understanding of and stepping up the efforts in poverty alleviation. CRCC will continue to fully implement the instructions given by General Secretary Xi in a series of speeches, and arrange the relevant personnel to undertake due responsibility and conduct high-quality poverty alleviation work, so as to achieve positive results. The poverty alleviation work conducted in deeply impoverished regions will further be aimed at the poverty alleviation of documented underdeveloped villages and households with financial difficulties, and will be conducted based on various projects.

Making innovations in poverty alleviation in combination with corporate edges. The Company will continue to step up its efforts in promoting poverty alleviation through development of industries, education, labour employment, improvement of people's livelihood, e-commerce, Party building, etc. By fully leveraging on the core business advantages of poverty alleviation entities, and the advantages of poverty alleviation cadres in knowledge, skills and resources, while in combination with the enterprise requirements and local situations, we will practically solve problems for impoverished regions and complete poverty alleviation tasks as scheduled, thus winning the battle against poverty with determination.

Strengthening poverty alleviation management and control, and carrying out special inspections. The Company will continue to carry out special inspection, self-examination and self-correction of discipline enforcement and accountability in poverty alleviation. The relevant department of the Discipline Inspection Committee will conduct review of relevant procedures of poverty alleviation work, supervision of poverty alleviation funds and allocation of poverty alleviation cadres, and make corresponding explanations in self-examination and self-correction reports, so as to ensure the standardization of poverty alleviation work.

XIII. CONVERTIBLE BONDS

Applicable Not applicable

(I) *Issuance of convertible bonds*

During the Reporting Period, the Company did not issue convertible corporate bonds. As of the end of the Reporting Period, the Company issued two tranches of H share convertible bonds in total, details of which are set out as follows:

(1) **Issuance of US\$500,000,000 zero coupon convertible bonds due 2021**

On 29 January 2016, the Company issued the H share convertible bonds at an aggregate principal amount of US\$500,000,000 (hereinafter referred to as "US\$ H Share Convertible Bonds"), which will due on 29 January 2021, with a par value of US\$250,000 each and were issued at 100% of its par value with zero coupon. The initial conversion price of the US\$ H Share Convertible Bonds is HK\$10.30 per H share, which was adjusted to HK\$10.15 per H share on 19 July 2016. The conversion price was adjusted to HK\$10.02 per H share on 19 July 2017. The subscribers of the US\$ H Share Convertible Bonds are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). Calculated based on the net proceeds from the issuance of the US\$ H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$9.94 (at the pre-determined exchange rate of US\$1.00 = HK\$7.7944). The closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 18 January 2016 (being the trading day on which the subscription agreement of the US\$ H Share Convertible Bonds was signed) is HK\$7.49 per H share, and the closing price as quoted on the Hong Kong Stock Exchange on 19 July 2016 (being the effective date of the first adjustment of the conversion price) is HK\$9.39 per H share. The closing price as quoted on the Hong Kong Stock Exchange on 19 July 2017 (being the effective date of the second adjustment of the conversion price)

Section V Significant Events (continued)

was HK\$10.96 per H share. The proceeds from the issuance of the US\$ H Share Convertible Bonds by the Company were intended to be used for, among others, domestic and overseas projects investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 30 June 2018, all proceeds from the abovementioned issuance of the US\$ H Share Convertible Bonds have been used for replenishment of working capital of the Company and repayment of domestic and overseas bank loans.

(2) Issuance of RMB3.450 billion US\$ settled 1.5% convertible bonds due 2021

On 21 December 2016, the Company issued the RMB3.450 billion US\$ settled 1.5% convertible bonds (hereinafter referred to as “RMB H Share Convertible Bonds”), which will due in 2021 and can be converted into H shares of the Company. The RMB H Share Convertible Bonds were issued in registered form in minimum denominations of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. The aggregate issuance price represented 100% of the principal amount of the bonds. The subscribers are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). The initial conversion price of the RMB H Share Convertible Bonds is HK\$13.7750 per H share, and the conversion price was adjusted to HK\$13.59 on 19 July 2017 per H share. Calculated based on the net proceeds from the issuance of the RMB H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$12.77 (for reference purpose only, at the exchange rate of US\$1.00 = HK\$7.34). The closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 7 December 2016 (being the trading day on which the subscription agreement of the RMB H Share Convertible Bonds was signed) is HK\$11.02 per H share. On 19 July 2017 (being the effective date of the first adjustment of the conversion price), the closing price quoted on the Hong Kong Stock Exchange was HK\$10.96 per H share. As of 30 June 2018, US\$285 million of proceeds from this issuance of the RMB H Share Convertible Bonds had been used for the purpose of replenishment of general working capital for overseas projects. The remaining proceeds will be used in accordance with the purposes disclosed in the announcement of the Company dated 8 December 2016.

For more details, please see relevant announcements published on 3 June 2015, 29 October 2015, 30 October 2015, 19 January 2016, 28 January 2016, 18 July 2016, 8 December 2016, 21 December 2016 and 18 July 2017, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company’s website (www.crcc.cn), respectively.

(II) Holders and guarantors of convertible bonds during the Reporting Period

The US\$ H Share Convertible Bonds of an amount of US\$500,000,000 issued by the Company on 29 January 2016 and the RMB H Share Convertible Bonds of an amount of RMB3.45 billion issued by the Company on 21 December 2016 were held by The Hong Kong and Shanghai Banking Corporation Limited, the trustee on behalf of the Company with no guarantee provided. Pursuant to the relevant requirements of the above H share convertible bonds, information of the bondholders was only recorded in the clearing system. No customers’ information was allowed to be disclosed by the trustee to any third parties without the authorization from the customers.

Section V Significant Events (continued)

(III) Changes in convertible bonds during the Reporting Period

Not applicable.

(IV) Accumulated conversion of convertible bonds during the Reporting Period

Not applicable.

(V) Previous adjustments to conversion price

1. Previous adjustments to the conversion price of US\$ H Share Convertible Bonds

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2016	10.15	18 July 2016	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2015
19 July 2017	10.02	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
The latest conversion price as of the end of Reporting Period				10.02

Section V Significant Events (continued)

2. Previous adjustments to the conversion price of RMB H Share Convertible Bonds

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2017	13.59	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
The latest conversion price as of the end of Reporting Period				13.59

As at the disclosure date of the report, according to the implementation plan of dividend distribution for the year 2017, the conversion prices of two tranches of H share convertible bonds issued by the Company were adjusted on 17 July 2018. In particular, the adjusted conversion price of the US\$ H Share Convertible Bonds with an amount of US\$500,000,000 million issued by the Company is HK\$9.83, and the adjusted conversion price of the RMB H Share Convertible Bonds with an amount of RMB3.450 billion issued by the Company is HK\$13.34. For details, please refer to relevant announcement published on 17 July 2018 on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the company's website (www.crcc.cn).

(VI) **The Company's liabilities, creditworthiness and availability of cash for repayment of debts in future years**

During the Reporting Period, there was no significant change in the Company's liabilities and creditworthiness. Credit rating granted by all credit rating agencies to the Company remained unchanged. The initial conversion price of the US\$ H Share Convertible Bonds issued by the Company was HK\$10.30 (conversion price as of the end of the Reporting Period: HK\$10.02). During the Reporting Period, the closing price on several trading days exceeded such conversion price, but no investor has demanded for conversion, which illustrated the high value of the conversion price of the bonds issued by the Company and the investors were willing strongly to hold the Company's convertible bonds. The US\$ H Share Convertible Bonds issued by Company bore zero coupons, while the RMB H Share Convertible Bonds bore a coupon of 1.5%, which is far lower than that of the US\$ bonds with the same rating in the market. Hence, the investors are possibly not to hold the bonds for principal to maturity. The Company has abundant cash flow and in the meanwhile, banks granted sufficient credit to the Company. Even though the holders hold such bonds to maturity, the Company is fully capable of redeeming in cash.

(VII) Other description of convertible bonds

1. Dilution impact of conversion of H share convertible bonds on the shareholding

(1) Dilution impact of US\$ H Share Convertible Bonds on the shareholding

As at the end of the Reporting Period, the outstanding principal amount of US\$ H Share Convertible Bonds was US\$500 million. If all outstanding US\$ H Share Convertible Bonds were converted based on the latest adjusted conversion price as of the end of the Reporting Period (HK\$10.02 per H share), the maximum total number of H shares to be issued by the Company will be 388,942,115 H shares (based on the pre-determined exchange rate of US\$1.00 to HK\$7.7944). The Company has sufficient general mandate to issue the H shares upon full conversion of the US\$ H Share Convertible Bonds.

The table below sets forth the changes in shareholding structure of the Company if the US\$ H Share Convertible Bonds had been fully converted as at the end of the Reporting Period:

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds		If the US\$ H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$10.02 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued share capital (%)
The Controlling Shareholder	A share	7,567,395,500	55.73	7,567,395,500	54.17
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.18
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,465,238,115	17.65
Total	/	13,579,541,500	100.00	13,968,483,615	100.00

Note: Including the H shares held by National Council for Social Security Fund.

Section V Significant Events (continued)

(2) Dilution impact of RMB H Share Convertible Bonds on the shareholding

As at the end of the Reporting Period, the outstanding principal amount of RMB H Share Convertible Bonds was RMB3.45 billion. If all outstanding RMB H Share Convertible Bonds were converted based on the latest adjusted conversion price as of the end of the Reporting Period (HK\$13.59 per H share), the maximum total number of H shares to be issued by the Company will be 285,303,590 H shares (at the fixed exchange rate of RMB0.8898 to HK\$1.00). The Company will have sufficient general mandate to issue the H shares upon full conversion of the RMB H Share Convertible Bonds.

The table below sets forth the changes in shareholding structure of the Company if the RMB H Share Convertible Bonds had been fully converted as at the end of the Reporting Period:

Shareholders	Class of shares	No conversion of any RMB H Share Convertible Bonds		If the RMB H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$13.59 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	7,567,395,500	55.73	7,567,395,500	54.58
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.39
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,361,599,590	17.03
Total	/	13,579,541,500	100.00	13,864,845,090	100.00

Note: Including the H shares held by National Council for Social Security Fund.

Section V Significant Events (continued)

(3) *Combined dilution impact of US\$ H Share Convertible Bonds and RMB H Share Convertible Bonds on the shareholding*

The table below sets forth the changes in shareholding structure of the Company if the US\$ H Share Convertible Bonds and RMB H Share Convertible Bonds were fully converted as at the end of the Reporting Period:

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds or RMB H Share Convertible Bonds		If the US\$ H Share Convertible Bonds and the RMB H Share Convertible Bonds were fully converted based on their respective adjusted conversion prices at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling shareholder	A share	7,567,395,500	55.73	7,567,395,500	53.09
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	27.61
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,750,541,705	19.30
Total	/	13,579,541,500	100.00	14,253,787,205	100.00

Note: Including the H shares held by National Council for Social Security Fund.

As integrated above, diluted earnings per share as calculated were RMB0.53 per share. For analysis of the impact of dilution of earnings per share, please refer to Note V “61 Earnings per share” to the Financial Report in this report.

2. Accounting Treatment for the H share convertible bonds

(1) *Accounting Treatment for the US\$ H Share Convertible Bonds*

The Company evaluated the fair value of such bonds as at the date of issuance and separated the liability component and embedded financial derivative component in the convertible bonds. In the separation, the initial recognition of embedded financial derivatives is made at the fair value, whereas the initial recognition amount of liability component equals to the total issuance amount less the embedded financial derivative component. The transaction fee of the issuance of such bonds will be allocated to the liability component and the derivative component based on their respective fair values.

For the liability component, the Company conducted subsequent calculation through effective interest method according to the initial recognition amount during the term of the bonds based on the amortized cost, and carried out revaluation based on the then exchange rate at the end of the period.

For the derivative component, as at 30 June 2018, the Company revalued the fair value of the derivatives. The decrease of US\$51,615,000 in derivatives will be recognized through profit or loss.

Section V Significant Events (continued)

(2) Accounting Treatment for the RMB H Share Convertible Bonds

The RMB H Share Convertible Bonds issued by the Company contain a liability component and an equity component according to their terms. On initial recognition, the liability component is separated from the equity component.

The Company evaluated the fair value of such bonds as at the date of issuance and separated the liability component and equity instruments component for the convertible bonds. In the separation, the initial recognition of liability component is made at the fair value, whereas the initially recognized amount of the liability component equals to the total issuance amount less the initial recognized amount of the equity component. The transaction fees will be allocated on a pro rata basis based on the fair price of the initial recognized amount of the liability component and the equity component in the separation. Transaction fees associated with liability component will be recognized as liability whereas transaction fees associated with equity component will be recognized as other equity instruments. See details in the Note V “40 Other equity instruments” of the Financial Report attached to this Report.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The value of conversion option classified as equity remains in equity.

XIV. ENVIRONMENTAL INFORMATION

(I) **Explanation on environmental protection of companies and their significant subsidiaries classified as the key pollutant discharging units announced by the environmental protection department**

Applicable Not applicable

(II) **Environmental issues of companies other than those classified as the key pollutant discharging units**

Applicable Not applicable

CRCC is a company operated in the engineering construction industry, which is a non-industrial enterprise and is principally engaged in the construction of engineering projects. In the course of business, the Group strictly abides by the national environmental protection related policies, as well as laws and regulations, resolutely implements the national laws and regulations such as Environmental Protection Law, and regulatory documents, such as Action Plan for Prevention and Treatment of Air, Water and Soil Pollution, issued by the State Council. The Group has always practiced the environmental management concept of “reasonable energy use and green construction”, made continuous innovations in environmental protection work with the help of science and technology, and consciously fulfilled and assumed the social responsibility of environmental protection, striving to become a “resource-saving and environmentally-friendly” enterprise, and contributing to the construction of ecological civilization of the state by fighting for an environment with blue sky, clear water and rich soil.

Section V Significant Events (continued)

The major emissions of the Group in the course of business include CO₂ generated from the use of oil, gas and coal, as well as solid wastes such as construction waste generated during construction of engineering projects.

To reduce the emission of carbon dioxide, the Group has taken the following measures: firstly, controlling the total energy consumption; secondly, adjusting the energy utilization structure to cut down the consumption of energy with high carbon dioxide content; thirdly, adopting clean energy and promoting the clean production strategy; fourthly, discarding obsolete capacity and process and purchasing energy-saving and advanced equipment; fifthly, optimizing the construction plan to accelerate construction and shorten construction period, thus reducing energy consumption; sixthly, applying advanced technologies to help with energy conservation.

For the purpose of utilizing construction waste in an efficient manner to reduce the total discharge, the Group has taken the following measures: firstly, recycling and treating construction waste for reutilization purposes; secondly, having comprehensive treatment on construction waste in accordance with environmental standards and requirements and discharging the waste only when it met such standards; thirdly, initiating the energy substitution project, using steel over timber, adopting convertible materials and expanding the cycle of convertible materials, thus reducing the production of waste.

(III) Explanation of reasons for non-disclosure of environmental information by companies other than those classified as the key pollutant discharging units

Applicable Not applicable

(IV) Explanation of the follow-up progress of or changes in the disclosure of environmental information during the Reporting Period

Applicable Not applicable

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Compared with the last accounting period, the change of accounting policies, accounting estimates and calculation methods and their reasons and impact

Applicable Not applicable

The Group has adopted the *Accounting Standards for Business Enterprises No.14–Revenue* amended by the Ministry of Finance ("MoF") in 2017(hereinafter by referred to as the "New Revenue Standard" while the "Original Revenue Standard" refers to the revenue standard prior to amendment), as well as the *Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No.24–Hedging Accounting* and the *Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments* (the four standards mentioned above are collectively referred to as "New Standards of Financial Instruments".) since 1 January 2018.

Section V Significant Events (continued)

In accordance with the notice from the MoF, for companies listed in domestic markets as well as overseas markets, or listed in overseas markets and adopted IFRS or ASBE to prepare financial statements, the New Revenue Standard and the New Standards of Financial Instruments shall be adopted from 1 January 2018. Therefore, the Company has adopted the New Revenue Standard and the New Standards of Financial Instruments mentioned above since 1 January 2018.

In addition, the financial statements of the Group have been prepared based on *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai [2018] No.15, hereinafter as "Cai Kuai No. 15 Document") issued by MoF on 15 June 2018. The comparative financial information are presented according to Cai Kuai No. 15 Document.

1. Impact of the New Revenue Standard on the Group

In accordance with the New Revenue Standard, during the first implementation of the standard, the accumulative amounts impacted shall be adjusted in the opening balance (i.e. balance as at 1 January 2018) of retained earnings and other relevant items in the financial statements, with no impacts on comparative information. In the adoption of the New Revenue Standard, the Group only adjusted the accumulative impacted amounts for contracts not completed at the date of the first implementation.

2. Impact of the New Standards of Financial Instruments on the Group

In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in unquoted equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

Section V Significant Events (continued)

In terms of the impairment of financial assets, financial assets measured at amortised cost, contract assets, leasing receivables and financial guarantee contracts of the Group are within the scope of New Standards of Financial Instruments. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognised as the expected credit losses within 12 months or over the entire duration based on whether credit risks of relevant items have been increased significantly from the initial recognition. For accounts receivable, contract assets and leasing receivables from transactions within the scope of revenue standards can be simplified and recognised as the expected credit losses over the entire duration. For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date.

Such changes in accounting policies and the adjustment to the format of financial statements of enterprises did not cause any material impact on the financial position, operating performance, cash flow and future operating results of the Group. For details in relation to the impact of accounting policies on the Group, please refer to “33 Changes in significant accounting policies” as set out in Note III to the Financial Statements of this report.

(II) The correction on significant accounting errors required to be restated, its amount after correction, reasons and impact during the Reporting Period

Applicable Not applicable

(III) Others

Applicable Not applicable

XVI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company strictly complied with all code provisions of the Company Law, the Securities Law, relevant laws and regulations of Hong Kong and all the code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules. In the meantime, in accordance with relevant laws and regulations issued by the supervision department, the Company conducted corporate governance activities, and constantly improved corporate governance structure.

XVII. SUBSEQUENT EVENTS

(I) Change in executive Director of the Company

On 20 July 2018, the ninth meeting of the fourth session of the Board of the Company considered and approved the Resolution on Appointment of an Executive Director of the Company. Mr. MENG Fengchao has ceased to hold his positions as the chairman and an executive Director of the Company and other relevant positions of the Board in light of his age. As recommended by China Railway Construction Co., Ltd., the Controlling Shareholder, and upon consideration and approval by the Nomination Committee of the Board, the Board has agreed to nominate Mr. CHEN Fenjian as a candidate for executive Director of the Company. The term of office of Mr. CHEN will be effective from the date of his election at the general meeting, the same as that of the fourth session of the Board (except for re-election). Such resolution is subject to consideration at the 2018 first extraordinary general meeting of the Company to be held on 17 September 2018.

For details, please refer to relevant announcements published on 21 July 2018 and 31 July 2018, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

(II) Matters in relation to the gratuitous transfer of state-owned shares

Upon approval by the SASAC, China Railway Construction Co., Ltd., the Controlling Shareholder, proposed to transfer each 312,329,455 A shares of CRCC held by it to Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司) and China Reform Investment Co., Ltd. (國新投資有限公司), respectively. Prior to completion of the gratuitous transfer, China Railway Construction Co., Ltd. directly holds 7,567,395,500 A shares of CRCC, representing 55.73% of the total share capital of the Company. Upon completion of the gratuitous transfer, China Railway Construction Co., Ltd. will directly hold 6,942,736,590 A shares of CRCC, representing 51.13% of the total share capital of the Company; Beijing Chengtong Financial Control Investment Co., Ltd. will hold 312,329,455 A shares of CRCC, representing 2.30% of the total share capital of the Company; China Reform Investment Co., Ltd. will hold 312,329,455 A shares of CRCC, representing 2.30% of the total share capital of the Company. The gratuitous transfer will not cause changes in controlling shareholders and ultimate controller of the Company. As at the disclosure date of the report, such matters are still being processed.

For details, please refer to relevant announcement published on 24 July 2018 on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section VI Changes in Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(1) Table of changes in shares

1. Table of changes in shares

The Company's total shares and share capital structure had no change during the Reporting Period.

2. Particulars of changes in shares

Applicable Not applicable

3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the Reporting Period to the disclosure date of the interim report (if any)

Applicable Not applicable

4. Other contents that the Company deemed necessary or security regulatory authorities require to disclose

Applicable Not applicable

(II) Changes in shares subject to trading moratorium

Applicable Not applicable

(III) Repurchase, sales or redemption of securities of the Company

During the Reporting Period, neither the Company nor its subsidiaries had repurchased, sold or redeemed any securities of the Company.

II. PARTICULARS OF SHAREHOLDERS

(I) Structure of shareholders

As at 30 June 2018, the share capital structure of the Company is set out as follows:

Shareholder	Class of shares	Number of shares (share)	Approximate percentage of the issued share capital (%)
China Railway Construction Co., Ltd.	A share	7,567,395,500	55.73
Public holders of A shares	A share	3,935,850,000	28.98
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29
Total	/	13,579,541,500	100.00

Note: Including the H shares held by National Council for Social Security Fund.

Section VI Changes in Shares and Particulars of Shareholders (continued)

(II) Total number of shareholders

As at 30 June 2018, the total number of shareholders of the Company was 285,791, of which 269,392 were holders of A shares and 16,399 were holders of H shares.

Total number of shareholders as at the end of the Reporting Period (<i>holder</i>)	285,791
Number of shareholders of preference shares with restored voting rights as at the end of the Reporting Period (<i>holder</i>)	N/A

(III) Particulars of shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Particulars of shareholdings of the top ten shareholders

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of Shares held as at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Condition of shares	Number	Nature of shareholder
China Railway Construction Co., Ltd.	0	7,567,395,500	55.73	0	Nil	0	State-owned
HKSCC NOMINEES LIMITED	251,813	2,061,203,593	15.18	0	Unknown	0	Overseas legal person
China Securities Finance Corporation Limited	43,828,791	665,394,995	4.90	0	Nil	0	Other
Anbang Asset Management China Merchants - Anbang Asset - Win-Win No.3 Collective Asset Management Product (安邦資管-招商銀行-安邦資產-共贏3號集合資產管理產品)	0	275,253,346	2.03	0	Nil	0	Other
Central Huijin Asset Management Corporation Limited (中央匯金資產管理有限責任公司)	0	141,519,100	1.04	0	Nil	0	Other
Hexie Health Insurance Co., Ltd. - Traditional- General Insurance Product (和諧健康保險股份有限公司-傳統-普通保險產品)	0	115,954,126	0.85	0	Nil	0	Other
Anbang Asset - Minsheng Bank - Anbang Asset - Shengshi Selected No.2 Collective Asset Management Product (安邦資產-民生銀行-安邦資產-盛世精選2號集合資產管理產品)	0	86,409,412	0.64	0	Nil	0	Other
Anbang Annuity Insurance Co., Ltd. - Group All Around Products Account (安邦養老保險股份有限公司-團體萬能產品)	0	77,539,029	0.57	0	Nil	0	Other
Hong Kong Securities Clearing Company Limited	16,576,662	57,411,614	0.42	0	Nil	0	Overseas legal person
Bosera Fund - Agricultural Bank of China - Bosera CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other

Section VI Changes in Shares and Particulars of Shareholders (continued)

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of Shares held as at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Condition of shares	Number	Nature of shareholder
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
Zhong Ou Fund – Agricultural Bank of China – Zhong Ou CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme	0	55,095,400	0.41	0	Nil	0	Other

Section VI Changes in Shares and Particulars of Shareholders (continued)

Particulars of shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
China Railway Construction Co., Ltd.	7,567,395,500	RMB ordinary share	7,567,395,500
HKSCC NOMINEES LIMITED	2,061,203,593	Overseas listed foreign share	2,061,203,593
China Securities Finance Corporation Limited	665,394,995	RMB ordinary share	665,394,995
Anbang Asset Management China Merchants Bank – Anbang Asset – Win-Win No.3 Collective Asset Management Product (安邦資管 – 招商銀行 – 安邦資產 – 共贏3號集合資產管理產品)	275,253,346	RMB ordinary share	275,253,346
Central Huijin Asset Management Corporation Limited(中央匯金資產管理有限責任公司)	141,519,100	RMB ordinary share	141,519,100
Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Product(和諧健康保險股份有限公司 – 傳統 – 普通保險產品)	115,954,126	RMB ordinary share	115,954,126
Anbang Asset – Minsheng Bank – Anbang Asset – Shengshi Selected No.2 Collective Asset Management Product(安邦資產 – 民生銀行 – 安邦資產 – 盛世精選2號集合資產管理產品)	86,409,412	RMB ordinary share	86,409,412
Anbang Annuity Insurance Co., Ltd. – Group All Around Products Account(安邦養老保險股份有限公司 – 團體萬能產品)	77,539,029	RMB ordinary share	77,539,029
Hong Kong Securities Clearing Company Limited(香港中央結算有限公司)	57,411,614	RMB ordinary share	57,411,614

Section VI Changes in Shares and Particulars of Shareholders (continued)

Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme(博時基金－農業銀行－博時中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme(易方達基金－農業銀行－易方達中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme(大成基金－農業銀行－大成中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
Harvest Fund – Agricultural Bank of China– Harvest CSI Financial Assets Management Scheme(嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
GF Fund –Agricultural Bank of China – GF CSI Financial Assets Management Scheme(廣發基金－農業銀行－廣發中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
Zhong Ou Fund – Agricultural Bank of China – Zhong Ou CSI Financial Assets Management Scheme(中歐基金－農業銀行－中歐中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400

Section VI Changes in Shares and Particulars of Shareholders (continued)

Name of shareholder	Number of shares held not subject to trading moratorium	Class	Class and number of share Number
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme(華夏基金－農業銀行－華夏中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
Yinhua Fund – Agricultural Bank of China– Yinhua CSI Financial Assets Management Scheme(銀華基金－農業銀行－銀華中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme(南方基金－農業銀行－南方中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme(工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	55,095,400	RMB ordinary share	55,095,400
Explanations on the connected or concerted action among the above shareholders	HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited (HKEx). In addition to the disclosures above, the Company has no information on whether there exists any related-party relationship between the top ten shareholders not subject to trading moratorium and the top ten shareholders and whether the shareholders are persons acting in concert as specified in the Measures for the Administration of the Acquisition of Listed Companies.		
Explanation on the preference shareholders with voting right restored and their shareholdings	Not Applicable		

Note: The H shares held by HKSCC Nominees Limited were held for and on behalf of several clients. The A shares held by Hong Kong Securities Clearing Company Limited were held for and on behalf of several clients. As at the end of the Reporting Period, HKSCC Nominees Limited held 2,061,203,593 shares of the Company. However, details regarding whether the shares were pledged or frozen were unknown.

Section VI Changes in Shares and Particulars of Shareholders (continued)

The Top Ten Shareholders Subject to Trading Moratorium and Conditions of Such Trading Moratorium

Applicable Not applicable

(IV) Top 10 shareholders from strategic investors or general legal persons participating in the placing of the new shares

Applicable Not applicable

(V) Particulars of substantial shareholders disclosed in accordance with the SFO

So far as the directors of the Company are aware, as at 30 June 2018, the persons other than directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Section 336 of Part XV of the SFO were as follows:

Unit: share

Name of substantial shareholder	Class of share	Capacity	Number of shares interested ^{Note 1}	Percentage of issued share capital of the relevant class of shares	Percentage of total issued share capital
China Railway Construction Co, Ltd.	A share	Beneficial owner	7,567,395,500	65.78%	55.73%
National Council for Social Security Fund	H share	Beneficial owner	188,754,500(L)	9.09%	1.39%
BlackRock, Inc. ^{Note 2}	H share	Interest of corporation controlled by the substantial shareholder	206,496,629(L)	9.95%	1.52%
			67,500(S)	0.00%	0.00%
JPMorgan Chase & Co. ^{Note 3}	H share	Beneficial owner, investment manager, approved lending agent	167,856,640(L)	8.08%	1.24%
		Beneficial owner	11,434,000(S)	0.55%	0.08%
		Approved lending agent	97,043,753(P)	4.67%	0.71%
The Bank of New York Mellon Corporation ^{Note 4}	H share	Interest of corporation controlled by the substantial shareholder	145,811,953(L)	7.02%	1.07%
			142,721,791(P)	6.87%	1.05%

Note 1. L – long position, S – short position, P – lending pool

Note 2. As at 30 June 2018, BlackRock, Inc. held long positions in 206,496,629 H shares and short positions in 67,500 H shares of the Company in total through certain corporations under its control.

Note 3. As at 30 June 2018, JPMorgan Chase & Co. (including certain corporations under its control) held long positions in 167,856,640 H shares and short positions in 11,434,000 H shares of the Company in total.

Note 4. As at 30 June 2018, The Bank of New York Mellon Corporation held long positions in 145,811,953 H shares of the Company in total through the corporation under its control.

III. CHANGES IN THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

Applicable Not applicable

SECTION VII Particulars of Preference Shares

Applicable Not applicable

Section VIII Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

(I) **The changes in shareholding of current and resigned directors, supervisors and senior management during the Reporting Period**

Applicable Not applicable

(II) **The equity incentives granted to the directors, supervisors and senior management during the Reporting Period**

Applicable Not applicable

(III) **Directors', supervisors' and senior management's interests in the securities of the Company**

As at the end of the Reporting Period, none of the directors, supervisors or members of senior management of the Company held any shares of the Company, nor were they granted any share options or restricted shares of the Company.

As at the end of the Reporting Period, none of the directors, supervisors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (b) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Appendix 10 to the Hong Kong Listing Rules.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position held	Information on the change
LIU Chengjun	Vice President	Appointed
WANG Lixin	Vice President	Appointed
NI Zhen	Vice President	Appointed
ZHAO Dengshan	Secretary to the Board and Joint Company Secretary	Appointed
YU Xingxi	Secretary to the Board and Joint Company Secretary	Resigned

Explanation on the changes in directors, supervisors and senior management of the Company

Applicable Not applicable

On 30 May 2018, the Proposal in Relation to the Appointment of the Secretary to the Board of the Company was considered and approved at the seventh meeting of the fourth session of the Board of the Company. Mr. YU Xingxi resigned from his positions as the secretary to the Board and a joint company secretary. Mr. ZHAO Dengshan was appointed as the Secretary to the Board and joint company secretary for a term of office from 30 May 2018 to 21 December 2020.

Section VIII Directors, Supervisors and Senior Management (continued)

On 11 June 2018, the Proposal in Relation to the Appointment of Three Persons including LIU Chengjun as Vice Presidents of the Company was considered and approved at the eighth meeting of the fourth session of the Board of the Company. Mr. LIU Chengjun, Mr. WANG Lixin and Mr. NI Zhen were appointed as vice presidents of the Company for a term of office from 11 June 2018 to 21 December 2020.

III. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding securities transactions by the directors, supervisors and relevant employees (the “Required Standard”) on terms no less exacting than the required standard for dealing in securities transactions by the directors, supervisors and relevant employees set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. After specific enquiries with all directors and supervisors of the Company, the Company confirmed that the Required Standard had been complied with during the Reporting Period.

IV. OTHER EXPLANATION

Applicable Not applicable

1. Changes in biographical details of directors, supervisors and president of the Company during the Reporting Period

During the Reporting Period, there were no changes in biographical details of directors, supervisors and president of the Company.

2. Employees of the Company and their remuneration and training

During the Reporting Period, there were no significant changes in the total number, composition, remuneration and training of the employees of the Group since the disclosure of the 2017 annual report.

Section IX Particulars of Corporate Bonds

Applicable Not applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: '000 Currency: RMB

Bond	Short name	Code	Date of issuance	Maturity date	Balance of the bond	Interest rate (%)	Method of principal repayment and interest payment	Exchange platform
CRCC 2016 renewable corporate bonds (first tranche)	16 CRCC Y1	136997	29 June 2016	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	7,992,104	3.53	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange
CRCC 2018 publicly issued renewable corporate bonds (first tranche)	18 CRCC Y1	143502	16 March 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	2,996,935	5.56	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange

Section IX Particulars of Corporate Bonds (continued)

Bond	Short name	Code	Date of issuance	Maturity date	Balance of the bond	Interest rate (%)	Method of principal repayment and interest payment	Exchange platform
CRCC 2018 publicly issued renewable corporate bonds (second tranche)	18 CRCC Y2	143961	16 April 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	1,997,877	5.23	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange
CRCC 2018 publicly issued renewable corporate bonds (third tranche)	18 CRCC Y3	143978	30 May 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	1,997,877	5.30	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange

Particulars of interest payment of corporate bonds

Applicable Not applicable

The Company paid the interest of CRCC 2016 renewable corporate bonds (first tranche) from 29 June 2017 to 28 June 2018 on 29 June 2018. In accordance with the Announcements on the Nominal Interest Rate of CRCC 2016 Renewable Corporate Bonds (First Tranche), nominal interest rate of "16 CRCC Y1" was 3.53%. Interest of RMB35.30 was distributed for each lot of "16 CRCC Y1" with a nominal value of RMB1,000.

Explanation on other corporate bonds

Applicable Not applicable

Section IX Particulars of Corporate Bonds (continued)

II. CONTACT PERSON, CONTACT INFORMATION OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT INFORMATION OF CREDIT RATING ORGANIZATION

Corporate Bond trustee manager	Name	CITIC Securities Co., Ltd.
	Office address	22nd floor, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact person	WANG Yanyan, HE Jiarui
	Contact number	010-60833551 · 60833626
Credit rating organization	Name	China Chengxin Securities Rating Co., Ltd.(中誠信證券評估有限公司)
	Office address	8th floor, Anji Mansion, 760 Xizangnan Road, Huangpu District, Shanghai

Other explanation

Applicable Not applicable

III. UTILIZATION OF PROCEEDS FROM CORPORATE BONDS

Applicable Not applicable

The application, performance procedure, and the operation of the special account of the proceeds raised from the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche) were in strict compliance with the prospectus and Administrative Measures of the Proceeds Raised by CRCC. Upon the deduction of the issuance fees, all of the proceeds were used for the replenishment of the working capital. At the end of the Reporting Period, the proceeds have been fully utilized.

IV. RATING OF CORPORATE BONDS

Applicable Not applicable

China Chengxin Securities Rating Co., Ltd. issued a credit rating report for the issuance of the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche), assigning an AAA rating to the issuer of the bonds and an AAA rating to the bonds. China Chengxin Securities Rating Co., Ltd. issued the report in May 2018 on the ongoing credit rating of the 2016 renewable corporate bonds (first tranche) and 2018 publicly issued renewable corporate bonds (first and second tranche) of the Company, pursuant to which the ongoing credit rating of the subject is maintained at AAA, the credit rating outlook is stable; the credit rating of the current bonds is maintained at AAA.

For details, please refer to the announcements of the Company dated 24 May 2018 published on China Securities Journal, Shanghai Securities News, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Section IX Particulars of Corporate Bonds (continued)

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

Applicable Not applicable

No guarantee has been made for the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche). The debt repayment scheme is that the bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.

VI. CONVENING OF THE MEETING OF BONDHOLDERS

Applicable Not applicable

VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

Applicable Not applicable

During the Reporting Period, CITIC Securities Co., Ltd., as the bonds trustee manager of the “16 CRCC Y1”, “18 CRCC Y1”, “18 CRCC Y2” and “18 CRCC Y3”, was continuously aware of the operations, financial conditions and credit standing of the Company and performed its duties as the trustee manager in strict compliance with the stipulations under the Bonds Trustee Management Agreement (《債券受托管理人協議》).

In June 2017, CITIC Securities Co., Ltd. issued the Report on Trustee Manager for 2016 Corporate Bonds of CRCC (2016); in November 2017, CITIC Securities Co., Ltd. issued the Interim Report on Trusted Management Affairs for the Public Issuance of 2016 Renewable Corporate Bonds of CRCC; in June 2018, CITIC Securities Co., Ltd. issued the Report on Trustee Manager for 2016 and 2018 Corporate Bonds of CRCC (2017).

For details, please refer to the announcements of the Company dated 2 June 2017, 1 November 2017 and 28 June 2018 respectively published on China Securities Journal, Shanghai Securities News, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Section IX Particulars of Corporate Bonds (continued)

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND THE CORRESPONDING PERIOD LAST YEAR)

Applicable Not applicable

Unit: yuan Currency: RMB

Principal indicators	At the end	At the end	Increase or decrease of the end of the Reporting Period as compared with the end of last year (%)	Reasons of change
	of Reporting Period			
Liquidity ratio	1.21	1.20	0.83	
Quick ratio	0.68	0.71	-4.23	
Gearing ratio (%)	77.76	78.26	Decreased by 0.50 percentage point	
Loan repayment ratio (%)	100.00	100.00	–	
	The Reporting Period (January to June)	The corresponding period last year	Increase or decrease of the Reporting Period as compared with the corresponding period of last year (%)	Reasons of change
EBITDA interest coverage multiples	4.36	3.82	14.14	
Interest repayment ratio (%)	100.00	100.00	–	

Section IX Particulars of Corporate Bonds (continued)

IX. EXPLANATION ON THE INDEBTEDNESS THAT HAS FALLEN DUE

Applicable Not applicable

X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not applicable

The principal and interest on other existing bonds and debt financing instruments of the Company have been repaid in a timely manner, and there has been no default so far.

XI. BANKING FACILITIES DURING THE REPORTING PERIOD

Applicable Not applicable

The Group has already obtained banking facilities from several PRC banks of up to RMB1,088,571.599 million as at 30 June 2018, of which an amount of approximately RMB450,404.165 million has been utilized.

XII. FULFILLMENT OF STIPULATIONS OR COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the Company strictly complied with and fulfilled the relevant agreements and commitments in the prospectus of the CRCC 2016 renewable corporate bonds (first tranche), 2018 publicly issued renewable corporate bonds (first, second and third tranches) and there had been no default in this regard.

XIII. IMPACT OF MAJOR EVENTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Applicable Not applicable

Section X Financial Report

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (18) No. R00079

To the shareholders of China Railway Construction Corporation Limited

We have reviewed the accompanying financial statements of China Railway Construction Corporation Limited. (“the Company”), which comprise the Company’s and consolidated balance sheets as at 30 June 2018, and the Company’s and consolidated statements of profit or loss and other comprehensive income, the Company’s and consolidated statements of changes in equity and the Company’s and consolidated statements of cash flows for the six months then ended, and the notes to the financial statements. The preparation of these financial statements is the responsibility of the Company’s management. Our responsibility is to express a report on review of these financial statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether these financial statements are free from material misstatements. A review is limited primarily to procedures as enquiry of entity’s personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared in accordance with the requirement of Accounting Standards for Business Enterprises and can not present fairly, in all material respects, the Company’s and consolidated financial position as at 30 June 2018, and operating performance and cash flows for the six months ended 30 June 2018.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountant: **Ma Yanmei**

Chinese Certified Public Accountant: **Xie Yanfeng**

Shanghai, China
30 August 2018

The report on review of interim financial statements and the accompanying financial statements are English translations of the Chinese report on review of interim financial statements and the interim financial statements prepared under accounting principles and practices generally accepted in the People’s Republic of China. These financial statements are not intended to present the financial position and operating performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. Where the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Balance Sheet

As at 30 June 2018

		<i>RMB'000</i>	
ASSETS	<i>Note V</i>	30 June 2018 (unaudited)	31 December 2017
Current assets			
Cash and bank balances	1	112,309,834	141,206,185
Financial assets at fair value through profit or loss	2	/	489,712
Held-for-trading financial assets	3	2,748,585	/
Bills receivable and accounts receivable	4	159,375,636	153,528,817
Advances to suppliers	5	22,346,861	18,784,004
Other receivables	6	63,614,280	55,278,965
Inventories	7	154,290,002	266,604,158
Contract assets	8	143,821,276	/
Current portion of non-current assets	11	8,909,426	8,591,799
Other current assets	9	12,534,683	8,414,479
Total current assets		679,950,583	652,898,119
Non-current assets			
Loans and advances to customers	10	1,980,000	1,683,000
Long-term receivables	11	40,902,489	40,662,087
Long-term equity investments	13	21,620,802	17,869,525
Held-to-maturity investments		/	41
Debt investments		41	/
Other non-current financial assets		267,716	/
Available-for-sale financial assets	14	/	8,382,301
Other equity instrument investments	14	8,068,193	/
Investment properties	15	3,537,351	3,646,745
Fixed assets	16	47,582,865	45,981,850
Construction in progress	17	3,834,873	3,863,578
Intangible assets	18	44,188,697	40,155,864
Goodwill	19	228,713	200,506
Long-term prepayments		316,151	322,482
Deferred tax assets	20	3,659,576	3,577,034
Other non-current assets	21	8,520,474	2,644,327
Total non-current assets		184,707,941	168,989,340
TOTAL ASSETS		864,658,524	821,887,459

The accompanying notes form part of the financial statements.

The financial statements from page 96 to page 313 are signed by:

Person-in-charge of the Company
Zhuang Shangbiao

CFO:
Wang Xiuming

Finance Controller:
Qiao Guoying

Consolidated Balance Sheet (continued)

As at 30 June 2018

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note V</i>	30 June 2018 (unaudited)	<i>RMB'000</i> 31 December 2017
Current liabilities			
Short-term loans	22	49,525,769	29,499,098
Due to customers	23	700,135	804,834
Due to banks	24	1,200,000	–
Bills payable and accounts payable	25	309,917,019	323,491,509
Advances from customers	26	–	85,682,565
Contract liabilities	27	95,338,534	/
Employee benefits payable	28	9,291,311	10,159,506
Taxes payable	29	2,820,461	5,964,383
Other payables	30	55,552,794	49,797,546
Current portion of non-current liabilities	31	30,901,373	30,201,473
Other current liabilities	32	7,744,589	8,053,925
Total current liabilities		562,991,985	543,654,839
Non-current liabilities			
Long-term loans	33	67,828,479	58,826,793
Bonds payable	34	37,058,482	35,677,923
Long-term payables	35	2,186,793	2,566,236
Long-term employee benefits payable	36	440,431	604,068
Deferred income	37	1,022,355	831,482
Deferred tax liabilities	20	329,610	289,431
Other non-current liabilities	38	504,187	787,842
Total non-current liabilities		109,370,337	99,583,775
Total liabilities		672,362,322	643,238,614
Shareholders' equity			
Share capital	39	13,579,542	13,579,542
Other equity instruments	40	20,392,922	13,400,233
Capital reserve	41	40,422,105	40,428,564
Other comprehensive income	42	(805,169)	(92,447)
Special reserve	43	–	–
Surplus reserve	44	2,891,462	2,891,462
Retained earnings	45	83,530,167	79,204,629
Total equity attributable to owners of the Company		160,011,029	149,411,983
Non-controlling interests		32,285,173	29,236,862
Total shareholders' equity		192,296,202	178,648,845
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		864,658,524	821,887,459

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

RMB'000

ITEM	Note V	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
Revenue	46	308,980,930	288,960,909
Less: Cost of sales	46	279,024,711	263,410,127
Taxes and surcharges	47	1,461,615	1,595,134
Selling and distribution expenses	48	1,986,757	1,860,302
General and administrative expenses	49	7,904,215	7,187,563
Research and development expenses	50	5,437,638	4,944,278
Finance costs	51	2,093,436	1,329,036
Including: Interest expenses		3,037,115	2,550,216
Interest income		1,506,852	1,420,380
Losses from impairment of assets	52	(19,507)	279,296
Losses from impairment of credit	53	529,404	/
Add: Other income	54	117,567	9,041
Investment income/(loss)	55	81,578	106,739
Including: Share of profits/(loss) of associates and joint ventures		124,364	8,633
Gains/(Losses) on fair value changes	56	334,370	(31,333)
Gains/(Losses) on disposal of assets		24,821	5,058
Operating profit		11,120,997	8,444,678
Add: Non-operating income	57	462,781	480,555
Less: Non-operating expenses	58	200,355	160,571
Profit before tax		11,383,423	8,764,662
Less: Income tax expenses	60	2,489,542	1,845,025
Net profit		8,893,881	6,919,637
Classified by the continuity of operation			
Profit or loss for the period from continuing operations		8,893,881	6,919,637
Profit or loss for the period from discontinued operations		-	-
Classified by the ownership			
Profit or loss attributable to owners of the Company		8,008,700	6,523,039
Profit or loss attributable to non-controlling interests		885,181	396,598

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2018

RMB'000

ITEM	Note V	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
Other comprehensive income/(expense), net of tax	42	(650,320)	48,027
Other comprehensive income/(expense) attributable to owners of the Company, net of tax		(629,290)	50,570
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit obligation, net of tax		(6,945)	15,913
Losses from changes in fair value of other equity instrument investments		(385,773)	/
Other comprehensive income/(expense) to be reclassified to profit or loss			
Shares of other comprehensive (expense)/income that will be reclassified subsequently into profit or loss by the investee under equity method		(7,664)	50,828
Losses from changes in fair value of available-for-sale financial assets		/	(28,854)
Exchange differences on translation of foreign operations		(228,908)	12,683
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax		(21,030)	(2,543)
Total comprehensive income		8,243,561	6,967,664
Including:			
Total comprehensive income attributable to owners of the Company		7,379,410	6,573,609
Total comprehensive income attributable to non-controlling interests		864,151	394,055
Earnings per share:			
Basic earnings per share (<i>RMB/share</i>)	61	0.56	0.47
Diluted earnings per share (<i>RMB/share</i>)	61	0.53	0.45

Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

RMB'000

ITEM	Note V	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		316,671,854	299,003,026
Refunds of tax		269,248	134,885
Net decrease in loans and advances to customers		–	1,523,750
Net increase in due to customers and due to banks		1,095,301	984,391
Cash received from other operating activities	62(1)	6,221,986	3,714,017
Subtotal of cash inflows from operating activities		324,258,389	305,360,069
Cash paid for goods and services		321,822,806	283,227,927
Net increase in loans and advances to customers		300,000	–
Net increase in balances with the central bank		377,783	302,024
Cash paid to and on behalf of employees		27,032,232	24,088,312
Cash paid for all taxes		15,380,568	17,083,617
Cash paid for other operating activities	62(2)	5,233,144	6,115,047
Subtotal of cash outflows from operating activities		370,146,533	330,816,927
Net cash flows generated from/(used in) operating activities	63(1)	(45,888,144)	(25,456,858)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		1,019,645	50,000
Cash received from investment income		73,089	133,903
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		508,553	431,905
Net decrease in cash and bank balances with title restrictions		672,744	–
Cash received from other investing activities		89,382	135,124
Subtotal of cash inflows from investing activities		2,363,413	750,932
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		12,532,230	12,842,025
Cash paid for acquisition of investments		7,181,315	2,411,096
Net increase in cash and bank balances with title restrictions		–	669,426
Net cash paid for acquisitions of subsidiaries	62(3)	39,633	–
Cash paid for other investing activities		850,000	1,612,260
Subtotal of cash outflows from investing activities		20,603,178	17,534,807
Net cash flows generated from/(used in) investing activities		(18,239,765)	(16,783,875)

Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2018

RMB'000

ITEM	Note V	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		10,232,413	601,431
Including: Cash received from non-controlling shareholders of subsidiaries		3,239,724	601,431
Cash received from issuing bonds		2,200,000	–
Cash received from borrowings		61,010,901	59,122,769
Subtotal of cash inflows from financing activities		73,443,314	59,724,200
Cash repayments for borrowings		32,026,106	30,034,098
Cash paid for distribution of dividends or profits and for interest expenses		5,998,004	5,688,194
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		890,416	315,266
Subtotal of cash outflows from financing activities		38,024,110	35,722,292
Net cash flows generated from/(used in) financing activities		35,419,204	24,001,908
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		107,315	(248,947)
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		(28,601,390)	(18,487,772)
Add: Cash and cash equivalents at beginning of the period	63(2)	129,392,720	117,534,022
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	63(2)	100,791,330	99,046,250

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

RMB '000

ITEM	For the six months ended 30 June 2018 (unaudited)									
	Equity attributable to owners of the Company									
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
I. As at 31 December 2017	13,579,542	13,400,233	40,428,564	(92,447)	-	2,891,462	79,204,629	149,411,983	29,236,862	178,648,845
(i) Changes in accounting policies (Note III. 33)	-	-	-	(83,432)	-	-	(722,338)	(805,770)	-	(805,770)
II. Opening balance for the period	13,579,542	13,400,233	40,428,564	(175,879)	-	2,891,462	78,482,291	148,606,213	29,236,862	177,843,075
III. Increase/(decrease) during the period	-	6,992,689	(6,459)	(629,290)	-	-	5,047,876	11,404,816	3,048,311	14,453,127
(i) Total comprehensive income	-	-	-	(629,290)	-	-	8,008,700	7,379,410	864,151	8,243,561
(ii) Capital contributions and withdrawals by shareholders	-	6,992,689	-	-	-	-	-	6,992,689	3,239,724	10,232,413
1. Capital contributions by other equity instrument holders/non-controlling shareholders (Note V. 40)	-	6,992,689	-	-	-	-	-	6,992,689	3,239,724	10,232,413
(iii) Profit distribution	-	-	-	-	-	-	(2,960,824)	(2,960,824)	(1,055,564)	(4,016,388)
1. Distribution to shareholders (Note V. 45)	-	-	-	-	-	-	(2,960,824)	(2,960,824)	(1,055,564)	(4,016,388)
(iv) Special reserve (Note V. 43)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	-	3,938,861	-	-	3,938,861	-	3,938,861
2. Used in current period	-	-	-	-	(3,938,861)	-	-	(3,938,861)	-	(3,938,861)
(v) Others	-	-	(6,459)	-	-	-	-	(6,459)	-	(6,459)
1. Others	-	-	(6,459)	-	-	-	-	(6,459)	-	(6,459)
IV. As at 30 June 2018	13,579,542	20,392,922	40,422,105	(805,169)	-	2,891,462	83,530,167	160,011,029	32,285,173	192,296,202

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2018

RMB '000

ITEM	For the six months ended 30 June 2017 (unaudited)										
	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total			
I. As at 1 January 2017	13,579,542	8,400,233	40,430,370	282,944	-	2,394,128	66,099,855	131,187,072	17,528,914	148,715,986	
II. Increase/(decrease) during the period	-	-	(2,918)	50,570	-	-	4,067,912	4,115,564	616,737	4,732,301	
(I) Total comprehensive income	-	-	-	50,570	-	-	6,523,039	6,573,609	394,055	6,967,664	
(II) Capital contributions and withdrawals											
by shareholders	-	-	-	-	-	-	-	-	601,431	601,431	
1. Capital contributions by non-controlling shareholders	-	-	-	-	-	-	-	-	601,431	601,431	
(III) Profit distribution	-	-	-	-	-	-	(2,455,127)	(2,455,127)	(431,218)	(2,886,345)	
1. Distribution to shareholders (Note V.45)	-	-	-	-	-	-	(2,455,127)	(2,455,127)	(431,218)	(2,886,345)	
(IV) Special reserve (Note V.43)	-	-	-	-	-	-	-	-	-	-	
1. Appropriated in current period	-	-	-	-	3,433,650	-	-	3,433,650	-	3,433,650	
2. Used in current period	-	-	-	-	(3,433,650)	-	-	(3,433,650)	-	(3,433,650)	
(V) Others	-	-	(2,918)	-	-	-	-	(2,918)	52,469	49,551	
1. Others	-	-	(2,918)	-	-	-	-	(2,918)	52,469	49,551	
III. As at 30 June 2017	13,579,542	8,400,233	40,427,452	333,514	-	2,394,128	70,167,767	135,302,636	18,145,651	153,448,287	

The Company's Balance Sheet

As at 30 June 2018

		<i>RMB'000</i>	
ASSET	<i>Note XIV</i>	30 June 2018 (unaudited)	31 December 2017
Current assets			
Cash and bank balances		16,678,130	15,225,353
Financial assets at fair value through profit or loss		/	42,192
Held-for-trading financial assets		41,273	/
Bills receivable and accounts receivable	1	4,670,408	4,370,398
Advances to suppliers		461,967	507,404
Other receivables	2	40,369,119	32,608,183
Inventories		–	2,048,514
Contract assets		412,539	/
Current portion of non-current assets		1,304,000	1,600,000
Other current assets		48,551	42,187
Total current assets		63,985,987	56,444,231
Non-current assets			
Long-term receivables		10,124,000	10,129,000
Long-term equity investments	3	92,907,562	90,804,311
Available-for-sale financial assets		/	307,584
Other equity instrument investments		256,980	/
Fixed assets		28,907	29,083
Construction in progress		36,275	31,493
Intangible assets		24,329	22,634
Long-term prepayments		1,799	4,070
Deferred tax assets		383	383
Total non-current assets		103,380,235	101,328,558
TOTAL ASSETS		167,366,222	157,772,789

The Company's Balance Sheet (continued)

As at 30 June 2018

		<i>RMB'000</i>	
LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note XIV</i>	30 June 2018 (unaudited)	31 December 2017
Current liabilities			
Short-term loans		2,000,000	–
Bills payable and accounts payable		5,821,522	6,941,877
Advances from customers		–	856,037
Contract liabilities		231,428	/
Employee benefits payable		90,412	78,100
Taxes payable		30,995	19,014
Other payables	4	26,395,766	22,698,048
Current portion of non-current liabilities		14,022,621	14,545,863
Other current liabilities		213,432	225,195
Total current liabilities		48,806,176	45,364,134
Non-current liabilities			
Long-term loans	5	6,876,102	8,424,271
Bonds payable	<i>Note V, 34</i>	15,951,649	15,785,270
Long-term payables		10,000	10,000
Long-term employee benefits payable		14,010	14,010
Deferred income		3,300	–
Deferred tax liabilities		146,092	73,341
Other non-current liabilities		380,147	712,677
Total non-current liabilities		23,381,300	25,019,569
Total liabilities		72,187,476	70,383,703
Shareholders' equity			
Share capital		13,579,542	13,579,542
Other equity instruments		20,392,922	13,400,233
Capital reserve		46,493,552	46,493,552
Other comprehensive income		83,761	114,213
Special reserve		–	–
Surplus reserve		2,891,462	2,891,462
Retained earnings		11,737,507	10,910,084
Total shareholders' equity		95,178,746	87,389,086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		167,366,222	157,772,789

The Company's Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

RMB'000

ITEM	Note XIV	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
Revenue	6	4,719,036	6,894,535
Less: Cost of sales	6	4,620,009	6,602,418
Taxes and surcharges		4,379	1,644
Selling and distribution expenses		9,928	3,404
General and administrative expenses		188,198	183,114
Research and development expenses		377	–
Finance costs	7	131,309	31,754
Including: Interest expenses		1,114,642	1,082,286
Interest income		1,103,188	960,470
Losses from impairment of credit		9,360	/
Add: Investment income/(loss)	8	3,784,231	4,529,310
Including: Share of profits/(losses) of joint ventures		3,251	(1,731)
Gains/(Losses) on fair value changes		331,607	94,199
Gains/(Losses) on disposal of assets		(143)	(75)
Operating profit		3,871,171	4,695,635
Add: Non-operating income		8	882
Less: Non-operating expenses		30	605
Profit before tax		3,871,149	4,695,912
Less: Income tax expenses		82,902	23,547
Net profit		3,788,247	4,672,365
Classified by the continuity of operation			
Profit or loss for the period from continuing operations		3,788,247	4,672,365
Profit or loss for the period from discontinued operations		–	–
Other comprehensive income/(expense), net of tax		(30,452)	18,331
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Losses from changes in fair value of other equity instrument investments		(30,452)	/
Other comprehensive income/(expense) to be reclassified to profit or loss			
Gains/(losses) from changes in fair value of available-for-sale financial assets		/	18,331
Total comprehensive income		3,757,795	4,690,696

The Company's Statement of Cash Flows

For the six months ended 30 June 2018

RMB'000

ITEM	Note XIV	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		6,290,026	6,724,411
Cash received from other operating activities		7,855,487	8,537,424
Subtotal of cash inflows from operating activities		14,145,513	15,261,835
Cash paid for goods and services		6,786,919	7,195,643
Cash paid to and on behalf of employees		115,431	93,132
Cash paid for all taxes		25,161	34,653
Cash paid for other operating activities		14,249,337	6,127,512
Subtotal of cash outflows from operating activities		21,176,848	13,450,940
Net cash flows generated from/(used in) operating activities	9(1)	(7,031,335)	1,810,895
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		10,000	–
Cash received from investment income		3,771,297	4,945,753
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		616	6,123
Cash received from other investing activities		1,057,116	838,872
Subtotal of cash inflows from investing activities		4,839,029	5,790,748
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		14,731	9,144
Cash paid for acquisition of investments		2,100,000	1,146,213
Net increase in cash and bank balances with title restrictions		5,000	–
Cash paid for other investing activities		–	692,660
Subtotal of cash outflows from investing activities		2,119,731	1,848,017
Net cash flows generated from/(used in) investing activities		2,719,298	3,942,731

The Company's Statement of Cash Flows (continued)

For the six months ended 30 June 2018

RMB'000

ITEM	Note XIV	For the six months ended 30 June	
		2018 (unaudited)	2017 (unaudited)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		6,992,689	–
Cash received from borrowings		2,000,000	2,000,000
Subtotal of cash inflows from financing activities		8,992,689	2,000,000
Cash repayments for borrowings		2,055,125	2,077,500
Cash paid for distribution of dividends or profits and for interest expenses		1,235,367	1,097,587
Subtotal of cash outflows from financing activities		3,290,492	3,175,087
Net cash flows generated from/(used in) financing activities		5,702,197	(1,175,087)
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		57,617	(142,523)
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		1,447,777	4,436,016
Add: Cash and cash equivalents at beginning of the period	9(2)	12,318,553	13,198,369
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9(2)	13,766,330	17,634,385

The Company's Statement of Changes in Equity

For the six months ended 30 June 2018

RMB '000

ITEM	For the six months ended 30 June 2018 (unaudited)							
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 31 December 2017	13,579,542	13,400,233	46,493,552	114,213	-	2,891,462	10,910,084	87,389,086
(I) Changes in accounting policies	-	-	-	-	-	-	-	-
II. Opening balance for the period	13,579,542	13,400,233	46,493,552	114,213	-	2,891,462	10,910,084	87,389,086
III. Increase/(decrease) during the period	-	6,992,689	-	(30,452)	-	-	827,423	7,789,660
(I) Total comprehensive income	-	-	-	(30,452)	-	-	3,788,247	3,757,795
(II) Capital contributions and withdrawals by shareholders	-	6,992,689	-	-	-	-	-	6,992,689
1. Capital contributions by other equity instrument holders (Note V.40)	-	6,992,689	-	-	-	-	-	6,992,689
(III) Profit distribution	-	-	-	-	-	-	(2,960,824)	(2,960,824)
1. Distribution to shareholders (Note V.45)	-	-	-	-	-	-	(2,960,824)	(2,960,824)
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	-	28,653	-	-	28,653
2. Used in current period	-	-	-	-	(28,653)	-	-	(28,653)
IV. As at 30 June 2018	13,579,542	20,392,922	46,493,552	83,761	-	2,891,462	11,737,507	95,178,746

RMB '000

ITEM	For the six months ended 30 June 2017 (unaudited)							
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity	
I. As at 1 January 2017	13,579,542	8,400,233	46,493,552	106,548	2,394,128	8,889,206	79,863,209	
II. Increase/(decrease) during the period	-	-	-	18,331	-	2,217,238	2,235,569	
(I) Total comprehensive income	-	-	-	18,331	-	4,672,365	4,690,696	
(II) Profit distribution	-	-	-	-	-	(2,455,127)	(2,455,127)	
1. Distribution to shareholders (Note V.45)	-	-	-	-	-	(2,455,127)	(2,455,127)	
III. As at 30 June 2017	13,579,542	8,400,233	46,493,552	124,879	2,394,128	11,106,444	82,098,778	

Notes to the Financial Statements

For the six months ended 30 June 2018

I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”) on 5 November 2007. The Company’s shares, have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of the Company’s head office is located at East No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing and real estate development operations.

The Company’s parent and ultimate holding company is China Railway Construction Co., Ltd.(CRCCG), a company registered in PRC.

These financial statements were approved and authorized for issue by the board of directors of the Company on 30 August 2018.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the period.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by the Group on a going-concern basis in accordance with Accounting Standards for Business Enterprises and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”).

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment of financial instruments, the measurement of inventories, the provisions for decline in value of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the method of impairment testing, and the policy for revenue recognition, etc.

1. *Statement of compliance with Accounting Standards for Business Enterprises*

The financial statements present fairly and fully the financial position of the Group and the Company as at 30 June 2018 and the Company’s and consolidated financial performance and cash flows for the six months ended 30 June 2018 in accordance with Accounting Standards for Business Enterprises.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

2. *Accounting period*

The accounting year of the Group is from 1 January to 31 December of each calendar year. The reporting period for this financial statements starts from 1 January to 30 June 2018.

3. *Functional currency*

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

4. *Business combinations*

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

4.1 **Business combinations involving entities under common control**

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. *Business combinations (Continued)*

4.2 **Business combinations involving entities not under common control**

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

4.3 **Acquire assets through the acquisition of subsidiaries**

For the acquisition of subsidiaries not constituting a business, the acquisition cost is allocated to each single identifiable asset and liability at fair value, and no goodwill or purchase gain will be recognised.

5. *Consolidated financial statements*

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated statement of profit or loss and other comprehensive income below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. *Consolidated financial statements (Continued)*

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (1) the aggregate of the consideration received on disposal and the fair value of any retained interest and (2) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

6. *Joint arrangement and joint operations*

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In respect of joint operations, the Group as a party of joint venture recognises its interest in a joint operation: (1) its assets, including its share of any assets held jointly; (2) its liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its expenses, including its share of any expenses incurred jointly.

The Group measured its joint operations under equity method, please refer to Note III. 11.3.2.

7. *Cash and cash equivalents*

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. *Foreign currency transactions and foreign currency translations*

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. All differences are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year/period equals the translated undistributed profit of the previous year; The undistributed profit at the end of the year/period is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

9. *Financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For accounts receivable recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of *Accounting Standard for Business Enterprises No.14 –Revenue* (ASBE No.14), transaction prices shall be adopted on initial recognition.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, designated as fair value through other comprehensive income or fair value through profit or loss.

9.1.1 Financial assets measured as at amortised cost

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable and accounts receivable, other receivables, loans and advances to customers, long-term receivables and debt investments.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

9.1.1.1 Effective interest method and amortised cost

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of financial assets (Continued)

9.1.1 Financial assets measured as at amortised cost (Continued)

9.1.1.1 Effective interest method and amortised cost (Continued)

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the carrying amount of the financial asset, except:

- (1) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- (2) For the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently, the Group recognises interest income based on applying effective interest rate to carrying amount of the financial assets.

9.1.2 Financial assets designated as at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. When contingent consideration recognised through business combination not involving enterprises under common control forms a financial asset, such asset is classified into financial assets at fair value through profit or loss and shall not designated as at fair value through other comprehensive income.

The fair value changes of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

FVTOCI are presented by the Group as other equity instrument investments in the balance sheet.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of financial assets (Continued)

9.1.3 Financial assets measured at fair value through profit or loss (FVTPL)

Any financial assets that does not qualify for amortised cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL. FVTPL are presented by the Group as held-for-trading financial assets and other non-current financial assets items in the balance sheet, based on its liquidity.

The above financial assets are subsequently measured at fair value. Gains or losses arising from fair value changes and dividends and interest income in relation to such financial assets are recognised in profit or loss for the period.

9.2 Impairment of financial assets and other items

The Group recognises loss allowance for financial instruments classified as at amortised, lease receivables, contract assets and financial guarantee contracts based on ECL.

The Group measures loss allowance for contract assets, accounts receivable and lease receivables based on the amount of full lifetime ECL.

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.2 **Impairment of financial assets and other items (Continued)**

9.2.1 *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: Whether the actual or expected operating results of the debtor have changed significantly; Whether supervisory, economic or technical environment for the debtor has significant detrimental changes; Whether value of collateral against debt mortgage or guarantee/credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default; Whether the debtor's expected performance and repayment activities have changed significantly; Whether the Group's financial instrument management measures have changed.

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to lower credit risk.

9.2.2 *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or overdue in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) Other objective evidences indicate the impairment of financial assets.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2 Impairment of financial assets and other items (Continued)

9.2.3 Measurement and recognition of ECL

The Group recognises credit loss for lease receivables and financial guarantee contracts on an individual basis and recognises credit loss for accounts receivable and contract assets on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on similar credit risk characteristics. Similar credit risk characteristics include: type of financial instruments, credit risk rating, the date of initial recognition, remaining contractual maturity and industry of debtor etc.

ECL of relevant financial instruments is recognised based on the following methods:

- (1) For a financial asset, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (2) For a lease receivable, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (3) For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- (4) For credit-impaired financial assets other than the purchased or internally generated of credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

9.2.4 Reduction in financial assets

The Group directly reduces the carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- (1) For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- (2) For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, regarding financial assets classified as carried at amortised cost, the difference between (1) the carrying amount of the financial asset transferred; and (2) the consideration received from the transfer, is recognised in profit or loss. While regarding non-trading equity instruments designated as at fair value through other comprehensive income, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognised on the date of derecognition; and (2) the consideration received for the part derecognised, is recognised in profit or loss or retained earnings.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.3 **Transfer of financial assets (Continued)**

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received from transfer of assets is recognised as a liability upon receipt.

9.4 **Classification and measurement of financial liabilities**

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.4.1 *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss.

Held-for-trading financial liabilities are subsequently measured at fair value, any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss.

9.4.2 *Other financial liabilities*

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period. Please refer to Note III 9.1.1.1 for information about the amortised cost.

9.4.2.1 *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognised less cumulative amortisation amount determined in accordance with the regulations set out in standards on revenue.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.5 **Derecognition of financial liabilities**

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.6 **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Change of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders equity.

9.7 **Derivatives and embedded derivatives**

Derivative financial instruments related to the Group include option contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The change in fair value is recognised in profit or loss.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and meet all of the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a standalone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not highly related to the economic characteristics and risks of the host contract.
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.7 **Derivatives and embedded derivatives (Continued)**

- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent balance sheet date after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

9.8 **Convertible bonds**

Convertible bonds issued by the Group that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is accounted for as equity rather than conversion option derivatives.

Convertible bonds are initially recognised at fair value at the issue date, if the convertible bonds includes equity instruments, the fair value of liability component of the convertible bonds based on the market value of similar bonds which have no conversion option. The balance of issue price and the fair value of liability is the value of conversion option and is recognised in shareholders' equity. The liability and conversion embedded derivatives of the convertible bonds which include conversion embedded derivatives are initially recognised at fair value at the issue date.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of the convertible bonds are allocated to the liability, equity and derivative financial instruments components in proportion to their respective fair values. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the derivative financial instruments are charged to profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

9.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10. *Inventories*

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially measured at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised using immediate write off, and other turnover materials are amortised based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the statement of profit or loss and other comprehensive income. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments

11.1 Basis for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

11.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the date of combination. For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as one transaction to acquire control. If it does not belong to 'package deal', the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for other investments in equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognised in other comprehensive income are included in retained earnings for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.2 Determination of initial investment cost (Continued)

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standard for Business Enterprises No.22-Financial Instruments; Recognition and Measurement* (ASBE No. 22) and the additional investment cost.

11.3 Subsequent measurement and recognition of profit or loss

11.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.3 Subsequent measurement and recognition of profit or loss (Continued)

11.3.2 Long-term equity investment accounted for using the equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; for the share of the investee's profit or cash dividends declared by the investee, the carrying amount of long-term equity should be decreased accordingly; for changes in owner's equity rather than the investee's net profit or loss, other comprehensive income and profit distribution, carrying amount of long-term equity investments should be adjusted and included in capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investee adopts different accounting policies and accounting period with the Company's, the financial statements are adjusted in accordance with the Company's accounting policies and accounting period, and then investment income and other comprehensive income are recognised. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.4 Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the carrying amount and the consideration shall be recorded through profit or loss in the current period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and carried forward proportionately; other shareholders' equity recognised from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognised in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and carrying amount is recognised in profit or loss for the current period.

12. Investment properties

Investment property is property held to earn rentals or for capital appreciation or for both purpose. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment properties, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. *Investment properties (Continued)*

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed asset, intangible assets or inventories before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

13. *Fixed assets*

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to Accounting Standard for Business Enterprises No. 17 – Borrowing Costs.

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted.

For fixed assets depreciated with the straight-line method, the estimated useful lives, estimated residual values rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rate	Useful life	Annual depreciation rate
Buildings	5%	20–35 years	2.71%-4.75%
Construction machinery	5%	10–25 years	3.80%-9.50%
Vehicles	5%	5–10 years	9.50%-19.00%
Production equipment	5%	5–10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3–5 years	19.00%-31.67%

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. *Fixed assets (Continued)*

Where the individual component parts of a fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year, makes adjustments and accounts for any change as a change in an accounting estimate when necessary.

14. *Construction in progress*

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowings before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

15. *Borrowing costs*

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised and other borrowing costs are recognised as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantially long period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have incurred; and
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. *Borrowing costs (Continued)*

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

16. *Intangible assets*

The Group's intangible assets include land use rights, concession asset, and mining rights.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured initially at fair value at the date of acquisition.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. *Intangible assets (Continued)*

16.1 Land use rights

Land use rights represent costs incurred for a certain lease period of land.

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates.

16.2 Concession rights

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be calculated according to their arrangement nature.

The Group recognises revenue and a contract asset or liability to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the "concession rights" under intangible assets included in the balance sheet. The amortisation approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset's future economic benefits are expected to be realised at the commencement of operations.

16.3 Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortisation is calculated in adoption of the unit of production method based on proved mining reserves.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. *Intangible assets (Continued)*

16.4 Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

17. *Long-term prepayments*

Long-term prepayments represent expenditures incurred which should be recognised as expenses over one year and should be allocated in current and subsequent period, including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

18. *Provisions*

Except for contingent liabilities assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group; and
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue

The revenue of the Group is mainly generated from business types as follows:

- The construction operations, which mainly comprises the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- The survey, design and consultancy operations, which mainly comprises the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- The manufacturing operations, which mainly comprises the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- The real estate development operations, which mainly comprises the development, construction and sale of residential properties and commercial properties;
- The other business operations, which mainly comprises trade and logistics, finance and insurance and highway operation.

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer.

The Group evaluates the contract on the contract commencement date, identifies each individual performance obligation included in the contract, and determines whether each individual performance obligation is performed over time or at a certain point in time. If one of the following criteria is met and it is a performance obligation performed over time, the Group recognises the revenue within a certain period of time according to the progress of the performance: (1) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs; (2) the customer is able to control the goods under construction in the course of the Group’s performance; (3) the goods produced by the Group during the performance of the contract are irreplaceable and the Group has the right to charge for the accumulated part of the contract that has been performed so far during the whole contract period. Otherwise, the Group recognises revenue at a certain point in time when “control” of the goods or services is transferred to the customer.

The construction operations of the Group are mainly performance obligations performed over time, and the revenue shall be recognised within the contract period based on the performance progress. The Group adopts input method, i.e. the proportion of accumulative actual cost incurred to total estimated cost of the contract to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

For survey, design and consultancy operations, manufacturing operations, real estate development operations and other businesses, revenue is recognised under specific business substance and contract terms over the contractual period based on the performance progress, or recognised when “control” of the goods or services is obtained by the customer.

Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Variable consideration

If the contract includes variable consideration, the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet, the Group re-estimates the amount of variable consideration which should be recognised in transaction price.

Significant financing component

If the contract includes significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

Consideration payable to a customer

If the contract includes consideration payable to a customer, the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: (1) the Group recognises revenue for the transfer of the related goods or services to the customer; and (2) the Group pays or promises to pay the consideration.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

Consideration payable to a customer (Continued)

The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Sales with warranties

For sales with warranties, if the warranties provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the warranties constitutes a single performance obligation. Otherwise, the Group will account for the warranties in accordance with the *Accounting Standards for Business Enterprises No. 13 – Contingencies*.

Principal and agent

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

Costs of obtaining a contract

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognises it as an asset. If the amortisation period of the asset does not exceed one year, it is recognised in profit or loss for the period in which it occurs. Other expenses incurred by the Group for obtaining the contract are recognised in profit or loss for the period in which it occurs, except as expressly borne by the customer. The asset is presented as other current assets or other non-current assets according to whether the amortisation period exceed one normal operating period.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group shall recognised an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset is presented as inventories or other non-current assets according to whether the amortisation period exceed one normal operating period.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

Costs to fulfill a contract (Continued)

The asset mentioned above shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised in profit or loss for the period.

The Group shall recognised an impairment loss to the extent that the carrying amount of an asset exceeds:

- (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (2) the estimated costs that relate to providing those goods or services.

The Group shall, after the impairment has been provided, recognised in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

Contract asset

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III. 9.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities

Contract liabilities refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attached and the Group would receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Government grants (Continued)

20.1 Judgment basis and accounting treatments for government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets.

Government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use.

20.2 Judgment basis and accounting treatments for government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

For repayment of a government grant already recognised, if government grants were charged against carrying amount of the related assets at initial recognition, the repayment adjust the carrying amount of assets. If there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

20.3 Relocation compensation received due to public interests

The Group receives relocation compensation directly from the government for the benefit of public interests such as urban overall planning, reservoir construction, and renovation of shanty towns and subsidence area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received. Therein compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income and recognised as government grants relating to assets and government grants related to income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. *Income tax*

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in other comprehensive income or shareholders' equity if it arises from a transaction or event which is recognised directly in other comprehensive income or shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. *Income tax (Continued)*

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

22. *Leases*

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. Except finance lease, other leases are treated as operating leases.

22.1 **As lessee of an operating lease**

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss when incurred.

22.2 **As lessor of an operating lease**

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

22.3 **As lessee of a finance lease**

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

Subsequent measurement of assets acquired under finance lease are set out in Note III, 13.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Leases (Continued)

22.4 Leaseback transaction

When the lease back transactions are recognised as finance leases, the difference between the selling price and the carrying amount of the assets are deferred and allocated based on the depreciation progress of such leased asset, which provide a basis for adjustment on depreciation.

23. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, contract assets and assets related to the costs incurred in fulfilling a contract, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss on the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. *Impairment of assets (Continued)*

In impairment testing for goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognised any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent periods.

24. *Employee benefits*

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

24.1 **Short-term benefits**

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

24.2 **Post-employment benefits (defined contribution plans)**

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

24.3 **Post-employment benefits (defined benefit plans)**

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the balance sheet immediately and recorded in equity as other comprehensive income in the accounting period the re-measurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. *Employee benefits (Continued)*

24.3 **Post-employment benefits (defined benefit plans) (Continued)**

The past service costs should be recognised as current expenses at the earlier of the following dates: a) when the Group modifies the defined benefit plans; and b) when the Group recognises relevant restructuring costs and termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as management expenses in the statement of profit or loss and other comprehensive income. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

24.4 **Termination benefits**

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: (1) when the Group can no longer withdraw the offer of those benefits; and (2) when the entity recognises costs for restructuring and involves the payment of termination costs.

24.5 **Housing funds**

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

24.6 **Bonus entitlements**

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within twelve months and are measured at the amounts estimated to be paid when they are settled.

25. *Debt restructuring*

25.1 **Recording of debt restructuring obligation as the debtor**

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and its (their) carrying amount(s) is recognised in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Debt restructuring (Continued)

25.1 Recording of debt restructuring obligation as the debtor (Continued)

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

25.2 Recording of debt restructuring obligation as the creditor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt receivable and the cash received is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt receivable is recorded at the fair value of the debt receivable with the modified terms. The difference between the carrying amount of the original debt receivable and the carrying amount of the restructured debt receivable is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt receivable is reduced by, and in sequence of, the cash received, the fair value of the non-cash asset(s) obtained and the fair value of the equity interest in the debtor received, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognised in profit or loss for the period.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. *Exchange of non-monetary assets*

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the fair value of the assets given up (except where there is clear evidence indicating the fair value of received assets are more reliable) and related taxes payable are recognised as the cost of the received assets, and the difference between the fair value and the carrying amount of assets given up are recognised in profit or loss for the current period. When the non-monetary assets fail to meet criteria above, the carrying amount the assets given up and relevant taxes payable are recognised as the cost of the assets received with no profit or loss being recognised.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

27. *Distribution of profit*

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

28. *Renewable corporate bonds and other financial instruments*

The perpetual securities and other financial instruments issued by the Group shall be classified as equity instruments if no contractual obligation of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable.

For perpetual securities and other financial instruments classified as equity instruments, distribution of interests and dividends are recognised into distribution of equity. Its repurchase and cancellation are recognised as changes of equity and transaction costs related to equity transactions are deducted from equity.

29. *Production safety expenses*

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization* <Cai Qi [2012] No.16> and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization*, issued by the Ministry of Finance and the State Administration of Work Safety.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**29. Production safety expenses (Continued)**

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

30. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date;

Level 2: Inputs are inputs, other than quoted process included within level, that are observable for the asset or liability, either directly or in directly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

31. Asset securitisation

The Group has securitised a portion of receivables ("trust property") where assets are entrusted to a special purpose entity ("SPE"). The SPE issues senior and subordinate assets-backed securities to investors, while the Group holds some portion of subordinate assets-backed securities which are not transferrable until the principal and interests of the senior assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as asset management and collection, contract revision and other services. The trust property, after paying trust taxation and relevant fees, will be firstly used to repay the principal and interests of the senior assets-backed securities; the remaining trust property after paying the principal and interests in full is treated as income from subordinate assets-backed securities. The Group shares relevant income based on its proportion of subordinate assets-backed securities.

When applying the accounting policy of securitisation of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- (1) When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognize the relevant financial asset;
- (2) When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognize the relevant financial asset;
- (3) When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognize the financial asset and recognize the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognize the financial asset to the extent of its continuing involvement in the transferred financial asset.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. *Significant accounting judgments and estimates*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

At the balance sheet date, key assumptions and uncertainties that probably lead to significant future adjustments on the carrying amount of assets and liabilities are as follows:

Revenue from construction projects

The construction services of the Group are performance obligations performed over time, and the Group recognises revenue based on the performance progress which is determined by input method during the contract period. The performance progress of the construction projects and recognition of onerous contracts shall be determined by the contractual budget of construction projects and a reasonable estimate of the contract revenue and estimated total cost, which are based on management's best estimation. If the contract costs are likely to exceed the contract revenue, provisions for foreseeable construction losses would be recognised as current expenses or impairment losses in relevant period. Due to the nature of activities associated with construction, the Group has to continuously review and revise budget prepared for each construction project when the construction projects are in progress. Revision may have effect on revenue, profit and other items related to construction projects during the period where revision incurred.

Impairment of accounts receivable and contract assets

For accounts receivable and contract assets scoped in ASBE No.14, the Group measures the loss provision based on the amount of expected credit losses for the entire duration. The determination of the carrying amount of the accounts receivable and contract assets requires the management to assess and identify whether credit impairment has occurred and to determine the present value of the cash flows of the accounts receivable and contract assets that the Group expects to receive based on the characteristics of such credit risk. If the result of reassessment is different from the current estimate, such difference may have influence on the profit and carrying amount of accounts receivable and contract assets during the period which the change incurred.

Impairment of properties under development and completed properties held for sale

The Group has to evaluate the net realisable values for properties under development and completed properties held for sale at the balance sheet date. When the net realisable values are lower than the carrying amounts, a provision is made by the Group.

The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to prevailing market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates (Continued)

Impairment of properties under development and completed properties held for sale (Continued)

The Group estimated the net realisable value for completed properties held for sale based on the selling price, sales projections, sales expenses to be incurred and relevant tax expenses, with reference to the current market prices and actual sale progress.

Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgments.

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are less than previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

Amortisation of concession rights of highways

If the assets under the concession arrangement acquired by the "Build-Operate-Transfer" (BOT) participating in the construction of the expressway is applicable to intangible asset model, the concession rights is amortised at the early stage of operation period based on expected realization approach of associated economic benefits using traffic volume method or straight-line method. In the case of traffic volume method amortisation (namely, calculating the total annual amortisation amount based on the percentage of actual traffic volume in certain years in the estimated total traffic volumes), amortisation calculation is initiated since the operation of the relevant turnpike highways.

The Group's management made judgments on the proportion of actual traffic volume in the total estimated traffic volume. Where the difference between the actual amount and the estimation is substantial, the management will re-estimate the total estimated traffic volume based on the actual traffic volume and adjust the amortisation of annual provisions for standard traffic volumes in subsequent years.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates (Continued)

Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. In cases where the actual future profits generated are less than the estimation, such difference will influence on or change the deferred tax assets and income tax recognised in the relevant period.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Long-term post-leaving benefits

The Group recognised the benefits paid to certain long-term post-leaving personnel as a liability. The amounts of employee benefit expenses and liabilities are determined using various assumptions, using the estimated rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The differences between actual experience and assumptions are recognised immediately in other comprehensive income in the period in which such differences arise. While management believes that its assumptions are reasonable, differences in actual experience or changes in assumptions may affect other comprehensive income and balance of liabilities related to the long-term post-leaving benefit obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies

The Group has adopted the *Accounting Standards for Business Enterprises No.14–Revenue* amended by the Ministry of Finance (“MoF”) in 2017(hereinafter by referred to as the “New Revenue Standard” while the “Original Revenue Standard” refers to the revenue standard prior to amendment), as well as the *Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No.24–Hedging Accounting* and the *Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments* (the four standards mentioned above are collectively referred to as “New Standards of Financial Instruments”.) since 1 January 2018.

In accordance with the notice from the MoF, for companies listed in domestic markets as well as oversea markets, or listed in oversea markets and adopted IFRS or ASBE to prepare financial statements, the New Revenue Standard and the New Standards of Financial Instruments shall be adopted from 1 January 2018. Therefore, the Company has adopted the New Revenue Standard and the New Standards of Financial Instruments mentioned above since 1 January 2018. Updated group accounting policies are presented in Note III.

In addition, the financial statements have been prepared based on *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai [2018] No.15, hereinafter as “Cai Kuai No. 15 Document”) issued by MoF on 15 June 2018. The comparative financial information are presented according to Cai Kuai No. 15 Document.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard

In accordance with the New Revenue Standard, during the first implementation of the standard, the accumulative amounts impacted shall be adjusted in the opening balance (i.e. balance as at 1 January 2018) of retained earnings and other relevant items in the financial statements, with no impacts on comparative information. In the adoption of the New Revenue Standard, the Group only adjusted the accumulative impacted amounts for contracts not completed at the date of the first implementation.

Impacts of the New Revenue Standard on opening balances of items in the consolidated balance sheet.

RMB'000

Item	31 December 2017	Reclassification (Note 1)	Re-measurement (Note 2)	1 January 2018
Current assets:				
Inventories	266,604,158	(130,254,952)	898,232	137,247,438
Contract assets	–	130,254,952	–	130,254,952
Other short-term assets	386,293,961	–	–	386,293,961
Total current assets	652,898,119	–	898,232	653,796,351
Non-current assets:				
Long-term receivables	40,662,087	(4,192,572)	–	36,469,515
Deferred tax assets	3,577,034	–	45,433	3,622,467
Other non-current assets	2,644,327	4,192,572	–	6,836,899
Other long-term assets	122,105,892	–	–	122,105,892
Total non-current assets	168,989,340	–	45,433	169,034,773
TOTAL ASSETS	821,887,459	–	943,665	822,831,124
Current liabilities:				
Advances from customers	85,682,565	(85,682,565)	–	–
Contract liabilities	–	85,682,565	1,122,154	86,804,719
Taxes payable	5,964,383	–	(27,722)	5,936,661
Other payables	49,797,546	–	(14,469)	49,783,077
Other short-term liabilities	402,210,345	–	–	402,210,345
Total current liabilities	543,654,839	–	1,079,963	544,734,802

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

Impacts of the New Revenue Standard on opening balances of items in the consolidated balance sheet. (Continued)

RMB'000

Item	31 December 2017	Reclassification (Note 1)	Re-measurement (Note 2)	1 January 2018
Non-current liabilities:				
Other long-term liabilities	99,583,775	-	-	99,583,775
Total non-current liabilities	99,583,775	-	-	99,583,775
Total liabilities	643,238,614	-	1,079,963	644,318,577
Shareholders' equity:				
Retained earnings	79,204,629	-	(136,298)	79,068,331
Other equity attributable to owners of the company	70,207,354	-	-	70,207,354
Total equity attributable to owners of the company	149,411,983	-	(136,298)	149,275,685
Non-controlling interests	29,236,862	-	-	29,236,862
Total shareholders' equity	178,648,845	-	(136,298)	178,512,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	821,887,459	-	943,665	822,831,124

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

Impacts of the New Revenue Standard on opening balances of items in the consolidated balance sheet. (Continued)

Note 1: Contract assets and contract liabilities

As at January 1, 2018, revenue recognised based on the performance progress of construction projects in excess of progress billings and determined receivables from the contract grantor under concession rights arrangements at construction stage are reclassified into contract assets and whose expected maturity period more than one year is presented as non-current assets. Advances from customers of the Group are reclassified into contract liabilities.

Note 2: Impacts of re-measurement of revenue

As at January 1, 2018, as required by the New Revenue Standard, the Group assessed unfulfilled contracts at the date of the first implementation to identify each performance obligation included in these contracts. For a promise of transferring goods or services to customers prescribed in some contracts, if it is not qualified for a single performance obligation defined by the New Revenue Standard and inseparable from other goods or services promised in the contracts, the promise shall be regarded as one performance obligation and revenue shall be recognised only when customers obtain the control right over relevant goods or services. The best estimate of a variable consideration existing in contracts is determined based on the expected value or the most likely amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. *Changes in significant accounting policies (Continued)*

33.2 Impacts of the New Standards of Financial Instruments

In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and-available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in unquoted equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

In terms of the impairment of financial assets, financial assets measured at amortised cost, contract assets, leasing receivables and financial guarantee contracts are within the scope of New Standards of Financial Instruments. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognised as the expected credit losses within 12 months or over the entire duration based on whether credit risks of relevant items have been increased significantly from the initial recognition. Provisions for impairments of accounts receivable and contract assets within the scope of ASBE No.14, and leasing receivables can be simplified and recognised as the expected credit losses over the entire duration. For other financial instruments, except for the purchased or internally generated credit-impaired financial, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date.

The Group made adjustment according to the New Standards of Financial Instruments for the recognition and measurement of financial instruments prior to 1 January 2018. The Group has not adjusted the comparative financial information. For the differences between the original carrying amount of financial instruments and the carrying amount of financial instruments measured by the New Standards of Financial Instruments, the Group adjusted the retained earnings or other comprehensive income at 1 January 2018.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments (Continued)

As at 1 January 2018, impacts of the New Standards of Financial Instruments to the Consolidated Balance Sheet are set out as follows:

Item	Carrying amount impact based on the original standards of financial instruments as at 31 December 2017	Reclassification impacts		Remeasurement		Carrying amount impact on the New Standards of Financial Instruments as at 1 January 2018
		Carrying amount impact of the New Standards	Transferred from available-for-sale financial assets (Note 1)	Transferred from held-to-trading investments (Note 2)	Transferred from financial assets/liabilities at fair value through profit or loss	
Financial assets at fair value through profit or loss	489,712	-	-	-	(489,712)	/
Held-for-trading financial assets	/	-	380,700	-	489,712	870,412
Contract assets	/	130,254,952	-	-	(669,472)	129,585,480
Held-to-maturity investments	41	-	-	(41)	-	/
Debt investments	/	-	-	41	-	41
Available-for-sale financial assets	8,382,301	-	(8,382,301)	-	-	/
Other equity instrument investments	/	-	7,701,886	-	-	7,701,886
Other non-current financial assets	/	-	299,715	-	-	299,715
Other comprehensive income	(92,447)	-	(83,432)	-	-	(175,879)
Retained earnings	79,204,629	(136,298)	83,432	-	(669,472)	78,482,291

RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments (Continued)

Note 1: Transferred from available-for-sale financial assets

Transferred to other equity instrument investments from available-for-sale financial assets

As at 1 January 2018, the available-for-sale financial assets amounting to RMB7,701,886,000 were reclassified into other equity instrument investments. The Group estimated that such investments would not be sold in the foreseeable future and the Group designated such investments as financial assets at fair value through other comprehensive income and reclassified to other equity instrument investments. For such investments amounting to RMB5,501,225,000 are unlisted equity investments without quoted prices in active markets and the fair value cannot be measured reliably. Those investments were measured at cost less impairment before and measured at fair value from 1 January 2018 according to the New Standards of Financial Instruments. In addition, impairment losses amounting to RMB83,432,000 recognised for such equity investments before were transferred to other comprehensive income from retained earnings from 1 January 2018; For investments amounting to RMB2,200,661,000 are listed equity investments measured at fair value and changes in fair value of RMB1,040,257,000 recognised in previous periods were continue to be presented in other comprehensive income.

Transferred to held-for-trading financial assets/other non-current financial assets from available-for-sale financial assets

As at 1 January 2018, the available-for-sale financial assets amounting to RMB680,415,000 were reclassified into held-for-trading financial assets/other non-current financial assets, those investments were measured at fair value in previous periods but classified as financial assets measured at fair value through profit or loss in accordance with the New Standards of Financial Instruments. The amount of RMB380,700,000 are classified as the available-for-sale financial assets and the amount of RMB299,715,000 are classified as other non-current financial assets based on the liquidity.

Note 2: Transferred from held-to-maturity investments

As at 1 January 2018, bonds amounting to RMB41,000 is reclassified to debt investment. Such investment is classified as held-to-maturity investment before and its cash flows in specific dates are solely for the payments of the principals and interests incurred from the outstanding principals according to the contract items. The Group managed such financial asset in a business model which is aimed to collect contract cash flows and reclassify it to debt investments.

Note 3: Expected credit losses

As at 1 January 2018, according to New Standards of Financial Instruments, the Group recognises impairment loss of contract assets based on expected credit losses. Losses from impairment of credit increased by RMB669,472,000 and retained earnings adjusted by the same amount.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments

As at 1 January 2018, impacts from the Group's first implementation of the New Revenue Standard and the New Standards of Financial Instruments on the Group's assets, liabilities and shareholders' equity were summarized as follows:

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current assets:				
Financial assets at fair value through profit or loss	489,712	-	(489,712)	/
Held-for-trading financial assets	/	-	870,412	870,412
Inventories	266,604,158	(129,356,720)	-	137,247,438
Contract assets	/	130,254,952	(669,472)	129,585,480
Other short-term assets	385,804,249	-	-	385,804,249
Total current assets	652,898,119	898,232	(288,772)	653,507,579
Non-current assets:				
Held-to-maturity investments	41	-	(41)	/
Debt investments	/	-	41	41
Other non-current financial assets	/	-	299,715	299,715
Other equity instrument investments	/	-	7,701,886	7,701,886
Available-for-sale financial assets	8,382,301	-	(8,382,301)	/
Deferred tax assets	3,577,034	45,433	-	3,622,467
Long-term receivables	40,662,087	(4,192,572)	-	36,469,515
Other non-current assets	2,644,327	4,192,572	-	6,836,899
Other long-term assets	113,723,550	-	-	113,723,550
Total non-current assets	168,989,340	45,433	(380,700)	168,654,073
TOTAL ASSETS	821,887,459	943,665	(669,472)	822,161,652

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments (Continued)

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current liabilities:				
Advances from customers	85,682,565	(85,682,565)	–	–
Contract liabilities	/	86,804,719	–	86,804,719
Taxes payable	5,964,383	(27,722)	–	5,936,661
Other payables	49,797,546	(14,469)	–	49,783,077
Other short-term liabilities	402,210,345	–	–	402,210,345
Total current liabilities	543,654,839	1,079,963	–	544,734,802
Non-current liabilities:				
Other long-term liabilities	99,583,775	–	–	99,583,775
Total non-current liabilities	99,583,775	–	–	99,583,775
Total liabilities	643,238,614	1,079,963	–	644,318,577
Shareholders' equity:				
Other comprehensive income	(92,447)	–	(83,432)	(175,879)
Retained earnings	79,204,629	(136,298)	(586,040)	78,482,291
Other equity attributable to owners of the company	70,299,801	–	–	70,299,801
Total equity attributable to owners of the company	149,411,983	(136,298)	(669,472)	148,606,213
Non-controlling interests	29,236,862	–	–	29,236,862
Total shareholders' equity	178,648,845	(136,298)	(669,472)	177,843,075
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	821,887,459	943,665	(669,472)	822,161,652

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES

1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Value-added tax ("VAT")	Sales revenue and construction installation income in accordance with relevant tax law	3%, 6%, 11% (adjusted to 10% since 1 May 2018), 17% (adjusted to 16% since 1 May 2018)
Enterprise income tax ("EIT")	Taxable income	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for tax preferential (Note IV, 2) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
City maintenance and construction tax ("CCT")	Based on the actual VAT and circulation tax payment	1%, 5%, 7%
Educational surcharge	Based on the actual VAT and circulation tax payment	3%
Local educational surcharge	Based on the actual VAT and circulation tax payment	2%
Land appreciation tax ("LAT")	calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate	Extra progressive tax rate: 30%, 40%, 50%, 60%

2. Tax preferential

Super deduction of research and development (R&D) expenses

Pursuant to Chapter IV, Item 1 of Article 30 of the *Law of the PRC on Enterprise Income Tax Law* (the "New EIT Law") and the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2015] No.119), the Company and its subsidiaries complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs* (Cai Shui [2011] No.58), the tax preference for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 70% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* shall be issued separately.”

At present, the *Catalogue of Encouraged Industries in the Western Region* has been approved by the State Council, and shall be implemented as from 1 October 2014. Certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), China Railway 12th Bureau Group Railway Maintenance Engineering Co., Ltd. (中鐵十二局集團鐵路養護工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 15th Bureau Group Tibet Engineering Co., Ltd. (中鐵十五局集團西藏工程有限公司), China Railway 17th Bureau 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 17th Bureau Group Tibet Engineering Co., Ltd. (中鐵十七局集團西藏工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 18th Bureau Group Tibet Engineering Co., Ltd. (中鐵十八局集團西藏工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團市政工程有限公司), China Railway Guizhou Engineering Company Limited. (中鐵貴州工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway 23rd Bureau Group Rail Transit Chengdu Engineering Co., Ltd.(中鐵二十三局集團軌道交通成都工程有限公司), China Railway 25th Bureau Group(Ganzhou)Engineering Co., Ltd.(中鐵二十五局集團(贛州)工程有限公司), China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd.(中鐵建電氣化局集團西安電氣化制品有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Shanxi Xingan Runtong Electrification Co., Ltd. (陝西興安潤通電氣化有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Lanzhou Railway Survey and Design Institute Co., Ltd. (蘭州鐵道設計院有限公司), Xi'an China Railway No.1 Airport Investment Development Co., Ltd. (西安中鐵一院空港投資發展有限公司), China Railway Siyuan Group Nanning Survey and Design Co., Ltd. (中鐵四院集團南寧勘察設計院有限公司), China Railway Siyuan Group Southwest Survey and Design Co., Ltd. (中鐵四院集團西南勘察設計有限公司), CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), China Railway Construction Heavy Industry Xinjiang Co., Ltd. (鐵建重工新疆有限公司), Lanzhou Tunnel Equipment Co., Ltd. of China Railway Heavy Industry Group (中國鐵建重工集團蘭州隧道裝備有限公司), China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司), China Railway Material Group Southwest Co., Ltd. (中鐵物資集團西南有限公司), China Railway Chongqing Urban Rail Transit Engineering Co., Ltd.(中鐵建重慶軌道環線建設有限公司), China Railway Construction Kunlun Road & Bridge Construction Co., Ltd. (中鐵建崑崙路橋建設有限公司),China Railway Construction Kunlun Subway Investment Construction Management Co., Ltd. (中鐵建崑崙地鐵投資建設管理有限公司), China Railway Construction Guizhou Construction Co., Ltd. (中鐵建貴州建設有限公司), China Railway Construction Kunlun Investment Co., Ltd. (中鐵建崑崙投資集團有限公司), Chongqing China Petroleum & Railway Construction Industrial Co., Ltd. (重慶中油鐵建實業有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), CRCC Chongqing Investment Group Co., Ltd. (中鐵建重慶投資集團有限公司), have been approved by local bureau of State of Administration of Taxation to carry on the tax preferential for the Western Region Development in 2017 at the rate of 15%. The above companies met requirements of "enterprises located in the Western Region, whose principal businesses are encouraged industries, and the income of which accounts for more than 70% of the total income of such enterprises" in 2018. The Group estimated the above companies would get approval by local tax authorities and carry on a preferential tax rate of 15% in 2018.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries

China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司): (1) its subsidiaries including China Railway 11th Bureau Group 1st Engineering Co., Ltd. (中鐵十一局集團第一工程有限公司), China Railway 11th Bureau Group 2nd Engineering Co., Ltd. (中鐵十一局集團第二工程有限公司), China Railway 11th Bureau Group 3rd Engineering Co., Ltd. (中鐵十一局集團第三工程有限公司), China Railway 11th Bureau Group 4th Engineering Co., Ltd. (中鐵十一局集團第四工程有限公司) and China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) have been recognised as High-tech Enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 11th Bureau Group Bridge Engineering Co., Ltd. (中鐵十一局集團橋梁有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Finance Department, Jiangxi Provincial Office, SAT and Jiangxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司) has been recognised as High-tech enterprises by Science and Technology Department of Chongqing, Chongqing Finance Department, Chongqing Municipal Office, SAT and Chongqing Local Tax Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway 11th Bureau Group 6th Engineering Co., Ltd. (中鐵十一局集團第六工程有限公司) has been recognised as High-tech enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司): (1) its subsidiary China Railway 12th Bureau Group 7th Engineering Co., Ltd. (中鐵十二局集團第七工程有限公司) has been recognised as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Bureau, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2016 till 31 December 2018; (2) its subsidiary Building and Installing Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團建築安裝工程有限公司) has been recognised by Shanxi Provincial Science and Technology Department, Shanxi Provincial Finance Bureau, Shanxi Provincial Office, SAT, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (1) China Railway Construction Bridge Engineering Bureau Group Co., Ltd. has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Municipal Finance Department, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway Construction Bridge Engineering Bureau Group 2nd Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第二工程有限公司) has been recognised as a High-tech Enterprise by the Shenzhen Science and Technology Innovation Commission, Finance Commission of Shenzhen Municipality, Shenzhen Tax Service, State Administration of Taxation and Shenzhen Local Taxation Bureau since 2017, and is entitled to enjoy a preferential Income Tax rate of 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway Construction Bridge Engineering Bureau Group 4th Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Income Tax rate of 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中鐵建大橋工程局集團第六工程有限公司) has been recognised as a High-tech Enterprise by the Jilin Provincial Science and Technology Department, Jilin Province Department of Finance, Jilin Provincial Office, SAT, and Jilin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiary China Railway Construction Bridge Engineering Bureau Group Electrification Engineering Co., Ltd. (中鐵建大橋工程局集團電氣化工程有限公司) has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Finance Bureau, Tianjin Municipal Office, SAT, and Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway Zhuzhou Bridge Co., Ltd. (中鐵株洲橋梁有限公司) has been recognised as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2016 till 31 December 2018.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (1) its subsidiary China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Office, SAT and Zhejiang Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiaries including China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司), China Railway 16th Bureau Group Electrical Engineering Co., Ltd. (中鐵十六局集團電務工程有限公司) and China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiaries including China Railway 16th Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵十六局集團路橋工程有限公司) and China Railway 16th Bureau Group Urban Construction Development Co., Ltd. (中鐵十六局集團城市建設發展有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司): (1) its subsidiaries including China Railway 17th Bureau Group 1st Engineering Co., Ltd. (中鐵十七局集團第一工程有限公司), China Railway 17th Bureau Group Construction Engineering Co., Ltd. (中鐵十七局集團建築工程有限公司) and China Railway 17th Bureau Group Electrification Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 17th Bureau 3rd Engineering Co., Ltd. (中鐵十七局集團第三工程有限公司) has been recognised as a High-tech enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway 17th Bureau 5th Engineering Co., Ltd. (中鐵十七局集團第五工程有限公司) has been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司): (1) its subsidiaries China Railway 18th Bureau Group 1st Engineering Co., Ltd. (中鐵十八局集團第一工程有限公司) and China Railway 18th Bureau Group 2nd Engineering Co., Ltd. (中鐵十八局集團第二工程有限公司) have been recognised as High-tech enterprises by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway 18th Bureau Group 5th Engineering Co., Ltd. (中鐵十八局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (1) its subsidiary China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團有限公司第五工程有限公司) has been recognised as a High-tech Enterprise by the Dalian Municipal Science and Technology Commission, Dalian Municipal Bureau of Finance, Dalian Municipal Office of the State Administration of Taxation and the Dalian Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiaries China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) and China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) have been recognised as High-tech Enterprises by the Science and Technology Department of Liaoning Province, Liaoning Province Finance Department, Liaoning Provincial Office, SAT and Liaoning Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway 19th Bureau Group Corporation Electric Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司)'s subsidiary China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Municipal Bureau of Finance, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 to 31 December 2018.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司): (1) its subsidiary China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司) has been recognised as a High-tech Enterprise by Gansu Provincial Science and Technology Department, Gansu Provincial Department of Finance, Gansu Provincial Office, SAT and Gansu Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Qinghai Provincial Science and Technology Department, Qinghai Provincial Department of Finance, Qinghai Provincial Office, SAT and Qinghai Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司): (1) China Railway 22nd Bureau Group Co., Ltd. and its subsidiary China Railway 22nd Bureau Group 1st Engineering Co., Ltd. (中鐵二十二局集團有限公司第一工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司)'s subsidiary China Railway 23rd Bureau Group Metro Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by the Shanghai Science and Technology Committee, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司): (1) its subsidiary Guangzhou Tiecheng Engineering Inspection Co., Ltd. (廣州鐵誠工程質量檢測有限公司) has been recognised as a High-tech Enterprise by the Science & Technology Commission of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016 and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 25th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway Construction Group Ltd. (中鐵建設集團有限公司)'s subsidiaries including Beijing CRCC Decoration Engineering Co., Ltd. (北京中鐵裝飾工程有限公司) and China Railway Construction Group Equipment Co., Ltd. (中鐵建設集團設備安裝有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司): (1) its subsidiary China Railway Construction Electrification Bureau Group 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Henan Provincial Science and Technology Department, Henan Provincial Department of Finance, Henan State Administration of Taxation and the Henan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 to 31 December 2018; (2) its subsidiary China Railway Construction Electrification Bureau Group 2nd Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway Construction Electrification Bureau Group 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway Construction Electrification Bureau Group 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (5) its subsidiary the 4th Engineering Co., Ltd. of China Railway Construction Electrification Bureau Group (中鐵建電氣化局集團第四工程有限公司) has been recognised as a High-tech enterprise by Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (7) its subsidiary China Railway Construction Electrification Bureau Group North Engineering Co., Ltd. (中鐵建電氣化局集團北方工程有限公司) has been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (8) its subsidiary China Railway Construction Electrification Bureau Group Kangyuan New Material Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognised as a High-tech Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

CRCC Harbor & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司): (1) its subsidiary CRCC Harbor & Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-tech Enterprise by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate of 15% from 1 January 2016 to 31 December 2018; (2) CRCC Harbor & Channel Engineering Bureau Group Co., Ltd. has been recognised as a High-tech Enterprise by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate of 15% from 1 January 2017 to 31 December 2019.

China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司): (1) its subsidiary Beijing Engineering Company Limited of China Railway Urban Construction Group (中鐵城建北京工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Department of Science and Technology, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Urban Construction Group 1st Engineering Co., Ltd. (中鐵城建集團第一工程有限公司) has been recognised as a High-tech enterprise by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司): (1) its subsidiary Wuhan Railway Siyuan Institute Engineering Consulting Co., Ltd. (武漢鐵四院工程諮詢有限公司) has been recognised as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) China Railway Siyuan Survey and Design Group Co., Ltd. and its subsidiary Railway Siyuan (Hubei) Engineering Supervision Consulting Co., Ltd. (鐵四院(湖北)工程監理諮詢有限公司) have been recognised as High-tech Enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary Guangzhou Holding Company of the China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團廣州設計院有限公司) has been recognised as a High-tech Enterprise by the Science & Technology Commission of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2017 and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司) and its subsidiaries Beijing Railway Fifth Group Engineering Machinery Co., Ltd. (北京鐵五院工程機械有限公司) and Beijing China Railway Construction North Road & Bridge Engineering Co., Ltd. (北京中鐵建北方路橋工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司): (1) China Railway Construction Heavy Industry Co., Ltd. has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Cash on hand	108,515	110,347
Cash at banks	102,900,783	131,180,726
Other cash and bank balances	4,802,357	5,794,716
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	4,498,179	4,120,396
Total	112,309,834	141,206,185

Cash and bank balances with title restrictions were stated in Note V.64.

As at 30 June 2018, the Group held foreign cash and bank balances amounting to RMB10,144,028,000 (31 December 2017: RMB10,328,200,000), and held no restricted deposits (31 December 2017: Nil).

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Cash and bank balances at the end of the period	112,309,834	141,206,185
Less: Mandatory reserves placed by CRCC Finance Company Limited with the central bank	4,498,179	4,120,396
Less: Other restricted cash and bank balances	4,767,563	5,779,509
Less: Non-pledged time deposits with original maturity of three months or more when acquired	2,252,762	1,913,560
Cash and cash equivalents at the end of the period	100,791,330	129,392,720

2. Financial assets at fair value through profit or loss

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Equity instruments	/	257,408
Derivative financial assets	/	232,304
Total	/	489,712

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Held-for-trading financial assets

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Monetary fund products	2,033,125	/
Equity instruments	250,619	/
Derivative financial assets	209,841	/
Others	255,000	/
Total	2,748,585	/

4. Bills receivable and accounts receivable

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Commercial acceptance bills	2,037,506	4,763,265
Bank acceptance bills	1,660,062	2,261,661
Subtotal of bills receivable	3,697,568	7,024,926
Accounts receivable	159,718,071	150,474,982
Less: Provision for bad debts	4,040,003	3,971,091
Subtotal of accounts receivable	155,678,068	146,503,891
Total of bills receivable and accounts receivable	159,375,636	153,528,817

(1) Bills receivable

As at 30 June 2018, the Group had RMB853,116,000 (31 December 2017: RMB1,080,233,000) non-matured bills receivable which had right of recourse and had been discounted or endorsed to other parties. The Group derecognised those bills receivable as the Group considered that all risks and rewards of the ownership has been transferred from the discounted or endorsed bills receivable since there is extremely low risk of the acceptor's inability to cash the bills upon expiry due to the acceptor's good reputation.

As at 30 June 2018, there were no bills receivable transferred to accounts receivable due to non-compliance of drawer of a bill (31 December 2017: Nil).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and accounts receivable (Continued)

(2) Accounts receivable

The majority of the Group's revenue is generated through construction projects and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. For relevant retention money receivables carried out by the Group, the due dates usually range from one to six years after the completion of the construction work. The retention money whose maturity is more than one year is recognised as long-term receivable. Accounts receivable are non-interest-bearing.

An aging analysis of accounts receivable is listed as follows:

RMB'000

Aging	30 June 2018 (unaudited)	31 December 2017
Within 1 year	137,022,497	127,639,261
1 to 2 years	13,179,098	13,353,735
2 to 3 years	5,105,572	5,750,429
Over 3 years	4,410,904	3,731,557
Sub-total	159,718,071	150,474,982
Less: Provision for bad debts	4,040,003	3,971,091
Total	155,678,068	146,503,891

Movements in the provision for bad debts are listed as follows:

RMB'000

Item	For the six months ended 30 June 2018 (unaudited)	2017
Opening balance	3,971,091	3,164,845
Provision for the period/year	310,051	1,236,810
Decrease for the period/year – Reversal	236,525	363,812
Decrease for the period/year – Write-off	1,667	49,458
Others	(2,947)	(17,294)
Closing balance	4,040,003	3,971,091

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and accounts receivable (Continued)

(2) Accounts receivable (Continued)

As at 30 June 2018, accounts receivable from the five largest customers are listed as follows (unaudited):

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	1,748,756	Within 1 year	1.09
Company 2	Third party	1,203,570	Within 1 year	0.75
Company 3	Third party	1,238,053	Within 1 year	0.78
Company 4	Third party	1,196,896	Within 1 year	0.75
Company 5	Third party	1,189,950	Within 1 year	0.75
Total	–	6,577,225	–	4.12

As at 31 December 2017, accounts receivable from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	1,657,545	Within 1 year	1.10
Company 2	Third party	1,389,949	Within 1 year	0.92
Company 3	Third party	1,227,209	Within 1 year	0.82
Company 4	Third party	1,210,502	Within 1 year	0.80
Company 5	Third party	1,130,191	Within 1 year	0.75
Total	–	6,615,396	–	4.39

For the six months ended 30 June 2018, the write-off of accounts receivable amounted to RMB1,667,000 (For the six months ended 30 June 2017: RMB24,492,000).

The restricted accounts receivable of the Group are stated in Note V.64.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers

An aging analysis of the advances to suppliers is listed as follows:

RMB'000

Aging	30 June 2018 (unaudited)		31 December 2017	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	21,918,464	98.08	18,346,669	97.67
1 to 2 years	205,186	0.92	220,399	1.17
2 to 3 years	44,662	0.20	76,673	0.41
Over 3 years	178,549	0.80	140,263	0.75
Total	22,346,861	100.00	18,784,004	100.00

As at 30 June 2018, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	30 June 2018 (unaudited)	Business nature
Company 1	27,728	Prepayment for materials
Company 2	21,445	Prepayment for materials
Company 3	13,560	Prepayment for service
Company 4	9,500	Prepayment for materials
Company 5	4,414	Prepayment for service
Total	76,647	–

As at 31 December 2017, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	31 December 2017	Business nature
Company 1	150,580	Prepayment for construction contracts
Company 2	90,000	Prepayment for construction contracts
Company 3	71,482	Prepayment for materials
Company 4	30,342	Prepayment for construction contracts
Company 5	30,001	Prepayment for materials
Total	372,405	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers (Continued)

Significant outstanding advances to suppliers aged over one year are mainly due to related construction projects which have not been billed or materials which have not been received.

As at 30 June 2018, advances to the five largest suppliers are listed as follows (unaudited):

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	1,000,000	Within 1 year	4.47
Company 2	Third party	245,000	Within 1 year	1.10
Company 3	Third party	232,500	Within 1 year	1.04
Company 4	Third party	127,389	Within 1 year	0.57
Company 5	Third party	121,246	Within 1 year	0.54
Total	–	1,726,135	–	7.72

As at 31 December 2017, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	322,019	Within 1 year	1.71
Company 2	Third party	240,000	Within 4 years	1.28
Company 3	Third party	186,881	Within 1 year	0.99
Company 4	Third party	173,395	Within 2 years	0.92
Company 5	Third party	172,203	Within 1 year	0.92
Total	–	1,094,498	–	5.82

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

An aging analysis of other receivables is listed as follows:

RMB'000

Aging	30 June 2018 (unaudited)	31 December 2017
Within 1 year	60,328,942	53,252,461
1 to 2 years	2,041,586	2,412,223
2 to 3 years	1,917,024	1,740,148
Over 3 years	2,742,111	1,429,046
Sub-total	67,029,663	58,833,878
Less: Provision for bad debts	3,415,383	3,554,913
Total	63,614,280	55,278,965

Movements in the provision for bad debts are listed as follows:

RMB'000

Item	For the six months ended 30 June 2018 (unaudited)	2017
Opening balance	3,554,913	3,329,710
Provision for the period/year	60,495	634,770
Decrease for the period/year – Reversal	131,957	376,840
Decrease for the period/year – Write-off	35,047	30,119
Others	(33,021)	(2,608)
Closing balance	3,415,383	3,554,913

For the six months ended at 30 June 2018, the write-off of other receivables amounted to RMB35,047,000 (For the six months ended at 30 June 2017: RMB4,072,000).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables are analyzed by nature is listed as follows:

RMB'000

Nature	30 June 2018 (unaudited)	31 December 2017
Loans for cooperative development project	27,972,088	19,541,397
Security deposit/cash pledged	22,254,722	25,591,135
Advance payments	5,485,152	3,932,727
Interest receivables	194,092	202,550
Dividends receivable	39,751	37,256
Others	11,083,858	9,528,813
Total	67,029,663	58,833,878

As at 30 June 2018, other receivables from the five largest customers are listed as follows (unaudited):

RMB'000

Company name	Amount	Percentage of total other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	4,073,844	6.08	Loans for cooperative development project	Within 1 year	-
Company 2	3,873,875	5.78	Loans for cooperative development project	Within 1 year	-
Company 3	2,975,979	4.44	Loans for cooperative development project	Within 1 year	-
Company 4	2,844,653	4.24	Loans for cooperative development project	Within 1 year	-
Company 5	2,259,047	3.37	Loans for cooperative development project	Within 1 year	-
Total	16,027,398	23.91	-	-	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Amount	Percentage of total other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	3,927,327	6.68	Loans for cooperative development project	Within 1 year	–
Company 2	2,752,386	4.68	Loans for cooperative development project	Within 1 year	–
Company 3	2,666,937	4.53	Loans for cooperative development project	Within 1 year	–
Company 4	1,892,899	3.22	Loans for cooperative development project	Within 1 year	–
Company 5	1,592,548	2.71	Loans for cooperative development project	Within 1 year	–
Total	12,832,097	21.82	–	–	–

7. Inventories

RMB'000

Item	30 June 2018 (unaudited)		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	21,506,274	3,455	21,502,819
Work in progress	2,354,821	–	2,354,821
Finished goods	5,100,072	198,368	4,901,704
Turnover materials	10,859,679	–	10,859,679
Properties under development (1)	94,733,405	1,400,781	93,332,624
Completed properties held for sale (2)	21,443,482	105,127	21,338,355
Total	155,997,733	1,707,731	154,290,002

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

RMB'000

Item	31 December 2017		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	19,450,955	21,686	19,429,269
Work in progress	2,274,464	–	2,274,464
Finished goods	5,777,142	199,644	5,577,498
Turnover materials	8,561,670	–	8,561,670
Properties under development (1)	78,322,850	1,400,781	76,922,069
Completed properties held for sale (2)	23,695,028	110,792	23,584,236
Gross amount due from contract customers	132,300,522	2,045,570	130,254,952
Total	270,382,631	3,778,473	266,604,158

Movements in the provision for decline in value of inventories are as follows:

RMB'000

Item	31 December 2017	Changes in accounting policies	1 January 2018	Additions	Reductions		30 June 2018
				Provision (unaudited)	Reversal (unaudited)	Write-off and others (unaudited)	
Raw materials	21,686	–	21,686	5,356	23,587	–	3,455
Finished goods	199,644	–	199,644	703	1,979	–	198,368
Properties under development	1,400,781	–	1,400,781	–	–	–	1,400,781
Completed properties held for sale	110,792	–	110,792	–	–	5,665	105,127
Provision for foreseeable contract losses	2,045,570	(2,045,570)	/	/	/	/	/
Total	3,778,473	(2,045,570)	1,732,903	6,059	25,566	5,665	1,707,731

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

Movements in the provision for decline in value of inventories are as follows: (Continued)

RMB'000

Item	1 January	Additions	Reductions		31 December
	2017	Provision	Reversal	Write-off and others	2017
Raw materials	19,410	2,433	–	157	21,686
Finished goods	159,658	95,506	52,994	2,526	199,644
Properties under development	–	1,400,781	–	–	1,400,781
Completed properties held for sale	100,437	15,464	–	5,109	110,792
Provision for foreseeable contract losses	442,283	1,721,681	54,174	64,220	2,045,570
Total	721,788	3,235,865	107,168	72,012	3,778,473

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development are as follows:

RMB'000

Project name	Construction commencement date	Estimated latest completion date	Estimated aggregate investment amount	30 June	31 December
				2018 (unaudited)	2017
CRCC Xipai City Project	December 2016	November 2019	13,312,200	5,358,018	5,034,363
Xiangxie International Project	December 2015	December 2018	6,401,850	4,836,760	4,567,596
Tianjin CRCC International City Project	November 2011	December 2020	13,503,430	3,453,104	3,336,952
Tianjin Guoyin Wenyuan Project	August 2018	November 2020	5,332,330	3,388,287	700,236
Chengdu CRCC Wu Hou Tie Fo Project	December 2015	December 2018	4,831,650	3,274,052	2,964,522
Xi'an CRCC International City Project	August 2011	July 2018	9,773,964	3,215,411	2,947,561
Chengdu Beihu Xinqu Project	August 2013	June 2019	8,936,600	2,891,520	2,690,378
Jiangsu Qingxiu City Project	June 2014	December 2018	6,610,980	2,607,325	2,348,640
Chengdu CRCC Wu Hou Tie Fo Zone 7 Project	May 2016	June 2019	5,222,210	2,569,074	2,427,055
Chengdu CRCC Xipai Lan'an Project	November 2013	March 2019	6,456,790	2,435,259	2,319,213
Ningbo Jinghai (Haiyu Tianxia) Project	November 2018	January 2022	7,972,320	2,195,488	-
Hangzhou West Lake International City Project	December 2015	December 2019	2,756,840	2,185,397	1,959,196
CRCC Southern Headquarter Base Project	June 2016	December 2018	3,587,400	2,040,394	1,749,421
Plot project for Majiawan Village 1306-606 of Dougezhuang Country, Chaoyang	September 2018	September 2020	2,862,450	1,956,518	510,105
Hefei CRCC Qingxiucheng Project	March 2014	November 2018	3,845,860	1,797,979	1,373,062
Buffalo Fang Plot Project	September 2018	September 2020	2,633,440	1,755,418	-
Qingyangpeng Project	October 2017	October 2019	2,883,310	1,734,574	1,629,915
CRCC Guiyang International City Project	September 2007	December 2019	10,942,270	1,727,561	1,552,375
CRCC Shanshui Yicheng Project	September 2014	December 2018	4,087,837	1,609,558	1,362,589
Changsha Meixi Lake Project	May 2013	December 2018	4,408,220	1,377,835	1,246,405
Haidian Environmental Protection Science Park Project	October 2014	December 2019	3,137,780	1,367,212	1,170,862
Jiaxing Jiangnan International City Project	June 2018	December 2020	2,289,840	1,342,665	182,730
CRCC Yujing Yangguang Project	December 2017	November 2019	2,127,360	1,280,492	1,275,901
Others	-	-	203,435,639	38,333,504	34,973,773
Total	-	-	337,352,570	94,733,405	78,322,850

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development are as follows: (Continued)

As at 30 June 2018, the aggregate carrying amount of borrowing costs capitalised in properties under development was RMB8,145,810,000 (31 December 2017: RMB7,342,685,000). Borrowing costs capitalised for the six months ended 30 June 2018 amounted to RMB1,508,566,000 (for the six months ended 30 June 2017: RMB1,532,523,000). The capitalisation rates of borrowing costs ranged from 3.40% to 7.70% (for the six months ended 30 June 2017: 3.50%-7.66%).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Details of the completed properties held for sale are as follows:

RMB'000

Project name	Latest completion date	31 December 2017	Changes in accounting policies	1 January 2018	Additions (unaudited)	Reductions (unaudited)	30 June 2018 (unaudited)
Nananhuayu Project	April 2018	1,599,130	898,232	2,497,362	-	856,536	1,640,826
CRCC Guobinyuan Project	December 2017	1,623,285	-	1,623,285	-	217,121	1,406,164
CRCC Plaza Project	October 2017	1,053,493	-	1,053,493	-	82,534	970,959
Jiucheng Yihao Project	October 2017	1,011,249	-	1,011,249	-	98,710	912,539
Hangzhou CRCC International City Project	June 2017	1,058,400	-	1,058,400	-	225,759	832,641
Foshan International Gongguan Project	December 2017	870,116	-	870,116	-	38,777	831,339
Dalian Qingxiu Lanwan Project	December 2017	835,060	-	835,060	-	24,006	811,054
Beijing Tongzhou Yongshun Town No.51 Lot Project	September 2017	683,918	-	683,918	125,115	4,787	804,246
Chengdu Beihu Xinqu Project	December 2017	1,013,094	-	1,013,094	-	260,401	752,693
Guiyang CRCC International City Project	September 2017	808,326	-	808,326	-	70,281	738,045
Jinjiang International City Project	April 2017	656,649	-	656,649	-	16,501	640,148
Tianjin CRCC International City Project	December 2017	711,466	-	711,466	-	111,394	600,072
China Railway Lidu Project	October 2016	544,766	-	544,766	-	11,137	533,629
Chengdu CRCC Xipai Lan'an Project	June 2016	584,221	-	584,221	-	64,662	519,559
Shanghai Qingxiucheng Project	December 2016	537,028	-	537,028	-	76,488	460,540
CRCC New City Project	December 2014	374,780	-	374,780	-	10,314	364,466
CRCC Yangchun Hupan Project	March 2018	294,633	-	294,633	250,957	189,708	355,882
CRCC Puhe Xinyuan Project	December 2016	358,764	-	358,764	-	70,407	288,357
Hefei CRCC International City Project	October 2017	318,158	-	318,158	-	50,505	267,653
Jiangwan Shanyu City Project	December 2017	333,380	-	333,380	-	81,474	251,906
Hunan CRCC International City Project	September 2017	248,796	-	248,796	-	227	248,569
Guangzhou Zengcheng International City Project	May 2017	297,966	-	297,966	-	57,960	240,006
Xi'an Runju Project	June 2018	-	-	-	237,427	-	237,427
Yuanxiang Jiayuan Project	August 2017	288,383	-	288,383	-	55,882	232,501
Taiyuan Zijun Project	June 2018	-	-	-	2,038,304	1,849,695	188,609
Others	-	7,589,967	-	7,589,967	1,439,097	2,715,412	6,313,652
Total	-	23,695,028	898,232	24,593,260	4,090,900	7,240,678	21,443,482

Details of the Group's inventories with title restriction are stated in Note V.64.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets

Contract assets are from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset while progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

RMB'000

Item	30 June 2018 (unaudited)		Carrying amount
	Gross carrying amount	Provision for impairment	
Contract assets	146,700,425	2,879,149	143,821,276

9. Other current assets

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Prepaid taxes and VAT input to be deducted	12,409,964	8,283,418
Others	124,719	131,061
Total	12,534,683	8,414,479

10. Loans and advances to customers

RMB'000

Item	30 June 2018 (unaudited)	31 December 2017
Loans to customers	1,980,000	1,683,000

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables

RMB'000

Item	30 June 2018 (unaudited)		Carrying amount
	Gross carrying amount	Provision for impairment	
Retention money receivables	3,715,307	11,414	3,703,893
“Build-Transfer” project receivables	22,878,175	353,238	22,524,937
A-land development	6,733,306	–	6,733,306
Others	16,849,779	–	16,849,779
Total	50,176,567	364,652	49,811,915
Less: Current portion of long-term receivables:	8,942,584	33,158	8,909,426
Including: Retention money receivables	2,287,712	10,575	2,277,137
“Build-Transfer” project receivables	4,963,089	22,583	4,940,506
Others	1,691,783	–	1,691,783
Long-term receivables due after one year	41,233,983	331,494	40,902,489

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

RMB'000

Item	31 December 2017		Carrying amount
	Gross carrying amount	Provision for impairment	
Retention money receivables	3,122,078	11,554	3,110,524
“Build-Transfer” project receivables	20,115,256	353,238	19,762,018
A-land development	5,646,518	–	5,646,518
Others	20,734,826	–	20,734,826
Total	49,618,678	364,792	49,253,886
Less: Current portion of long-term receivables:	8,613,256	21,457	8,591,799
Including: Retention money receivables	1,598,244	10,703	1,587,541
“Build-Transfer” project receivables	6,319,529	10,754	6,308,775
Others	695,483	–	695,483
Long-term receivables due after one year	41,005,422	343,335	40,662,087

As at 30 June 2018, long-term receivables with significant financing component were presented in accordance with the net amount after discount. The discount rates ranged from 4.75% to 4.83% (31 December 2017: 4.75% to 6.17%).

Movements in the provision for bad debts of long-term receivables were as follows:

RMB'000

	For the six months ended 30 June 2018 (unaudited)	2017
Opening balance	364,792	350,636
Provision	66	29,163
Less: Reversal	206	15,007
Closing balance	364,652	364,792

Refer to Note V.64 for the Group’s long-term receivables with title restriction.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates

RMB '000

	Principal place of business	Place of registration	Business nature	Percentage of ownership of equity (%)	Accounting treatment
Joint ventures					
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd. (Note 1)	Jinan, Shandong	Jinan, Shandong	Real estate development operations	70.00	Equity method
China-Africa Lekkil Investment Co., Ltd. (Note 2)	Beijing	Beijing	Investment management	74.47	Equity method
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 3)	Hohhot, Inner Mongolia	Hohhot, Inner Mongolia	Railway construction and investment	51.00	Equity method
Chongqing Tiefa Jianxin Highway Co., Ltd.	Chongqing	Chongqing	Construction, operation and management of highway project	24.00	Equity method
Associates					
Ningxia Intercity Railway Co., Ltd.	Yinchuan, Ningxia	Yinchuan, Ningxia	Investment and construction of railway project	21.41	Equity method
CRCC-Tongguan Investment Co., Ltd.	Tongling, Anhui	Tongling, Anhui	Mining investment	30.00	Equity method
CRCC Financial Leasing Co., Ltd. (Note 4)	Tianjin	Tianjin	Finance lease	50.00	Equity method
Chongqing Yurong Highway Co., Ltd.	Chongqing	Chongqing	Investment and construction of highway project	40.00	Equity method
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Tianjin	Tianjin	Investment and management	40.00	Equity method
CRCC Real Estate Co., Ltd.	Beijing	Beijing	A land development	43.00	Equity method
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 5)	Kunming, Yunnan	Kunming, Yunnan	Investment and construction of railway project	9.40	Equity method
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 6)	Kunming, Yunnan	Kunming, Yunnan	Investment and construction of highway project	6.42	Equity method
Guizhou Wengma Railway Co., Ltd.	Fuquan, Guizhou	Fuquan, Guizhou	Investment and construction of railway project	22.00	Equity method
CRCC-Shandong Jinghu Highway Jile Co., Ltd. (Note 7)	Jinan, Shandong	Jinan, Shandong	Investment and construction of highway project	15.00	Equity method

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

RMB '000

	Principal place of business	Place of registration	Business nature	Percentage of ownership of equity (%)	Accounting treatment
Associates (Continued)					
Hunan Maglev Transportation Development Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Investment and construction of railway project	21.88	Equity method
Anhui Provincial Yuehuang Highway Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Investment and construction of highway project	24.50	Equity method
China Oversea Infrastructure Development and Investment Co., Ltd. (Note 8)	Hong Kong	Hong Kong	Oversea infrastructure investment	19.23	Equity method
Yellow River Property & Casualty Insurance Co., Ltd. (Note 9)	Lanzhou, Gansu	Lanzhou, Gansu	Property insurance	14.00	Equity method

Note 1: According to the articles of association of China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. ("The 6th Continent"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 70.00% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Note 2: According to the articles of association of China-Africa Lekkil Investment Co., Ltd. ("China-Africa Lekkil"), the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Note 3: According to the articles of association of Hohhot Metro Line 2 Construction & Management Co., Ltd. ("Hohhot Metro Line 2"), all the decisions made in the shareholders' meeting shall be subject to over two-thirds of voting rights of shareholders. As the Group holds 51.00% shares in Hohhot Metro Line 2, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Note 4: According to the articles of association of CRCC Financial Leasing Co., Ltd. ("Financial Leasing Co., Ltd."), the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution or changing the company form, scope of operations and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50% shares in Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

Note 5: According to the articles of association of Kunming Metro Line 5 Construction & Operation Co., Ltd. ("Kunming Metro Line 5"), all decisions made in the broad of directors' meetings shall be subject to 100% consent of directors. Kunming Metro Line 5 has five directors, one of which can be designated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence. Therefore, it is accounted for an associate of the Group.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

Note 6: According to the articles of association of Yunnan Kunchu Highway Investment & Development Co., Ltd. ("Yunnan Kunchu"), the board of directors is its operation decision-making authority, and resolutions in the board of directors' meeting shall be subject to more than half of directors' consent. For decisions of amending the company's articles of association, increasing or decreasing the registered capital and significant resolutions associated with shareholders' benefits including merger, division, dissolution or changing the company form, 100% consent of voting rights of directors are required. Yunnan Kunchu has three directors, one of which can be designated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence. Therefore, it is accounted for an associate of the Group.

Note 7: According to the articles of association of CRCC-Shandong Jinghu Highway Jile Co., Ltd. ("Shandong Jile"), shareholders exercise voting power in the shareholders' meeting based on the actual proportion of capital contribution. Resolutions in the shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. The company's increasing or decreasing the registered capital, division, merger, dissolution or changing the company form, shall be subject to 100% of voting rights of shareholders. The Group holds 15% of Shandong Jile, and can designate one director. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

Note 8: According to the articles of association of China Oversea Infrastructure Development and Investment Co., Ltd. ("COIDI"), the board of directors, as the operation decision-making authority of the Company, is entitled to make decisions on all matters except those made in the general shareholder meetings. All resolutions shall not be passed until they are agreed by members of board of directors with more than a half of voting rights. COIDI has four directors, one of which can be designated by the Group, so the Group can neither control nor jointly control the entity with other shareholders, but has significant influence over COIDI. Therefore, it is accounted for an associate of the Group.

Note 9: According to the articles of association of Yellow River Property & Casualty Insurance Co., Ltd. ("Yellow River Property Insurance"), board of directors, as the operation decision-making authority of the Company, is entitled to make decisions on all matters except those made in the general shareholder meetings. All resolutions shall not be passed until they are agreed by members of board of directors with more than a half of voting rights. The Group holds 14% of the equity of Yellow River Property & Casualty Insurance and can designate one director. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the Company. Therefore, it is accounted for as an associate of the Group.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

The Group has no significant joint ventures. The aggregate financial information of the individually insignificant joint ventures is as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Share of net losses of joint ventures attributable to the Group	(47,467)	(20,645)
Share of total comprehensive losses of joint ventures attributable to the Group	(47,467)	(20,645)
Carrying amount of investments in joint ventures attributable to the Group	9,237,578	7,652,042

The Group has no significant associates. The aggregate financial information of the individually insignificant associates is as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Share of net profits of associates attributable to the Group	171,831	301,356
Share of other comprehensive loss of associates attributable to the Group	(7,664)	(75,943)
Share of total comprehensive income of associates attributable to the Group	164,167	225,413
Carrying amount of investments in associates attributable to the Group	12,383,224	10,217,483

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

RMB '000

Item		30 June 2018 (unaudited)	31 December 2017
Investments in unlisted companies – equity method			
Joint ventures	(1)	9,237,578	7,652,042
Associates	(2)	12,383,224	10,217,483
Less: Provision for impairment of long-term equity investments		–	–
Total		21,620,802	17,869,525

(1) Investment in joint ventures

For the six months ended 30 June 2018:

RMB '000

Investee	Investment cost	1 January 2018	Changes for the period				30 June 2018 (unaudited)	Provision for impairment at the end of period (unaudited)
			Transfer to/ Increase in investment (unaudited)	Decrease in investment (unaudited)	Investment profits or losses under equity method (unaudited)	Declaration of cash dividends (unaudited)		
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	1,688,500	-	-	(341)	-	1,688,159	-
Sichuan Tianfu Airport Expressway Co., Ltd.	1,300,000	1,000,000	300,000	-	-	-	1,300,000	-
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.	1,031,087	1,027,310	-	-	(7,984)	-	1,019,326	-
Hohhot Metro Line 2 Construction & Management Co., Ltd.	940,000	520,000	420,000	-	-	-	940,000	-
China-Africa Lekkil Investment Co., Ltd.	851,410	868,129	-	-	3,251	-	871,380	-
Chongqing Tiefu Jianxin Highway Co., Ltd.	627,840	288,000	339,840	-	-	-	627,840	-
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	451,586	-	-	-	-	451,586	-
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	450,070	-	-	-	-	450,070	-
Others	-	1,358,447	674,324	92,130	(42,393)	(9,031)	1,889,217	-
Total	-	7,652,042	1,734,164	92,130	(47,467)	(9,031)	9,237,578	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(1) Investment in joint ventures (Continued)

31 December 2017:

RMB '000

Investee	Investment cost	1 January 2017	Changes for the year				Declaration of cash dividends	Others	31 December 2017	Provision for impairment at the end of year
			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method					
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	-	1,688,159	-	341	-	-	1,688,500	-	
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.	1,031,087	-	1,031,087	-	(3,777)	-	-	1,027,310	-	
Sichuan Tianfu Airport Expressway Co., Ltd.	1,000,000	1,000,000	-	-	-	-	-	1,000,000	-	
China-Africa Lekkil Investment Co., Ltd.	851,410	857,223	-	-	10,906	-	-	868,129	-	
Hohhot Metro Line 2 Construction & Management Co., Ltd.	520,000	-	520,000	-	-	-	-	520,000	-	
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	-	450,000	-	1,586	-	-	451,586	-	
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	-	450,000	-	70	-	-	450,070	-	
Chongqing Tietia Jianxin Highway Co., Ltd.	288,000	48,000	240,000	-	-	-	-	288,000	-	
Others	-	672,682	860,282	119,685	(29,771)	(14,323)	(10,738)	1,358,447	-	
Total	-	2,577,905	5,239,528	119,685	(20,645)	(14,323)	(10,738)	7,652,042	-	

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investment in associates

For the six months ended 30 June 2018:

RMB '000

Investee	Investment cost	1 January 2018	Changes for the period						30 June 2018
			Transfer to/ Increase in investment (unaudited)	Decrease in investment (unaudited)	Investment profits or losses under equity method (unaudited)	Other comprehensive income (unaudited)	Declaration of cash dividends (unaudited)	Others (unaudited)	
Ningxia Intercity Railway Co., Ltd.	1,860,000	1,860,000	-	-	-	-	-	-	1,860,000
CRCC Financial Leasing Co., Ltd.	1,747,618	1,067,172	547,618	-	108,529	-	-	(54,820)	1,668,499
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,446,596	-	-	7,216	(7,664)	-	-	1,446,148
Chongqing Yurong Highway Co., Ltd.	853,960	570,791	-	-	628	-	-	-	571,419
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	546,887	451,887	95,000	-	(222)	-	-	-	546,665
CRCC Real Estate Co., Ltd.	298,900	441,002	-	-	31,087	-	-	-	472,089
Yellow River Property & Casualty Insurance Co., Ltd.	350,000	-	350,000	-	-	-	-	-	350,000
Kunming Metro Line 5 Construction & Operation Co., Ltd.	309,400	309,400	-	-	-	-	-	-	309,400
Yunnan Kunchu Highway Investment & Development Co., Ltd.	300,000	300,000	-	-	-	-	-	-	300,000
Guizhou Wengma Railway Co., Ltd.	274,000	274,000	-	-	-	-	-	-	274,000
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	271,479	268,892	-	-	(5,919)	-	-	-	262,973
Anhui Provincial Yuehuang Highway Co., Ltd.	224,000	224,000	-	-	-	-	-	-	224,000
Hunan Maglev Transportation Development Co., Ltd.	280,000	211,624	-	-	11,264	-	-	-	222,888
China Oversea Infrastructure Development and Investment Co., Ltd.	206,883	206,883	-	-	-	-	-	-	206,883
Others	-	2,585,236	1,078,783	7,993	19,248	-	(7,014)	-	3,668,260
Total	-	10,217,483	2,071,401	7,993	171,831	(7,664)	(7,014)	(54,820)	12,383,224

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investments in associates (Continued)

31 December 2017:

RMB '000

Investee	Investment cost	1 January 2017	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			Others	31 December 2017
					Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends		
Ningxia Intercity Railway Co., Ltd.	1,860,000	930,000	930,000	-	-	-	-	-	1,860,000
CRCC-Tongguan Investment Co., Ltd.	1,472,366	971,994	511,342	-	39,203	(75,943)	-	-	1,446,596
CRCC Financial Leasing Co., Ltd.	1,200,000	1,127,224	-	-	154,378	-	-	(214,430)	1,067,172
Chongqing Yurong Highway Co., Ltd.	853,960	587,654	-	-	(16,863)	-	-	-	570,791
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	451,887	-	451,887	-	-	-	-	-	451,887
CRCC Real Estate Co., Ltd.	298,900	373,313	-	-	92,440	-	(24,751)	-	441,002
Kunming Metro Line 5 Construction & Operation Co., Ltd.	309,400	-	309,400	-	-	-	-	-	309,400
Yunnan Kunchu Highway Investment & Development Co., Ltd.	300,000	-	300,000	-	-	-	-	-	300,000
Guizhou Wengma Railway Co., Ltd.	274,000	110,000	164,000	-	-	-	-	-	274,000
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	271,479	-	271,479	-	(2,587)	-	-	-	268,892
Hunan Maglev Transportation Development Co., Ltd.	280,000	258,332	-	-	(46,708)	-	-	-	211,624
Anhui Provincial Yuehuang Highway Co., Ltd.	224,000	-	224,000	-	-	-	-	-	224,000
China Oversea Infrastructure Development and Investment Co., Ltd.	206,883	-	206,883	-	-	-	-	-	206,883
Others	-	1,010,582	1,568,961	34,414	81,493	-	(34,037)	(7,349)	2,585,236
Total	-	5,369,099	4,937,952	34,414	301,356	(75,943)	(58,788)	(221,779)	10,217,483

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other equity instrument investments

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Other equity instrument investments:		
Equity investments in listed companies	1,701,712	/
Equity investments in unlisted companies	6,366,481	/
Subtotal	8,068,193	/
Available-for-sale financial assets:		
Equity investments in listed companies	/	2,200,661
Equity investments in unlisted companies	/	5,501,225
Others	/	680,415
Subtotal	/	8,382,301
Total	8,068,193	8,382,301

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	1 January 2018	Changes for the period				Others	30 June 2018	Dividends recognised for the period
		Increase of investment	Decrease of investment	Changes in fair value				
Other equity instrument investment	7,701,886	999,759	136,338	(497,966)	852	8,068,193	35,246	

As described in the Note III, 33.2, at 1 January 2018, available-for-sale financial assets of RMB7,701,886,000 have been reclassified to other equity instrument investments. Such investments belong to non-held-for-trading equity instrument investments and the Group estimates that the investment will not be sold in the foreseeable future.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties

Subsequent measurement under cost method

For the six months ended 30 June 2018 (unaudited):

RMB '000

	Buildings	Total
I. Original costs		
1 January 2018	4,188,492	4,188,492
Additions	14,704	14,704
Transferred in	95,985	95,985
Transferred out	162,700	162,700
30 June 2018	4,136,481	4,136,481
II. Accumulated depreciation and amortisation		
1 January 2018	496,002	496,002
Provision	68,055	68,055
Transferred out	10,672	10,672
30 June 2018	553,385	553,385
III. Provision for impairment		
1 January 2018	45,745	45,745
Provision	–	–
30 June 2018	45,745	45,745
IV. Net book value		
Closing balance	3,537,351	3,537,351
Opening balance	3,646,745	3,646,745

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties (Continued)

Subsequent measurement under cost method (Continued)

2017:

	Buildings	Total
<i>RMB '000</i>		
I. Original costs		
1 January 2017	3,626,122	3,626,122
Additions	38,931	38,931
Transferred in	527,502	527,502
Disposal or retirement	4,063	4,063
31 December 2017	4,188,492	4,188,492
II. Accumulated depreciation and amortisation		
1 January 2017	286,073	286,073
Provision	120,684	120,684
Transferred in	90,722	90,722
Disposal or retirement	1,477	1,477
31 December 2017	496,002	496,002
III. Provision for impairment		
1 January 2017	–	–
Provision	45,745	45,745
31 December 2017	45,745	45,745
IV. Net book value		
Closing balance	3,646,745	3,646,745
Opening balance	3,340,049	3,340,049

As at 30 June 2018, the Group had no investment properties whose title rights certificates had not been obtained (31 December 2017: Nil).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2018	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
Additions	546,149	1,176,378	586,543	3,914,610	6,223,680
Transferred from construction in progress	254,702	971,384	36,705	118,030	1,380,821
Transferred in	162,700	234,095	–	–	396,795
Disposal or retirement	295,911	969,563	490,462	1,713,529	3,469,465
30 June 2018	19,405,379	45,381,636	14,552,429	39,910,945	119,250,389
II. Accumulated depreciation					
1 January 2018	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
Provision	342,435	1,725,033	464,005	3,228,340	5,759,813
Transferred in	10,672	–	–	–	10,672
Disposal or retirement	84,077	721,314	451,780	1,582,488	2,839,659
30 June 2018	4,415,017	26,804,098	11,702,091	28,347,651	71,268,857
III. Provision for impairment					
1 January 2018	199,045	71,786	924	126,922	398,677
Disposal or retirement	–	–	–	10	10
30 June 2018	199,045	71,786	924	126,912	398,667
IV. Net book value					
Closing balance	14,791,317	18,505,752	2,849,414	11,436,382	47,582,865
Opening balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

2017:

RMB '000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2017	16,479,665	41,813,988	14,214,664	33,428,897	105,937,214
Additions	1,137,881	3,559,651	1,179,368	7,850,880	13,727,780
Transferred from					
construction in progress	1,721,809	1,687,847	19,155	289,156	3,717,967
Disposal or retirement	381,629	3,092,144	993,544	3,977,099	8,444,416
Transferred out	219,987	–	–	–	219,987
31 December 2017	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
II. Accumulated depreciation					
1 January 2017	3,772,765	23,958,492	11,428,653	23,815,293	62,975,203
Provision	589,820	3,656,858	1,084,745	6,356,280	11,687,703
Disposal or retirement	144,551	1,814,971	823,532	3,469,774	6,252,828
Transferred out	72,047	–	–	–	72,047
31 December 2017	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
III. Provision for impairment					
1 January 2017	218,507	346,082	88,306	157,557	810,452
Disposal or retirement	19,462	274,296	87,382	30,635	411,775
31 December 2017	199,045	71,786	924	126,922	398,677
IV. Net book value					
Closing balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850
Opening balance	12,488,393	17,509,414	2,697,705	9,456,047	42,151,559

Please refer to Note V.64 for the Group's fixed assets with title restriction.

As at 30 June 2018, the amount of interest expenses capitalised in the balance of fixed assets was RMB32,737,000 (31 December 2017: RMB24,676,000). For the six months ended 30 June 2018, the amount of interest expenses capitalised which is transferred from construction in progress has been RMB8,061,000 (2017: RMB10,579,000).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

As at 30 June 2018, the Group had no significant fixed assets that were temporarily idle (31 December 2017: Nil).

Fixed assets held under finance lease are as follows:

Item	<i>RMB '000</i>	
	30 June 2018 (unaudited)	31 December 2017
Original costs	3,456,037	3,999,860
Accumulated depreciation	1,414,259	1,431,876
Net book value	2,041,778	2,567,984

As at 30 June 2018 and 31 December 2017, the Group's fixed assets held under finance leases were all construction machinery.

As at 30 June 2018, the Group was in the process of applying for and handling registration or transfer of the title certificates of certain buildings with an aggregate carrying amount of RMB2,151,594,000 (31 December 2017: RMB1,903,119,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 30 June 2018.

As at 30 June 2018, fixed assets whose title rights certificates had not been obtained are listed as follows (unaudited):

Buildings	Carrying amount	Reasons
Office building of International City, China Railway 14 th Bureau Group Co., Ltd.	596,477	In progress
Headquarters Building of China Railway Siyuan Survey and Design Group Co., Ltd.	433,359	In progress
Integrated Office Building of China Railway 21 th Bureau Group Co., Ltd.	344,526	In progress
East China Headquarters Base Property of China Railway Construction Group Co., Ltd.	166,729	In progress
High-tech Underground Equipment Manufacturing Base Plant of China Railway Construction Heavy Industry Co., Ltd.	139,187	In progress
Others	471,316	In progress
Total	2,151,594	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress

RMB '000

Item	30 June 2018 (unaudited)			31 December 2017		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	214,592	-	214,592	176,085	-	176,085
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co., Ltd.	171,077	-	171,077	110,172	-	110,172
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group	159,157	-	159,157	114,783	-	114,783
Winter Olympics Utility Tunnel TBM Project of China Railway 18 th Bureau Group Tunnel Co., Ltd.	158,475	-	158,475	135,856	-	135,856
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	145,981	-	145,981	145,981	-	145,981
Jingjiang Bridge Science and Technology Industrial Park Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	136,055	-	136,055	32,908	-	32,908
Nanjing Changjiang No. 5 Bridge Shield Tunneling Machine Renovation Project of China Railway 14 th Bureau	131,755	-	131,755	51,381	-	51,381
Western Engineering Material Technology Base of China Railway 21 st Bureau Group Co., Ltd.	126,235	-	126,235	123,220	-	123,220
TBM (Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14 th Bureau Group Co., Ltd.	-	-	-	205,277	-	205,277
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co., Ltd.	-	-	-	204,778	-	204,778
Others	2,615,394	23,848	2,591,546	2,586,985	23,848	2,563,137
Total	3,858,721	23,848	3,834,873	3,887,426	23,848	3,863,578

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	1 January		Transfer	Exchange	30 June	Source of	Proportion of		
	Budget	2018						Additions	differences
			out	on translation		funds	budget		
			Disposals	of foreign			(%)		
				operation					
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	475,000	176,085	38,507	-	-	214,592	Self-funding	45	
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co., Ltd.	720,000	110,172	90,550	29,645	-	171,077	Self-funding	58	
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group	430,000	114,783	44,374	-	-	159,157	Self-funding	37	
Winter Olympics Utility Tunnel TBM Project of China Railway 18 th Bureau Group Tunnel Co., Ltd.	170,856	135,856	22,619	-	-	158,475	Self-funding	93	
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	145,981	-	-	-	145,981	Self-funding	65	
Jingjiang Bridge Science and Technology Industrial Park Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	942,370	32,908	103,147	-	-	136,055	Self-funding	14	
Nanjing Changjiang No.5 Bridge Shield Tunneling Machine Renovation Project of China Railway 14 th Bureau	140,000	51,381	80,374	-	-	131,755	Self-funding	94	
Western Engineering Material Technology Base of China Railway 21 st Bureau Group Co., Ltd.	167,371	123,220	3,015	-	-	126,235	Self-funding	75	
TBM (Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14 th Bureau Group Co., Ltd.	213,071	205,277	-	205,277	-	-	Self-funding	100	
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co., Ltd.	227,531	204,778	17,875	208,113	-	(14,540)	Self-funding	100	
Others	-	2,586,985	1,029,355	944,612	53,369	(2,965)	2,615,394	Self-funding and loan	-
Total	-	3,887,426	1,429,816	1,387,647	53,369	(17,505)	3,858,721	-	-
Less: Provision for impairment	-	23,848	-	-	-	-	23,848	-	-
Net value at the end of the period	-	3,863,578	1,429,816	1,387,647	53,369	(17,505)	3,834,873	-	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

2017:

RMB '000

Item	1 January		Additions	Transfer out	Disposals	Exchange differences on translation of foreign operation	31 December 2017	Source of funds	Proportion of investment to budget (%)
	Budget	2017							
TBM (Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14 th Bureau Group Co., Ltd.	213,071	-	205,277	-	-	-	205,277	Self-funding	96
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co., Ltd.	227,531	-	204,778	-	-	-	204,778	Self-funding	90
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	200,000	94,237	81,848	-	-	-	176,085	Self-funding	88
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	-	145,981	-	-	-	145,981	Self-funding	65
Winter Olympics Utility Tunnel TBM Project of China Railway 18 th Bureau Group Tunnel Co., Ltd.	170,856	-	135,856	-	-	-	135,856	Self-funding	80
Office Building of China Railway 20 th Bureau Group Limited Supplies Shaanxi	135,554	112,294	11,487	-	-	-	123,781	Self-funding	91
Western Engineering Material Technology Base of China Railway 21 st Bureau Group Co., Ltd.	167,371	56,273	66,947	-	-	-	123,220	Self-funding	74
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group	269,500	-	114,783	-	-	-	114,783	Self-funding	43
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co., Ltd.	720,000	17,374	306,374	213,576	-	-	110,172	Self-funding	45
Hangzhou Wangjiang Road Cross-river Tunnel Project of China Railway 14 th Bureau Group TBM Engineering Co., Ltd.	122,100	-	117,902	-	-	-	117,902	Self-funding	97
Others	-	2,827,101	3,439,881	3,639,408	187,373	(10,610)	2,429,591	Self-funding and loan	-
Total	-	3,107,279	4,831,114	3,852,984	187,373	(10,610)	3,887,426	-	-
Less: Provision for impairment	-	23,848	-	-	-	-	23,848	-	-
Net value at the end of the year	-	3,083,431	4,831,114	3,852,984	187,373	(10,610)	3,863,578	-	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

For the six months ended 30 June 2018, construction in progress with a carrying amount of RMB1,380,821,000 (2017: RMB3,717,967,000), RMB6,826,000 (2017: RMB12,323,000) and RMB0.00 (2017: RMB122,694,000) are transferred to fixed assets, intangible assets and investment properties respectively.

The amounts of interest expenses capitalised in the balance of construction in progress and the capitalisation rates are listed as follows:

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	Progress as at 30 June 2018 (%)	Accumulated amount of interest capitalised as at 30 June 2018	Interest capitalised during the period	Capitalisation rate during the period (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14 th Bureau Group Co., Ltd.	25	6,396	2,597	4.67
Pingdu Qinhuang River Regulation Works Project of China Railway 23 rd Bureau	27	2,021	2,021	4.90
North Blue Ocean Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	15	2,741	555	4.35
Total	–	11,158	5,173	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

2017:

RMB '000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalised as at 31 December 2017	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14 th Bureau Group Co., Ltd.	24	3,799	3,161	4.37
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	82	7,730	2,850	4.78
North Blue Ocean Production Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	14	2,186	1,117	3.93
Others	–	331	331	–
Total	–	14,046	7,459	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	Land use rights	Concession assets	Mining rights	Others	Total
I. Original costs					
1 January 2018	7,098,602	35,035,094	172,511	900,535	43,206,742
Additions	48,589	3,912,080	–	281,771	4,242,440
Transferred from construction in progress	–	–	–	6,826	6,826
Disposal or retirement	–	–	–	1,943	1,943
30 June 2018	7,147,191	38,947,174	172,511	1,187,189	47,454,065
II. Accumulated amortisation					
1 January 2018	1,203,694	1,512,663	24,604	266,060	3,007,021
Provision	82,197	82,784	–	50,561	215,542
Disposal or retirement	–	–	–	1,052	1,052
30 June 2018	1,285,891	1,595,447	24,604	315,569	3,221,511
III. Provision for impairment					
1 January 2018	42,979	–	878	–	43,857
30 June 2018	42,979	–	878	–	43,857
IV. Net book value					
Closing balance	5,818,321	37,351,727	147,029	871,620	44,188,697
Opening balance	5,851,929	33,522,431	147,029	634,475	40,155,864

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

2017:

RMB '000

Item	Land use rights	Concession assets	Mining rights	Others	Total
I. Original costs					
1 January 2017	6,634,559	41,151,058	172,511	424,105	48,382,233
Additions	556,222	12,169,873	–	476,889	13,202,984
Transferred from					
construction in progress	5,104	–	–	7,219	12,323
Disposal or retirement	35,051	–	–	7,678	42,729
Disposal of subsidiaries	–	17,995,500	–	–	17,995,500
Other decrease	62,232	290,337	–	–	352,569
31 December 2017	7,098,602	35,035,094	172,511	900,535	43,206,742
II. Accumulated amortisation					
1 January 2017	1,080,616	1,361,960	24,604	191,662	2,658,842
Provision	153,209	380,117	–	78,025	611,351
Disposal or retirement	11,456	–	–	3,627	15,083
Disposal of subsidiaries	–	229,414	–	–	229,414
Transferred out	18,675	–	–	–	18,675
31 December 2017	1,203,694	1,512,663	24,604	266,060	3,007,021
III. Provision for impairment					
1 January 2017	42,979	–	878	–	43,857
31 December 2017	42,979	–	878	–	43,857
IV. Net book value					
Closing balance	5,851,929	33,522,431	147,029	634,475	40,155,864
Opening balance	5,510,964	39,789,098	147,029	232,443	45,679,534

As at 30 June 2018, there were no intangible assets recognised through internal research and development (31 December 2017: Nil).

Please refer to Note V.64 for the Group's intangible assets with title restriction.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

As at 30 June 2018, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB132,915,000 (31 December 2017: RMB136,748,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant adverse impact on the Group's financial position as at 30 June 2018.

As at 30 June 2018, intangible assets whose title rights certificates had not been obtained are listed as follows (unaudited):

RMB '000

Land	Carrying amount	Reasons
Xinjiang High-Tec Equipment Manufacture Base of China Railway Construction Heavy Industry Co., Ltd.	47,488	In progress
Yanliang New Production Base of China Railway 20 th Bureau Group Co., Ltd.	40,316	In progress
Doumen Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	14,334	In progress
Others	30,777	In progress
Total	132,915	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are listed as follows:

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	Progress as at 30 June 2018 (%)	Accumulated amount of interest capitalised as at 30 June 2018	Interest capitalised during the period	Capitalisation rate during the period (%)
Sichuan JianPu Highway Project concession rights	100	1,151,795	–	–
Guangxi Ziyuan (meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	164,658	13,595	4.83
Sichuan Dejian Highway Project concession rights	43	155,509	84,519	4.65
Sichuan Dedu Highway Project concession rights	13	32,253	30,550	4.88
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
Beijing Xingyan Highway Project concession rights	60	8,528	5,942	4.53
Others	–	3,749	3,749	4.35–4.75
Total	–	2,279,636	138,355	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

2017:

RMB '000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalised as at 31 December 2017	Interest capitalised during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	99	1,151,795	451,010	4.88
Guangxi Ziyuan (meixi) to Xing'an Highway BOT project concession rights	99	546,609	244,222	4.10
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	99	151,063	95,683	4.13
Sichuan Dejian Highway Project concession rights	26	70,990	67,539	4.38
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
Beijing Xingyan Highway Project concession rights	52	2,586	1,648	4.15
Sichuan Dedu Highway Project concession rights	8	1,703	950	4.75
Total	–	2,141,281	861,052	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Increase (unaudited)	Decrease (unaudited)	30 June 2018 (unaudited)
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	9,002	28,207	–	37,209
Total	200,506	28,207	–	228,713

2017:

RMB '000

Item	1 January 2017	Increase	Decrease	31 December 2017
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	3,158	5,855	11	9,002
Total	194,662	5,855	11	200,506

Note 1: The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012.

Note 2: On 29 February 2016, the Group purchased CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG (collectively referred to as "CIDEON Company"), which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities

RMB '000

Item	30 June 2018 (unaudited)		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	824,593	164,413	925,357	177,487
Provision for impairment of assets	4,911,420	1,066,191	4,881,914	1,054,904
Deductible tax losses	776,608	168,767	724,947	150,274
Revaluation surplus from restructuring	1,556,801	381,085	1,596,623	391,810
Unrealised profits of intra-group transactions	3,372,173	816,969	3,124,765	747,985
Other equity instrument investments	124,050	31,012	/	/
Available-for-sale financial assets	/	/	17,225	4,306
Others	4,247,470	1,034,974	4,290,451	1,054,103
Total	15,813,115	3,663,411	15,561,282	3,580,869

Item	30 June 2018 (unaudited)		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of available-for-sale financial assets	/	/	1,075,330	192,013
Changes in fair value of other equity instrument investments	693,415	127,482	/	/
Convertible bonds	450,844	112,711	118,317	29,579
Others	426,546	93,252	299,155	71,674
Total	1,570,805	333,445	1,492,802	293,266

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities (Continued)

Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

RMB '000

Item	Offset amount between deferred tax assets and liabilities at the end of the period (unaudited)	Closing balance of deferred tax assets or liabilities after offset (unaudited)	Offset amount between deferred tax assets and liabilities at the beginning of the period	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	3,835	3,659,576	3,835	3,577,034
Deferred tax liabilities	3,835	329,610	3,835	289,431

Deductible temporary differences and deductible tax losses for which deferred tax assets are not recognised are listed as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Deductible temporary differences	9,025,345	7,834,065
Deductible tax losses	8,797,914	6,920,459
Total	17,823,259	14,754,524

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities (Continued)

Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

RMB '000

Year	30 June 2018 (unaudited)	31 December 2017
2018	72,323	94,604
2019	270,870	292,615
2020	1,430,156	1,430,156
2021	1,196,914	1,196,914
2022	3,877,283	3,906,170
2023	1,950,368	–
Total	8,797,914	6,920,459

21. Other non-current assets

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Contract assets	4,980,246	/
Prepayment for long-term assets	1,393,687	1,543,087
Prepayment for land	19,152	19,152
Prepayment for investment	–	443,570
Others	2,127,389	638,518
Total	8,520,474	2,644,327

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term loans

RMB '000

Item		30 June 2018 (unaudited)	31 December 2017
Pledged loans	Note 1	880,000	–
Mortgaged loans	Note V.33 (Note3)	180,000	–
Guaranteed loans	Note 2	3,509,680	2,602,701
Credit loans		44,956,089	26,896,397
Total		49,525,769	29,499,098

Note1: As at 30 June 2018, short-term loans with carrying amounts of RMB380,000,000 and RMB546,553,000 (31 December 2017: Nil) were secured by the pledge of the Group's accounts receivable with a carrying amount of RMB389,222,000 (31 December 2017: Nil) and long-term receivables with a carrying amount of RMB500,000,000 (31 December 2017: Nil).

Note 2: As at 30 June 2018, all guaranteed loans were guaranteed by the entities comprising the Group. (31 December 2017: all guaranteed loans were guaranteed by the entities comprising the Group)

As at 30 June 2018, annual interest rates of above short-term loans ranged from 2.35% to 8.00% (31 December 2017: 2.75% to 6.00%).

As at 30 June 2018, the Group had no overdue short-term loans (31 December 2017: Nil).

23. Due to customers

RMB '000

Item		30 June 2018 (unaudited)	31 December 2017
Due to customers		700,135	804,834

24. Due to banks

RMB '000

Item		30 June 2018 (unaudited)	31 December 2017
Due to banks		1,200,000	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Bills payable and Accounts payable

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Bills payable	40,597,860	41,411,304
Accounts payable	269,319,159	282,080,205
Total	309,917,019	323,491,509

Bills payable :

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Commercial acceptance bills	6,651,891	2,604,928
Bank acceptance bills	33,945,969	38,806,376
Total	40,597,860	41,411,304

Accounts payable:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Within 1 year	259,619,609	273,543,533
1 to 2 years	7,025,385	6,450,391
2 to 3 years	1,572,755	1,299,220
Over 3 years	1,101,410	787,061
Total	269,319,159	282,080,205

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Bills payable and Accounts payable (Continued)

As at 30 June 2018, significant accounts payable aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	30 June 2018 (unaudited)	Reason for payables not being settled
Company 1	Third party	129,073	Within terms of payment
Company 2	Third party	79,070	Within terms of payment
Company 3	Third party	65,601	Within terms of payment
Company 4	Third party	53,375	Within terms of payment
Company 5	Third party	45,307	Within terms of payment
Total	–	372,426	–

As at 30 June 2018, the Group had no unpaid overdue bills payable (As at 31 December 2017: Nil).

26. Advances from customers

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Advances for construction contracts	/	35,268,681
Advances for the sale of properties	/	30,358,635
Gross amount due to contract customers	/	13,264,789
Advances for the sale of materials	/	5,440,188
Advances for the sale of goods	/	106,915
Others	–	1,243,357
Total	–	85,682,565

27. Contract liabilities

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Advances for construction contracts	49,771,513	/
Advances for the sale of properties (Note)	38,801,836	/
Advances for the sale of materials	5,285,778	/
Advances for the sale of goods	114,572	/
Others	1,364,835	/
Total	95,338,534	/

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Contract liabilities (Continued)

Note: Details of advances for the sale of properties are listed as follows:

RMB '000

Property	30 June 2018 (unaudited)	Percentage of accumulated pre-sales as at 30 June 2018 (%)	Estimated completion date
Chengdu CRCC Wu Hou Tie Fo Project	4,138,842	80	December 2018
Xi'an CRCC International City III Project	3,207,383	41	July 2018
CRCC Xipai City Project	2,417,766	15	October 2020
Chengdu Beihu Xinqu Project	1,837,282	75	June 2019
Xi'an CRCC International City II Project	1,732,290	34	September 2018
Hefei Qingxiucheng Project	1,455,719	41	November 2018
Hefei International Gongguan Project	1,394,124	97	October 2018
CRCC Kaiyuan Community Project	1,387,168	51	December 2019
Chengdu CRCC Wu Hou Tie Fo Zone 7 Project	1,242,619	30	June 2019
Chengdu Crown Lake I Project	1,119,357	92	December 2018
Xi'an Tiexing Xipai International Project	1,089,225	45	December 2019
Xiangxie International Project	1,061,537	100	December 2018
Xi'an Jingtai Xipai International Project	1,033,328	45	December 2018
Changsha Meixi Lake Project	1,013,255	59	December 2018
CRCC Lingxiucheng Project	879,577	99	August 2018
CRCC Southern Headquarter Base Project	866,994	32	December 2018
Guian Shanyu City Project	805,326	88	October 2018
CRCC Yunjing Shanyu City Project	804,736	60	December 2018
Jiaxing Huayu Jiangnan Project	774,732	100	December 2019
Changchun Huayu City Project	683,218	81	December 2018
Hangzhou West Lake International City Project	645,214	16	December 2019
CRCC Park 3326 Project	430,811	34	May 2020
CRCC Shanyu City (Dalian) Project	404,076	37	December 2018
CRCC Wanguo City Project	364,817	92	December 2018
Nanning Xipai Lanan Project	363,147	40	August 2019
CRCC Guobinyuan Project	343,001	57	December 2018
Hetang Xingcheng Project	330,280	90	September 2018
CRCC Yungongguan Project	281,654	100	December 2018
CRCC Yanshan International City Project	277,411	80	December 2018
Lanzhou SOHO Project	267,026	31	June 2019
Others	6,149,921	-	-
Total	38,801,836		

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Contract liabilities (Continued)

As at the balance sheet date, significant advances from customers aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	30 June 2018 (unaudited)	Reasons
Company 1	Third party	293,819	Work performed but not billed
Company 2	Third party	208,668	Work performed but not billed
Company 3	Third party	205,595	Work performed but not billed
Company 4	Third party	197,853	Work performed but not billed
Company 5	Third party	145,784	Work performed but not billed
Total	–	1,051,719	–

28. Employee benefits payable

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Accrued (unaudited)	Paid (unaudited)	30 June 2018 (unaudited)
Short-term benefits	8,701,940	23,417,581	24,244,852	7,874,669
Post-employment benefits (defined contribution plans)	1,457,566	2,622,183	2,663,107	1,416,642
Total	10,159,506	26,039,764	26,907,959	9,291,311

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

2017:

RMB '000

Item	1 January 2017	Accrued	Paid	31 December 2017
Short-term benefits	7,549,343	47,754,014	46,601,417	8,701,940
Post-employment benefits (defined contribution plans)	1,519,996	5,354,722	5,417,152	1,457,566
Total	9,069,339	53,108,736	52,018,569	10,159,506

Short-term benefits:

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Accrued (unaudited)	Paid (unaudited)	30 June 2018 (unaudited)
Salaries, bonuses, allowances and subsidies	6,171,699	17,904,873	18,872,997	5,203,575
Staff welfare	–	1,097,419	1,097,419	–
Social insurance	1,054,646	1,275,645	1,296,342	1,033,949
Including: Medical insurance	919,130	1,099,393	1,109,800	908,723
Work injury insurance	88,520	108,378	116,986	79,912
Maternity insurance	46,996	67,874	69,556	45,314
Housing funds	680,760	1,193,929	1,235,089	639,600
Union fund and employee education fund	523,855	401,752	351,575	574,032
Others	270,980	1,543,963	1,391,430	423,513
Total	8,701,940	23,417,581	24,244,852	7,874,669

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

Short-term benefits: (Continued)

2017:

RMB '000

Item	1 January 2017	Accrued	Paid	31 December 2017
Salaries, bonuses, allowances and subsidies	4,955,532	35,928,312	34,712,145	6,171,699
Staff welfare	–	2,436,245	2,436,245	–
Social insurance	1,093,588	2,686,577	2,725,519	1,054,646
Including: Medical insurance	942,102	2,328,055	2,351,027	919,130
Work injury insurance	101,972	219,922	233,374	88,520
Maternity insurance	49,514	138,600	141,118	46,996
Housing funds	712,985	2,469,982	2,502,207	680,760
Union fund and employee education fund	499,430	894,308	869,883	523,855
Others	287,808	3,338,590	3,355,418	270,980
Total	7,549,343	47,754,014	46,601,417	8,701,940

Defined contribution plan:

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Accrued (unaudited)	Paid (unaudited)	30 June 2018 (unaudited)
Basic pension insurance	1,103,707	2,161,717	2,189,238	1,076,186
Unemployment insurance	99,329	73,282	76,941	95,670
Supplementary pension insurance	254,530	387,184	396,928	244,786
Total	1,457,566	2,622,183	2,663,107	1,416,642

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

Defined contribution plan: (Continued)

2017:

Item	<i>RMB '000</i>			
	1 January 2017	Accrued	Paid	31 December 2017
Basic pension insurance	1,122,981	4,452,624	4,471,898	1,103,707
Unemployment insurance	118,066	158,957	177,694	99,329
Supplementary pension insurance	278,949	743,141	767,560	254,530
Total	1,519,996	5,354,722	5,417,152	1,457,566

Defined contribution plan include basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payment, the Group is no longer liable for further payment. Relevant expenditures are capitalised or expensed in the period when incurred.

29. Taxes payable

Item	<i>RMB '000</i>	
	30 June 2018 (unaudited)	31 December 2017
VAT	1,116,001	1,637,674
EIT	843,515	2,146,938
Others	860,945	2,179,771
Total	2,820,461	5,964,383

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Guarantees and deposits	15,175,438	15,251,580
Payables for advances	12,533,373	11,543,372
Dividends payable	2,773,344	158,560
Interests payable	913,230	1,082,309
Others	24,157,409	21,761,725
Total	55,552,794	49,797,546

As at 30 June 2018, significant other payables aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	30 June 2018 (unaudited)	Reasons
Company 1	Third party	810,742	Unpaid accrued tax expense
Company 2	Third party	141,500	Demolition not settled
Company 3	Third party	70,000	Payables not settled
Company 4	Third party	40,000	Deposit not due
Company 5	Third party	32,000	Payables not settled
Total	-	1,094,242	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Current portion of non-current liabilities

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Current portion of long-term loans (<i>Note V.33</i>)	20,472,601	18,404,223
Current portion of bonds payable (<i>Note V.34</i>)	9,492,852	9,987,111
Current portion of long-term payables	551,758	1,488,850
Current portion of post-employment benefits payable (<i>Note V.36</i>)	384,162	321,289
Total	30,901,373	30,201,473

The current portion of long-term loans is presented as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Pledged loans (<i>Note V.33 (Note 2)</i>)	145,000	170,000
Mortgaged loans (<i>Note V.33 (Note 1, Note 3)</i>)	1,926,430	2,787,940
Guaranteed loans (<i>Note V.33 (Note 4)</i>)	1,683,500	1,206,000
Credit loans	16,717,671	14,240,283
Total	20,472,601	18,404,223

32. Other current liabilities

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Output VAT to be transferred	7,627,944	7,975,717
Deferred income (<i>Note V.37</i>)	1,394	1,943
Others	115,251	76,265
Total	7,744,589	8,053,925

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term loans

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Pledged loans (Note 2)	22,936,000	20,534,420
Mortgaged loans (Note 1, Note 3)	5,804,990	3,330,040
Guaranteed loans (Note 4)	12,132,362	10,123,666
Credit loans	26,955,127	24,838,667
Total	67,828,479	58,826,793

Note 1: As at 30 June 2018, long-term loans with a carrying amount of RMB185,860,000 (31 December 2017: RMB201,170,000) including long-term loans due within one year of RMB39,930,000 (31 December 2017: RMB22,000,000) were secured by mortgages of the Group's fixed assets with a carrying amount of RMB658,775,000 (31 December 2017: RMB653,950,000).

Note 2: As at 30 June 2018, long-term loans with a carrying amount of RMB23,081,000,000 (31 December 2017: RMB20,704,420,000) including long-term loans due within one year of RMB145,000,000 (31 December 2017: RMB170,000,000) were secured by pledges of the Group's concession assets with a carrying amount of RMB34,765,530,000 (31 December 2017: RMB28,101,597,000).

Note 3: As at 30 June 2018, short-term loans with a carrying amount of 1,800,000,000 and long-term loans with a carrying amount of RMB7,545,560,000 (31 December 2017: RMB5,916,810,000) including long-term loans due within one year of RMB1,886,500,000 (31 December 2017: RMB2,765,940,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB15,036,709,000 (31 December 2017: RMB14,710,869,000).

Note 4: As at 30 June 2018, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group (31 December 2017: the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group).

As at 30 June 2018, the Group had no overdue long-term loans (31 December 2017: Nil).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term loans (Continued)

The maturity profile of the long-term loans as at the end of the year is listed as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Within one year or paid on demand (Note V.31)	20,472,601	18,404,223
In the second year (inclusive)	21,167,702	16,646,081
In the third to fifth year (inclusive)	17,738,809	18,946,539
Over five years	28,921,968	23,234,173
Total	88,301,080	77,231,016

34. Bonds payable

Bonds payable include: (1) unsecured medium-term notes, private placement notes, and assets-backed bills guaranteed by the Group with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid annually whereas the principal is paid at the maturity date; (2) the 5-year zero-interest US dollar and 5-year RMB Convertible Bond issued by the Company in the international market with a fixed interest rate with interest repayable semi-annually and the principal repayable upon maturity; and (3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is repayable semi-annually whereas the principal is repayable upon maturity.

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Bonds payable	46,551,334	45,665,034
Less: Current portion of bonds payable (Note V.31)	9,492,852	9,987,111
Non-current portion of bonds payable	37,058,482	35,677,923

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Bonds payable (Continued)

As at 30 June 2018, balances of bonds payable are listed as follows (unaudited):

	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2018	Amount issued	Interest accrued in the period	Discount or premium amortisation	Interest Paid in the period	30 June 2018
											RMB '000
Bonds											
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,969,024	-	232,904	7,950	510,000	9,976,974
China Railway Construction Corporation Limited – 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,487,134	-	233,564	5,718	233,564	7,492,852
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,196,349	-	89,417	68,201	88,683	5,264,550
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 2)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,093,529	-	25,662	38,815	25,875	3,132,344
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.88%	2,886,206	-	68,700	2,065	68,700	2,888,271
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.02%	2,985,179	-	60,300	2,659	-	2,987,838
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 1)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	2,722,717	-	-	119,614	-	2,842,331
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,784,611	-	51,800	2,353	103,600	2,786,964
China Railway Construction Real Estate Co., Ltd. – 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	-	2,200,000	54,450	(7,665)	-	2,192,135
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,492,682	-	36,000	1,002	72,000	1,493,684
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,492,450	-	38,250	980	76,500	1,493,430
China Railway 16 th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	-	20,000	-	-	1,000,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	-	31,027	-	-	1,000,000
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	6 years	960,000	6.90%	955,196	-	26,192	(215)	60,627	899,981
China Railway 24 th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	12,528	-	24,760	600,000
China Railway 15 th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	9,123	-	18,000	400,000
China Railway 20 th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	-	21,700	-	721,700	-
China Railway 23 rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,889	-	811	11	100,811	-
China Railway 23 rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,888	-	828	12	100,828	-
China Railway 25 th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	-	2,084	-	402,084	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	-	-	-	200,000	-
Total	-	-	-	-	-	45,665,034	2,200,000	1,035,340	24,130	2,807,752	46,551,334
Less: Current portion of bonds payable	-	-	-	-	-	9,987,111	-	-	-	-	9,987,111
Non-current portion of bonds payable	-	-	-	-	-	35,677,923	-	-	-	-	37,058,482

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Bonds payable (Continued)

As at 31 December 2017, balances of bonds payable are listed as follows:

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2017	Amount issued	Interest accrued in the year	Discount or premium amortisation	Interest Paid in the year	31 December 2017
											RMB '000
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,959,200	-	510,000	9,824	510,000	9,969,024
China Railway Construction Corporation Limited – 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,474,690	-	471,000	12,444	471,000	7,487,134
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,511,222	-	188,780	(314,673)	188,172	5,196,349
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 2)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,015,432	-	53,310	78,097	51,750	3,093,529
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	2,982,248	-	137,400	3,968	137,400	2,996,206
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.02%	2,980,022	-	120,600	5,157	120,600	2,995,179
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,780,066	-	103,600	4,545	103,600	2,784,611
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 1)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	2,718,571	-	-	4,146	-	2,722,717
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,490,722	-	72,000	1,940	72,000	1,492,662
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,490,547	-	76,500	1,903	76,500	1,492,450
China Railway 16 th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	-	40,000	-	40,000	1,000,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	960,000	48,500	-	48,500	1,000,000
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	6 years	960,000	6.80%	-	-	-	(4,804)	-	955,196
China Railway 20 th Bureau Group Co., Ltd. – 2016 first issue of private placement note	700,000	13 March 2016	3 years	700,000	6.50%	700,000	-	43,400	-	43,400	700,000
China Railway 24 th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	25,124	-	22,302	600,000
China Railway 15 th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	17,803	-	18,000	400,000
China Railway 25 th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	-	26,000	-	26,000	400,000
Chongqing Tielia Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	-	12,167	-	12,167	200,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,659	-	6,283	330	6,300	99,989
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,658	-	6,283	330	6,300	99,988
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 August 2012	5 years	400,000	6.70%	400,000	-	16,899	-	16,899	-
China Railway 15 th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 September 2014	3 years	300,000	6.80%	300,000	-	13,749	-	13,749	-
China Railway 17 th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 June 2014	3 years	500,000	7.30%	500,000	-	16,315	-	16,315	-
China Railway 25 th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 October 2014	3 years	400,000	6.50%	400,000	-	21,494	-	21,494	-
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 April 2014	3 years	200,000	7.98%	200,000	-	5,542	-	205,542	-
Chongqing Tielia Suiyu Highway Co., Ltd. – 2014 first issue of private placement note	470,000	23 April 2014	3 years	470,000	6.98%	470,000	-	9,329	-	479,329	-
Chongqing Tielia Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 July 2014	3 years	200,000	7.20%	200,000	-	7,240	-	207,240	-
Chongqing Tielia Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 October 2014	3 years	300,000	6.70%	300,000	-	15,243	-	315,243	-
Chongqing Tielia Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 October 2014	3 years	50,000	7.05%	50,000	-	1,772	-	51,772	-
Chongqing Tielia Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 December 2014	3 years	200,000	6.50%	200,000	-	9,858	-	209,858	-
Total	-	-	-	-	-	47,922,037	960,000	2,076,191	(197,003)	5,092,432	45,665,034
Less: Current portion of bonds payable	-	-	-	-	-	3,020,000	-	-	-	-	9,987,111
Non-current portion of bonds payable	-	-	-	-	-	44,902,037	-	-	-	-	35,677,923

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Bonds payable (Continued)

Note 1: The Company issued a five-year Convertible Bond at zero interest rate with the principal of USD500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed was set to be HKD10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the fair value of derivative financial instruments is recognised as debt instruments.

Note 2: The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 (settled by US Dollar). The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed is set to be HKD13.7750 per H share (calculated in a fixed exchange rate by HKD1 to RMB0.8898), and will be subject to adjustments under certain circumstances. The debt component of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the initially recognised liability is recognised as equity.

35. Long-term payables

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Finance lease payables	693,273	830,517
Special payables (<i>Note</i>)	500,876	603,600
Others	992,644	1,132,119
Total	2,186,793	2,566,236

The maturity profile of financial leasing payables as at the end of the reporting period is as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Within one year	374,593	709,510
In the second year (inclusive)	280,966	337,009
In the third to fifth year (inclusive)	275,980	401,773
Over five years	136,327	91,735
Total	1,067,866	1,540,027

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term payables (Continued)

Note: For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	1 January 2018	Additions (unaudited)	Reductions (unaudited)	30 June 2018 (unaudited)
Specific project funds	547,372	9,710	123,599	433,483
Research and development funds	55,877	11,657	492	67,042
Others	351	–	–	351
Total	603,600	21,367	124,091	500,876

2017:

RMB '000

Item	1 January 2017	Additions	Reductions	31 December 2017
Specific project funds	672,286	346,174	471,088	547,372
Research and development funds	50,387	15,564	10,074	55,877
Others	440	–	89	351
Total	723,113	361,738	481,251	603,600

36. Long-term employee benefits payable

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Defined benefit plans – post-employment benefits	440,431	604,068

Certain employees of the Group had completely dealt with their respective long-term post-leaving. Post-employment benefits were recognised in the period in which the relevant entities of the Group have entered into agreements with the employees specifying terms, or after the individual employees have been advised of the specific terms. The specific terms vary among the terminated and post-employment benefits depending on various factors including their positions, length of service, and the district in which the employees are located.

The plan has no defined benefit plan asset.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term employee benefits payable (Continued)

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for post-leaving personnel.

The principal actuarial assumptions used as at the balance sheet date are listed as follows:

Item	30 June 2018 (unaudited)	31 December 2017
Discount rate (%)	3.25	3.75
Increase in the expected rate of cost of living adjustment for long-term post-leaving personnel (%)	2.50	2.50
Increase in the expected rate of medical reimbursement expenses (%)	8.00	8.00

Movements in the present value of defined benefit plan obligations are listed as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	2017
Opening balance	925,357	1,411,035
Defined benefit cost recognised in profit or loss		
Past service cost	–	2,560
Net interest	14,249	32,750
Defined benefit cost recognised in other comprehensive income		
Actuarial losses/(gains)	9,260	(90,429)
Other changes		
Benefit payments	(124,273)	(430,559)
Closing balance	824,593	925,357
Including: current portion of post-employment benefits payable (Note V.31)	(384,162)	(321,289)
Total	440,431	604,068

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Deferred income

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Additions (unaudited)	Reductions (unaudited)	30 June 2018 (unaudited)
Government grants related to assets	418,316	202,264	21,979	598,601
Government grants related to income	22,304	43,768	38,675	27,397
Others	392,805	15,249	10,303	397,751
Sub-total	833,425	261,281	70,957	1,023,749
Less: current portion of deferred income (Note V.32)	1,943	177	726	1,394
Total	831,482	261,104	70,231	1,022,355

2017:

RMB '000

Item	1 January 2017	Additions	Reductions	31 December 2017
Government grants related to assets	722,144	382,115	685,943	418,316
Government grants related to income	91,228	19,078	88,002	22,304
Others	37,489	373,887	18,571	392,805
Sub-total	850,861	775,080	792,516	833,425
Less: current portion of deferred income (Note V.32)	191,292	269	189,618	1,943
Total	659,569	774,811	602,898	831,482

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Deferred income (Continued)

As at 30 June 2018, projects related to governments grants are listed as follows:

RMB '000

Project	1 January	Additions (unaudited)	Included in non-operating income/other	Other changes (note) (unaudited)	30 June	Related to assets/income
	2018		income in the period (unaudited)		2018 (unaudited)	
Underground Utility Tunnel PPP Project of Xiamen Xiang'an Airport Area	270,000	100,000	-	-	370,000	Related to assets
Enterprise Development and Support Fund	166	29,700	20,355	-	9,511	Related to assets/ income
Others	170,454	116,332	19,777	(20,522)	246,487	-
Total	440,620	246,032	40,132	(20,522)	625,998	-

Note: Government grants related to assets are used to offset against the carrying amount of relevant assets when relevant assets become ready for their intended use.

As at 31 December 2017, projects related to governments grants are listed as follows:

RMB '000

Project	1 January	Additions	Included in non-operating income/other	Other changes	31 December	Related to assets/income
	2017		income in the year		2017	
Underground Utility Tunnel PPP Project of Xiamen Xiang'an Airport Area	94,895	175,105	-	-	270,000	Related to assets
Enterprise Development and Support Fund	50,178	-	32,699	(17,313)	166	Related to assets/income
Others	668,299	226,088	50,175	(673,758)	170,454	-
Total	813,372	401,193	82,874	(691,071)	440,620	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other non-current liabilities

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Derivatives- convertible bonds (Note V.34 (Note 1))	380,150	712,677
Others	124,037	75,165
Total	504,187	787,842

39. Share capital

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Increase (unaudited)	Decrease (unaudited)	30 June 2018 (unaudited)
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Share capital (Continued)

2017:

RMB '000				
Item	1 January 2017	Increase	Decrease	31 December 2017
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

40. Other equity instruments

RMB '000			
Item		30 June 2018 (unaudited)	31 December 2017
2016 renewable corporate bonds (First tranche)	<i>Note 1</i>	7,992,104	7,992,104
Convertible bond for the year of 2016	<i>Note 2</i>	408,129	408,129
Renewable loans	<i>Note 3</i>	5,000,000	5,000,000
2018 renewable corporate bonds	<i>Note 4</i>	6,992,689	–
Total		20,392,922	13,400,233

Note 1: On 29 June 2016, the Company issued RMB8,000,000,000 in an aggregate principal amount of 2016 renewable corporate bonds (First tranche). The net proceeds from the issuance amounting to RMB7,992,104,000, net of the relevant expenses of issuance of RMB7,896,000, were included in other equity instruments.

Note 2: On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond of RMB3,450,000,000, of which RMB408,129,000 was included in equity.

Note 3: On 22 December 2017, the Company issued RMB5,000,000,000 in an aggregate principal amount of renewable loans which was included in other equity instruments.

Note 4: In 2018, the Company issued RMB7,000,000,000 in an aggregate principal amount of renewable corporate bonds. The net proceeds from the issuance amounting to RMB6,992,689,000, net of the relevant expenses of issuance of RMB7,311,000 were included in other equity instruments.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other equity instruments (Continued)

For the six months ended 30 June 2018, due to the trigger of a mandatory interest payment event, the Group accrued interest of renewable corporate bonds and renewable loans amounting of RMB516,507,000 (2017: RMB282,400,000).

41. Capital reserve

For the six months ended 30 June 2018:

RMB '000

Item	1 January 2018	Increase (unaudited)	Decrease (unaudited)	30 June 2018 (unaudited)
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non-controlling interests	(467,584)	–	6,459	(474,043)
Others	(506,626)	–	–	(506,626)
Total	40,428,564	–	6,459	40,422,105

2017:

RMB '000

Item	1 January 2017	Increase	Decrease	31 December 2017
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non-controlling interests	(465,778)	–	1,806	(467,584)
Others	(506,626)	–	–	(506,626)
Total	40,430,370	–	1,806	40,428,564

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company from the balance sheet:

RMB '000

Item	1 January 2017	Increase/ (decrease)	31 December 2017	Effect of changes in accounting policies	1 January 2018	Increase/ (decrease) (unaudited)	30 June 2018 (unaudited)
Remeasurement of net defined benefit obligations	(141,596)	90,429	(51,167)	-	(51,167)	(9,260)	(60,427)
Effect of deferred tax from changes in remeasurement of net defined benefit obligations	(21,464)	(14,630)	(36,094)	-	(36,094)	2,315	(33,779)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of associates, under the equity method	(60,187)	(75,943)	(136,130)	-	(136,130)	(7,664)	(143,794)
Changes in fair value of available-for-sale financial assets	995,922	(212,062)	783,860	(783,860)	/	/	/
Effect of deferred tax from changes in fair value of available-for-sale financial assets	(206,648)	60,747	(145,901)	145,901	/	/	/
Changes in fair value of other equity instrument investments	/	/	/	700,428	700,428	(473,312)	227,116
Effect of deferred tax from changes in fair value of investment in other equity instruments	/	/	/	(145,901)	(145,901)	87,539	(58,362)
Exchange differences on translation of foreign operation	(283,083)	(223,932)	(507,015)	-	(507,015)	(228,908)	(735,923)
Total	282,944	(375,391)	(92,447)	(83,432)	(175,879)	(629,290)	(805,169)

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income (Continued)

Other comprehensive income from the statement of profit or loss:

For the six months ended 30 June 2018 (unaudited):

RMB '000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Remeasurement of net defined benefit obligations	(9,260)	(2,315)	(6,945)	–
Changes in fair value of other equity instrument investments	(497,966)	(91,237)	(385,773)	(20,956)
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	(7,664)	–	(7,664)	–
Exchange differences on translation of foreign operation	(228,982)	–	(228,908)	(74)
Total	(743,872)	(93,552)	(629,290)	(21,030)

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income (Continued)

Other comprehensive income from the statement of profit or loss: (Continued)

For the six months ended 30 June 2017 (unaudited):

Item	RMB '000			
	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non- controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Remeasurement of net defined benefit obligations	21,123	5,210	15,913	-
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	50,828	-	50,828	-
Changes in fair value of available-for-sale financial assets	(23,025)	9,539	(28,854)	(3,710)
Exchange differences on translation of foreign operation	13,850	-	12,683	1,167
Total	62,776	14,749	50,570	(2,543)

43. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the *Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilization* (Cai Qi [2012]No.16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III. 29.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Surplus reserve

For the six months ended 30 June 2018:

RMB '000

Item		1 January 2018	Increase (unaudited)	30 June 2018 (unaudited)
Statutory surplus reserve	<i>Note</i>	2,891,462	–	2,891,462

2017:

RMB '000

Item		1 January 2017	Increase	31 December 2017
Statutory surplus reserve	<i>Note</i>	2,394,128	497,334	2,891,462

Note: In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorized to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Retained earnings

RMB '000

Item	Notes	For the six months ended 30 June 2018 (unaudited)	2017
Retained earnings by the end of last period/last year		79,204,629	66,099,855
Changes in accounting policies	<i>Note III.33</i>	(722,338)	–
Retained earnings at the beginning of the period/year		78,482,291	66,099,855
Net profit attributable to the owners		8,008,700	16,057,235
Less: Appropriation to statutory surplus reserve		–	497,334
Cash dividend declared for ordinary shares	<i>Note 1</i>	2,444,317	2,172,727
Interest distributed to other equity instrument holders	<i>Note V.40</i>	516,507	282,400
Retained earnings at the end of the period/year	<i>Note 2</i>	83,530,167	79,204,629

Note 1: In accordance with the resolution at the 2017 annual general meeting of shareholders on 11 June 2018, the Company declared a cash dividend for the year ended 31 December 2017 of RMB0.18 per share (2017:RMB0.16 per share), which amounted to RMB2,444,317,000 (2017: RMB2,172,727,000) based on 13,579,541,500 ordinary shares in issue. The above dividends had been paid on 3 August 2018.

Note 2: As at 30 June 2018, the Group's retained earnings include interest of renewable corporate bonds and renewable loans amounting to RMB0.00 (31 December 2017: RMB148,950,000) which was not accrued as mandatory interest payment events have not been triggered.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Revenue and cost of sales

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)		For the six months ended 30 June 2017 (unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	307,139,898	277,609,971	287,499,403	262,367,074
Other operating revenue	1,841,032	1,414,740	1,461,506	1,043,053
Total	308,980,930	279,024,711	288,960,909	263,410,127

An analysis of the Group's operating revenue by sector is as follows:

RMB '000

Sector	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Construction operations	263,985,685	250,014,400
Real estate development operations	9,911,413	9,022,665
Manufacturing operations	6,679,333	5,843,455
Survey, design and consultancy operations	7,018,128	5,933,947
Other business operations	21,386,371	18,146,442
Total	308,980,930	288,960,909

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Taxes and surcharges

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
City maintenance and construction tax	322,510	359,008
Stamp duty	176,033	194,813
Property tax	107,022	99,444
Others	856,050	941,869
Total	1,461,615	1,595,134

48. Selling and distribution expenses

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Employee compensation costs	1,081,484	970,813
Advertising and publicity expenses	462,566	443,691
Transportation expenses	116,441	217,350
Others	326,266	228,448
Total	1,986,757	1,860,302

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. General and administrative expenses

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Employee compensation costs	5,766,499	5,259,613
Depreciation expenses	361,667	394,914
Office, traveling and transportation expenses	456,188	464,219
Others	1,319,861	1,068,817
Total	7,904,215	7,187,563

50. Research and development expenses

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Materials expenses	3,019,303	2,918,228
Employee compensation costs	1,542,439	1,080,270
Others	875,896	945,780
Total	5,437,638	4,944,278

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Finance costs

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Interest expenses	4,689,209	4,482,948
Less: Interest income	1,506,852	1,420,380
Interest capitalised	1,652,094	1,932,732
Exchange losses/(gains)	44,637	(152,047)
Bank charges and others	518,536	351,247
Total	2,093,436	1,329,036

An analysis of the Group's interest expenses are listed as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Interest on bank loans and other loans	3,341,350	3,217,599
Interest on finance leases	24,620	65,036
Interest on discounted bills	287,899	115,711
Interest on corporate bonds	1,035,340	1,084,602
Total	4,689,209	4,482,948

The amount of capitalised interest has been included in the balances of construction in progress (Note V.17), intangible assets (Note V.18) and properties under development (Note V.7 (1)).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Losses from impairment of assets

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Provisions for decline in value of inventories	(19,507)	75,779
Provisions for bad debts	/	179,767
Provision for impairment of loans to customers	/	23,750
Total	(19,507)	279,296

53. Losses from impairment of credit

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Provisions for impairment of accounts receivable and contract assets	526,404	/
Provision for impairment of loans to customers	3,000	/
Total	529,404	/

54. Other income

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Government grants relating to daily operations	117,567	9,041

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Investment income/(loss)

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Share of profits of long-term equity investments under the equity method	124,364	8,633
Investment (loss)/income from disposal of long-term equity investments under the equity method	(1,809)	4,812
Investment income from holding available-for-sale financial assets	/	26,464
Investment income from holding other equity instruments	35,246	/
Investment income from disposal of financial assets at fair value through profit or loss	/	56,608
Investment income from disposal of held-for-trading financial assets	3,984	/
Others	(80,207)	10,222
Total	81,578	106,739

56. Gains/(Losses) on fair value changes

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Financial assets and liabilities at fair value through profit or loss	334,370	(31,333)

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Non-operating income

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Non-recurring profit or loss of the period (unaudited)
Government grants	180,007	277,772	180,007
Gains on compensation, penalties and fines	75,389	43,249	75,389
Gains on debt restructuring	51,514	52,253	51,514
Others	155,871	107,281	155,871
Total	462,781	480,555	462,781

Government grants credited to profit or loss for the period are as follows:

RMB '000

Nature	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Related to assets/income
Enterprise development funds	115,325	122,864	Related to income
Refund of taxes	100,195	4,156	Related to income
Relocation compensation	17	57,946	Related to income
Others	82,037	101,847	Related to income
Total	297,574	286,813	-
Including: Other income	117,567	9,041	-
Non-operating income	180,007	277,772	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Non-operating expenses

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Non-recurring profit or loss of the period (unaudited)
Loss on compensation, penalties and fines	110,002	120,626	110,002
Donations	3,874	4,512	3,874
Others	86,479	35,433	86,479
Total	200,355	160,571	200,355

59. Costs and expenses classified by nature

The Group's costs and expenses classified by nature are listed as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Cost of services rendered (Note V.46)	250,319,707	238,242,537
Cost of goods sold (Note V.46)	28,705,004	25,167,590
Employee benefits (Note V.48 and 49)	6,847,983	6,230,426
Research and development expenses (Note V.50)	5,437,638	4,944,278
Depreciation expenses on fixed assets	389,401	422,578
Amortisation expenses on intangible assets	101,138	85,211

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Costs and expenses classified by nature (Continued)

Note 1: For the six months ended 30 June 2018, depreciation of investment properties included in the Cost of services rendered and Cost of goods sold is RMB5,370,412,000 (for the six months ended 30 June 2017: RMB5,103,297,000).

Note 2: For the six months ended 30 June 2018, amortisation of intangible assets included in the Cost of services rendered and Cost of goods sold is RMB114,404,000 (for the six months ended 30 June 2017: RMB155,973,000).

60. Income tax expenses

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Current tax expenses – Mainland China	2,378,701	1,821,993
Current tax expenses – Others	59,652	303,083
Deferred tax expenses	51,189	(280,051)
Total	2,489,542	1,845,025

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Income tax expenses (Continued)

A reconciliation of the income tax expense applicable to profit before tax is listed as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Profit before tax	11,383,423	8,764,662
Income tax at the statutory income tax rate of 25%	2,845,856	2,191,166
Tax effect of preferential tax rates for some subsidiaries	(558,412)	(136,901)
Tax effect of share of profits and losses of joint ventures and associates	(31,091)	(2,158)
Effect of non-taxable income	(206,148)	(191,534)
Effect of non-deductible expenses	82,527	42,733
Effect of utilisation of unrecognised deductible tax losses	(18,228)	(99,818)
Income tax benefits on research and development expenses	(209,945)	(233,292)
Effect of unrecognised deductible tax losses	487,592	227,067
Deductible temporary differences not recognised as deferred tax assets	130,452	18,539
Adjustments in respect of current income tax of previous periods	14,823	31,402
Others	(47,884)	(2,179)
Income tax expense at the Group's effective tax rate	2,489,542	1,845,025

The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the statutory tax rate according to existing laws, interpretations and practices of the country or jurisdiction in which the Group operates.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Earnings per share

The basic earnings per share is calculated based on the net profit for the period attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the period.

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Earnings		
Net profit attributable to shareholders of the Company	8,008,700	6,523,039
Including: profit or loss in continued operation	8,008,700	6,523,039
Less: attributable to holder of perpetual instruments	367,556	141,200
Net profit attributable to ordinary shareholders	7,641,144	6,381,839
Shares		
Number of the outstanding ordinary shares of the Company	13,579,541,500	13,579,541,500
Basic earnings per share (RMB/share)	0.56	0.47
Diluted earnings per share (RMB/share) (Note)	0.53	0.45

Note: The Company issued a Convertible Bond at USD500 million on 29 January 2016 and issued a Convertible Bond at RMB3.45 billion on 21 December 2016. The Group has considered the impact result from the conversion of those issued convertible bonds.

62. Notes to items in the statement of cash flows

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(1) Cash received relating to other operating activities:		
Rental income of fixed assets	388,838	379,691
Sale of raw materials	456,581	630,230
Government grants	297,574	184,672
Others	5,078,993	2,519,424
Total	6,221,986	3,714,017

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Notes to items in the statement of cash flows (Continued)

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(2) Cash paid relating to other operating activities:		
Office and traveling expenses	932,950	803,811
Repair and maintenance costs	182,579	222,514
Business development expenses	301,431	210,109
Others	3,816,184	4,878,613
Total	5,233,144	6,115,047

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(3) Net cash paid for acquisition of subsidiaries:		
Cash and cash equivalents paid for business combination occurred in the period	69,005	-
Less: Cash and cash equivalents held by the subsidiary on the date of acquisition	29,372	-
Net cash paid for acquisition of subsidiaries	39,633	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB '000

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Reconciliation of net profit to cash flows used in operating activities:		
Net profit	8,893,881	6,919,637
Plus: Provision for impairment of assets	(19,507)	279,296
Losses from impairment of credit	529,404	/
Depreciation of fixed assets	5,759,813	5,525,875
Amortisation of intangible assets	215,542	241,184
Amortisation of investment properties	68,055	48,825
Gains from disposal of fixed assets, intangible assets and other long-term assets	(24,821)	(5,058)
(Gains)/Losses from changes in fair value	(334,370)	31,333
Finance costs	2,723,613	2,358,472
Investment income	(81,578)	(106,739)
Increase in deferred tax assets	(80,227)	(300,414)
Increase in deferred tax liabilities	131,416	20,363
Increase in inventories	(16,518,070)	(28,792,901)
Increase in contract assets	(14,769,482)	/
Increase in operating receivables	(22,386,870)	(21,125,094)
(Decrease)/Increase in operating payables	(9,617,160)	9,750,387
Increase in the deposits with the central bank	(377,783)	(302,024)
Net Cash Flows Used in Operating Activities	(45,888,144)	(25,456,858)

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the consolidated statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Major non-cash investing and financing activities:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Fixed assets held under finance leases	35,703	276,998

Changes in cash and cash equivalents:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Cash at the end of the period	99,205,474	98,742,601
Less: opening balance of cash	109,326,251	113,584,200
Plus: closing balance of cash equivalents	1,585,856	303,649
Less: opening balance of cash equivalents	20,066,469	3,949,822
Net decrease in cash and cash equivalents	(28,601,390)	(18,487,772)

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the consolidated statement of cash flows (Continued)

(2) Cash and cash equivalents

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Cash	99,205,474	109,326,251
Including: Cash on hand	108,515	110,347
Cash with banks/financial institutions without restriction	99,096,959	109,215,904
Cash equivalents	1,585,856	20,066,469
Closing balance of cash and cash equivalents	100,791,330	129,392,720

64. Assets with title restrictions

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017	Reason
Intangible assets	34,765,530	28,101,597	Pledged for loans
Inventories	15,036,709	14,710,869	Mortgaged for loans
Cash and bank balances	9,265,742	9,899,905	Note
Fixed assets	658,775	653,950	Mortgaged for loans
Long-term receivables	546,553	–	Pledged for loans
Bills receivable and accounts receivable	389,222	–	Pledged for loans
Total	60,662,531	53,366,321	–

Note: As at 30 June 2018, the Group held frozen deposits of RMB71,265,000 (31 December 2017: RMB106,691,000), the residual amount of RMB4,696,298,000 (31 December 2017: RMB5,672,818,000) was a deposit. CRCC Finance Company Limited placed RMB4,498,179,000 (31 December 2017: RMB4,120,396,000) in the central bank as statutory reserves.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Foreign currency monetary items

30 June 2018 (unaudited):

RMB '000

Item	Closing balance of foreign currencies (<i>'000</i>)	Exchange rate	Closing balance in RMB
Cash and bank balances			10,112,475
Including: U.S. Dollar	1,343,389	6.6166	8,888,667
Euro	62,833	7.6515	480,768
Others			743,040
Bills receivable and accounts receivable			784,380
Including: U.S. Dollar	67,850	6.6166	448,938
Others			335,442
Other receivables			457,793
Including: U.S. Dollar	50,616	6.6166	334,903
Others			122,890
Bills payable and accounts payable			1,099,486
Including: Algerian Dinar	4,343,079	0.0561	243,777
Malaysian Ringgit	110,007	1.6406	180,475
U.S. Dollar	45,911	6.6166	303,775
Others			371,459
Other payables			390,543
Including: U.S. Dollar	35,760	6.6166	236,610
Algerian Dinar	393,907	0.0561	22,110
Saudi Riyal	443	1.7649	782
Others			131,041
Short-term loans			630,562
Including: U.S. Dollar	95,300	6.6166	630,562
Long-term loans			1,815,120
Including: U.S. Dollar	176,000	6.6166	1,164,522
Euro	85,029	7.6515	650,598
Bonds payable			8,106,881
Including: U.S. Dollar	1,225,234	6.6166	8,106,881

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VI. CHANGES OF CONSOLIDATION SCOPE

In the current period, the Company invested to establish the wholly-owned subsidiaries CRCC Beibuwan Construction and Investment Co., Ltd. and CRCC Xibei Investment and Construction Co., Ltd. Except the above, the consolidation scope of the Group's consolidated financial statements has no significant change compared to last year.

VII. EQUITY IN OTHER ENTITIES

1. Subsidiaries

Particulars of the principal subsidiaries of the Company are as follows:

Subsidiaries acquired through establishment or investment

RMB '000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion (%)	
					Direct	Indirect
China Civil Engineering Construction Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway 11 th Bureau Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Construction	5,030,000	100	-
China Railway 12 th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100	-
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	-
China Railway 14 th Bureau Group Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Construction	3,110,000	100	-
China Railway 15 th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	3,000,000	100	-
China Railway 16 th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway 17 th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	3,003,724	100	-
China Railway 18 th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	-
China Railway 19 th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100	-
China Railway 20 th Bureau Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100	-
China Railway 21 st Bureau Group Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Construction	1,880,000	100	-
China Railway 22 nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	1,057,000	100	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

RMB '000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion (%)	
					Direct	Indirect
China Railway 23 rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	2,000,000	100	–
China Railway 24 th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	2,000,000	100	–
China Railway 25 th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	2,000,000	100	–
China Railway First Survey and Design Institute Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Survey and design	200,000	100	–
China Railway Siyuan Survey and Design Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Survey and design	1,000,000	100	–
China Railway Construction Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
China Railway Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	710,000	100	–
China Railway Material Group Co., Ltd.	Beijing	Beijing	Purchase and sales of goods and materials	3,000,000	100	–
CRCC High-tech Equipment Co., Ltd.	Kunming, Yunnan	Kunming, Yunnan	Manufacturing operations	1,519,884	63.7	1.3
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development and operation	7,000,000	100	–
China Railway Construction Heavy Industry Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Manufacturing operations	3,855,540	100	–
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment	12,000,000	100	–
CRCC Finance Company Limited	Beijing	Beijing	Finance agency service	9,000,000	94	–
CRCC International Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
CRCC Assets Management Co., Ltd.	Beijing	Beijing	Assets management	3,000,000	100	–
CRCC Urban Construction Group Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100	–
CRCC Kunlun Investment Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Project investment	3,000,000	100	–
CRCC Chongqing Investment Group Co., Ltd.	Chongqing	Chongqing	Project investment	3,000,000	100	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

The subsidiary with significant non-controlling interests is as follows:

30 June 2018 (unaudited):

RMB '000

Subsidiary	Shareholding proportion of non-controlling interests	Net profit attributable to non-controlling interests	Dividends distribute to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
CRCC High-tech Equipment Co., Ltd.	35%	28,803	5,320	1,884,864

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Current assets	5,052,762	4,828,472
Non-current assets	1,915,198	2,011,462
Total assets	6,967,960	6,839,934
Current liabilities	1,560,290	1,428,710
Non-current liabilities	22,345	32,909
Total liabilities	1,582,635	1,461,619

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. *Subsidiaries (Continued)*

The subsidiary with significant non-controlling interests is as follows: (Continued)

RMB '000

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Operating revenue	1,217,956	930,897
Net profit	82,294	26,882
Total comprehensive income	22,209	19,613
Net cash flows generated from operating activities	269,003	930,268

2. *Equity in joint ventures and associates*

The Group did not have an individually significant joint venture or associate. Please refer to Note V.12.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

1. Financial instruments by category

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

30 June 2018 (unaudited) :

Financial assets

RMB '000

Item	Designated as financial assets at fair value through other comprehensive profit	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Held-for-trading financial assets	-	2,748,585	-	2,748,585
Debt investments	-	-	41	41
Other equity instrument investments	8,068,193	-	-	8,068,193
Bills receivable and accounts receivable	-	-	159,375,636	159,375,636
Loans and advances to customers	-	-	1,980,000	1,980,000
Other receivables (excluding petty cash)	-	-	63,154,578	63,154,578
Long-term receivables	-	-	40,902,489	40,902,489
Current portion of non-current assets	-	-	8,909,426	8,909,426
Cash and bank balances	-	-	112,309,834	112,309,834
Other non-current financial assets	-	267,716	-	267,716
Total	8,068,193	3,016,301	386,632,004	397,716,498

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows: (Continued)

30 June 2018 (unaudited): (Continued)

Financial liabilities

RMB '000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	49,525,769	49,525,769
Due to customers	–	700,135	700,135
Due to banks	–	1,200,000	1,200,000
Bills payable and accounts payable	–	309,917,019	309,917,019
Other payables	–	55,552,794	55,552,794
Other current liabilities	–	67,200	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	30,517,211	30,517,211
Long-term loans	–	67,828,479	67,828,479
Bonds payable	–	37,058,482	37,058,482
Long-term payables (excluding special payables)	–	1,685,917	1,685,917
Other non-current liabilities	380,150	111,000	491,150
Total	380,150	554,164,006	554,544,156

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows: (Continued)

31 December 2017 :

Financial assets

RMB '000

Item	Financial assets at fair value through profit or loss	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
Held-to-maturity investments	-	41	-	-	41
Available-for-sale financial assets	-	-	-	8,382,301	8,382,301
Bills receivable and accounts receivable	-	-	153,528,817	-	153,528,817
Loans and advances to customers	-	-	1,683,000	-	1,683,000
Other receivables (excluding petty cash)	-	-	55,085,692	-	55,085,692
Long-term receivables	-	-	40,662,087	-	40,662,087
Current portion of non-current assets	-	-	8,591,799	-	8,591,799
Financial assets at fair value through profit or loss	489,712	-	-	-	489,712
Cash and bank balances	-	-	141,206,185	-	141,206,185
Total	489,712	41	400,757,580	8,382,301	409,629,634

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows: (Continued)

31 December 2017: (Continued)

Financial liabilities

RMB '000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	29,499,098	29,499,098
Due to customers	–	804,834	804,834
Bills payable and accounts payable	–	323,491,509	323,491,509
Other payables	–	49,797,546	49,797,546
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	29,880,184	29,880,184
Other current liabilities	–	67,200	67,200
Long-term loans	–	58,826,793	58,826,793
Bonds payable	–	35,677,923	35,677,923
Long-term payables (excluding special payables)	–	1,962,636	1,962,636
Other non-current liabilities	712,677	55,000	767,677
Total	712,677	530,062,723	530,775,400

2. Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

As at 30 June 2018, the Group have endorsed and discounted the bills receivable amounting to RMB853,116,000 (31 December 2017: RMB1,080,233,000). As at 30 June 2018, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills have been transferred. Therefore, the Group has derecognised the related bills receivable and accounts payable that have been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

For the six months ended 30 June 2018, the Group did not recognised any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement and discount happens evenly throughout the period.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

2. *Transfer of financial assets (Continued)*

Transferred financial assets that are not derecognised in their entirety

For the six months ended 30 June 2018, the Group sold accounts receivable of RMB6,037,550,000 (“receivables”) to the assets-backed specific plan which set up by the financial institute who are also the managers of the assets-backed specific plan. The managers represented the assets-backed specific plan to issue senior assets-backed securities and subordinate assets-backed securities to investors. The Group holds some portion of the subordinate assets-backed securities. Meanwhile, the Group acts as a receivables service provider to provide management services associated with receivables and their collection, contracts revision and other services to the assets-backed specific plan.

As the Group has restriction in the ability of guiding the operations of assets-backed specific plan, resulting in the degree which the Group using substantial rights to influence to obtain variable returns limited, the Group does not need to consolidate the assets-backed specific plan. Meanwhile, the Group has neither transferred nor retained substantially all the risks and rewards of the receivables ownership, and it retained control of the receivables transferred, the Group recognised the asset and associated liability to the extent of its continuing involvement in the transferred asset. As at 30 June 2018, the Group recognised an asset of RMB178,200,000 related to continuing involvement of receivables.

3. *Financial instrument risks*

The Group’s major financial instruments include loans, due to customers, bonds, convertible bonds and finance lease liabilities. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities arising from operation, such as bills receivable and accounts receivable, other receivables, long-term receivables, bills payable and accounts payable, other payables and long-term payables.

The major risks from the Group’s financial instruments are credit risk, liquidity risk and market risk. As a common practice, management will hold meetings at least four times a year to analyze and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole period.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bills receivable and accounts receivable and contract assets are monitored on an ongoing basis to ensure that the Group’s exposure to credit loss is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. Besides, the Group reviews collections of financial assets at each balance sheet date to ensure sufficient provisions for estimated credit loss have been made for relevant financial assets.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Credit risk (Continued)

Other financial assets of the Group include cash and bank balances, other receivable, debt investments, loans and advances to customers. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI.3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

As part of the Group's credit risk asset management, the Group adopts the aging analysis to assess impairment losses of accounts receivable and other receivables. The Group's accounts receivable and other receivables involve a large number of customers. Aging information may reflect these customers' solvency and risk of bad debt in regard of such accounts receivable and other receivables. The Group calculates the historical effective bad debt rate of different aging periods based on historical data, takes into account forecasts of current and future economic condition, including forward-looking information like growth rate of GDP, investment in infrastructure construction and monetary policies of central bank, makes adjustments and works out estimated loss rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period, the debtor's financial position and economic situation of the debtor's industry, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on expected credit loss.

As at 30 June 2018, the gross carrying amount and expected credit-impairment losses of relevant assets are as follows:

	<i>RMB'000</i>	
Aging	Gross carrying amount	Provisions for impairment
Accounts receivable	159,718,071	4,040,003
Contract assets	151,680,671	2,879,149
Other receivables	67,029,663	3,415,383
Long-term receivables (including current portion of long-term receivables)	50,176,567	364,652
Total	428,604,972	10,699,187

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. *Financial instrument risks (Continued)*

Credit risk (Continued)

As at 30 June 2018, external financial guarantees and mortgages for real estate operations provided by the Group amounted to RMB1,590,927,000 and RMB23,859,391,000 respectively. Details of financial guarantee contracts are set out in Note XI.3. As at 1 January 2018, management of the Group assessed overdue status of relevant borrowings, financial position of relevant debtor, and economic condition in the debtor's industry. Management is of view that relevant credit risk of such part of financial guarantee contract has not increased significantly since initial recognition. Therefore, loss allowance for the Group's financial guarantee contracts are not determined based on the amount of lifetime expected credit loss, but measured at the amount of the future 12-month expected credit loss of the above financial guarantee contracts. During the period from 1 January 2018 to 30 June 2018, the Group's assessment method and significant assumptions did not change. The Group has not recognised expected loss allowance for guarantees and mortgages based on management's assessment.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group already has banking facilities from several PRC banks of up to RMB1,088,571,599,000 as at 30 June 2018, of which an amount of approximately RMB450,404,165,000 has been utilised.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 30 June 2018, the Group has 43.1% of loans and bonds payable that will expire within one year (As at 31 December 2017: 38.1%).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

RMB '000

Item	30 June 2018 (unaudited)					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	50,945,237	-	-	-	50,945,237
Due to customers	700,135	-	-	-	-	700,135
Due to banks	1,200,000	-	-	-	-	1,200,000
Bills payable and accounts payable	-	309,917,019	-	-	-	309,917,019
Other payables	-	55,552,794	-	-	-	55,552,794
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	31,391,592	-	-	-	31,391,592
Other current liabilities	-	67,200	-	-	-	67,200
Long-term loans	-	3,136,313	21,604,182	20,774,619	53,692,648	99,207,762
Bonds payable	-	777,117	11,480,454	28,031,473	997,748	41,286,792
Long-term payables	-	13,657	496,780	924,002	305,819	1,740,258
Other non-current liabilities	-	-	111,000	-	-	111,000
Financial guarantees (Note XI.3) (excluding the real estate mortgage guarantee)	1,590,927	-	-	-	-	1,590,927
Total	3,491,062	451,800,929	33,692,416	49,730,094	54,996,215	593,710,716

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities as at the balance sheet date, based on the undiscounted contractual cash flows: (Continued)

RMB '000

Item	31 December 2017					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	29,650,632	-	-	-	29,650,632
Due to customers	804,834	-	-	-	-	804,834
Bills payable and accounts payable	-	323,491,509	-	-	-	323,491,509
Other payables	-	49,797,546	-	-	-	49,797,546
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	30,995,295	-	-	-	30,995,295
Other current liabilities	-	67,200	-	-	-	67,200
Long-term loans	-	2,495,993	18,697,514	22,471,313	42,652,736	86,317,556
Bonds payable	-	483,421	2,368,704	30,667,936	6,294,711	39,814,772
Long-term payables	-	28,272	745,071	1,043,623	280,716	2,097,682
Other non-current liabilities	-	-	-	55,000	-	55,000
Financial guarantees (<i>Note XI.3</i>) (excluding the real estate mortgage guarantee)	1,575,007	-	-	-	-	1,575,007
Total	2,379,841	437,009,868	21,811,289	54,237,872	49,228,163	564,667,033

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 30 June 2018, floating interest rate loans and fixed interest rate loans accounted for approximately 88.50% and 11.50% of the Group's borrowings respectively. Management would adjust the proportion of floating and fixed rate loans based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Interest rate risk (Continued)

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 0.25% (for the six months ended 30 June 2017: 0.25%), with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB77,155,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB66,908,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 30 June 2018 and the exposure to interest rate risk has been applied to those loans in existence at that date. The estimated 0.25% (2017: 0.25%) of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from now until the end of the next annual reporting period.

Foreign currency risk

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the period ended 30 June 2018 and 31 December 2017 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the United States dollar, Euro and Algerian dinar, with all other variables held constant, of the Group's net profit and other comprehensive income net of tax.

For the six months ended 30 June 2018 (unaudited) :

RMB '000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	3%	(49,917)	(49,917)
Decrease in the United States dollar rate	(3%)	49,917	49,917
Increase in the Euro rate	8%	(9,468)	(9,468)
Decrease in the Euro rate	(8%)	9,468	9,468
Increase in the Algerian dinar rate	7%	(4,412)	(4,412)
Decrease in the Algerian dinar rate	(7%)	4,412	4,412

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

For the six months ended 30 June 2017 (unaudited) :

			<i>RMB '000</i>
Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	3%	(11,126)	(11,126)
Decrease in the United States dollar rate	(3%)	11,126	11,126
Increase in the Euro rate	8%	21,683	21,683
Decrease in the Euro rate	(8%)	(21,683)	(21,683)
Increase in the Algerian dinar rate	7%	(35,288)	(35,288)
Decrease in the Algerian dinar rate	(7%)	35,288	35,288

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2018 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period from now until the end of the next annual reporting period.

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the six months ended 30 June 2018 and 30 June 2017.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, amounts due to customers, due to banks, financial liabilities of other current liabilities, bills payable and accounts payable, other payables, bonds payable, long-term payables (excluding special payables), the current portion of non-current liabilities (excluding the current portion of employee benefits payable) and financial liabilities of other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the end of the reporting periods are as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Short-term loans	49,525,769	29,499,098
Long-term loans	67,828,479	58,826,793
Due to customers	700,135	804,834
Due to banks	1,200,000	–
Bills payable and accounts payable	309,917,019	323,491,509
Other payables	55,552,794	49,797,546
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	30,517,211	29,880,184
Other current liabilities	67,200	67,200
Bonds payable	37,058,482	35,677,923
Long-term payables (excluding special payables)	1,685,917	1,962,636
Other non-current liabilities	491,150	767,677
Less: cash and bank balances	112,309,834	141,206,185
Net debt	442,234,322	389,569,215
Owners of the Company	160,011,029	149,411,983
Non-controlling interests	32,285,173	29,236,862
Total equity	192,296,202	178,648,845
Total equity and net debt	634,530,524	568,218,060
Gearing ratio	70%	69%

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

30 June 2018

RMB '000

	Inputs of fair value measurement (unaudited)			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Held-for-trading financial assets	209,347	2,074,397	464,841	2,748,585
Other equity instrument investments	1,494,482	207,230	6,366,481	8,068,193
Other non-current financial assets	–	–	267,716	267,716
Other non-current liabilities	–	–	380,150	380,150
Total	1,703,829	2,281,627	7,479,188	11,464,644

31 December 2017

RMB'000

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets at fair value through profit or loss	257,408	–	232,304	489,712
Available-for-sale financial assets	1,929,900	570,761	380,415	2,881,076
Other non-current liabilities	–	–	712,677	712,677
Total	2,187,308	570,761	1,325,396	4,083,465

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Assets and liabilities measured at fair value (Continued)

The Derivative financial instruments hold by the Group include the forward equity contracts to the unlisted companies' equity and embedded derivative of convertible bonds both adopted the Binomial tree option pricing model for valuation. The valuation model for the forward equity contracts to the unlisted companies' equity comprises several unobservable inputs, including volatility of the unlisted companies' income, expected volatility of the stock price of the unlisted companies' comparable companies. The valuation model for the embedded derivative of convertible bonds comprises several unobservable inputs, including expected volatility of stock price and risk-free interest rate, etc.

Fair value of listed equity instruments is determined based on a quoted market price.

For the six months ended 30 June 2018, there was no transfer of fair value measurements between each level.

2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB '000

Item	Carrying amount		Fair value	
	30 June 2018 (unaudited)	31 December 2017	30 June 2018 (unaudited)	31 December 2017
Long-term loans	67,828,479	58,826,793	66,931,461	58,417,600
Bonds payable				
– Convertible bonds (Note)	6,762,954	6,937,052	6,510,761	6,778,214
– Other	31,083,807	29,861,677	31,669,636	30,057,285

Note: The carrying amounts of convertible bonds include the carrying amounts of corresponding embedded derivative instruments and equity components.

The fair value of the convertible bond is an unadjusted price quoted in an active market, which is determined by applying the first-level input value.

Fair value of long-term loans and bonds payable (excluding the convertible bonds) is determined by discounted future cash flow method, with market yield of other financial instruments with similar contractual terms, credit risk and remaining period, which used as the discount rate. As at 30 June 2018, its own default risk of long-term and short-term loans is evaluated as insignificant.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent

RMB '000

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
CRCCG	Beijing	Construction and management	9,000,000	55.73	55.73

2. Subsidiaries

Please refer to Note XIV. 3 (i) "Subsidiaries".

3. Joint ventures and associates

Company name	Related party relationship
Lin'an Changxi Investment and Construction Management Co., Ltd.	Joint venture
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	Joint venture
Hunan Yuntong Rail Traffic Equipment Co., Ltd.	Joint venture
Chongqing Tiefa Jianxin Highway Co., Ltd.	Joint venture
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Tianjin Wanhe Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Chengdu China Railway Huafu Real Estate Co., Ltd.	Joint venture
Guangzhou Jingyue Bay Industry Development Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates (Continued)

Company name	Related party relationship
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Joint venture
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Joint venture
Beijing Xinda Real Estate Co., Ltd.	Joint venture
Beijing Ruida Real Estate Co., Ltd.	Joint venture
Guangzhou Xintie Xinjian Investment Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.	Joint venture
Foshan City Shunde District Shunjia Real Estate Co., Ltd.	Joint venture
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Joint venture
Chongqing Jianlian New Real Estate Co., Ltd.	Joint venture
Chongqing Pinjinyue Real Estate Co., Ltd.	Joint venture
Nanjing Jingrui Real Estate Investment Co., Ltd.	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Sichuan Tianfu Airport Expressway Co., Ltd.	Joint venture
Chongqing Yonglu Expressway Co., Ltd.	Joint venture
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	Joint venture
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	Joint venture
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	Joint venture
Inner Mongolia Dongyun Sports Investment Co., Ltd.	Joint venture
CRCC Shaanxi Highway Co., Ltd.	Joint venture
Inner Mongolia BERUN New Energy Co., Ltd.	Associate
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	Associate
CRCC (Shandong) Gaodong Highway Co., Ltd.	Associate
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.	Associate
China Railway 14 th Bureau Group Wuhai Metro Investment & Construction Co., Ltd.	Associate
Changde Yuanjiang Tunnel Co., Ltd.	Associate
Ningxia Inter-City Railway Co., Ltd.	Associate
Jiangxi Jingcheng Real Estate Co., Ltd. of China Railway Construction 16 th Bureau Group Real Estate	Associate
Changzhou China Railway Blue Flame Component Co., Ltd.	Associate
Yuxi China Railway Infrastructure Construction Co., Ltd.	Associate
Guangxi Lvfa Railway Construction Commodity Concrete Co., Ltd.	Associate
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	Associate
Gansu Zhuzhong Railway Co., Ltd.	Associate
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	Associate

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates (Continued)

Company name	Related party relationship
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	Associate
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Associate
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	Associate
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	Associate
Guizhou China Railway Construction Engineering Investment Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
CRCC Harbor and Channel Engineering Bureau Taixing Port Co., Ltd.	Associate
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	Associate
Chongqing Yurong Highway Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate
CRCC (Shandong) Deshang Highway Co., Ltd.	Associate
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	Associate
CRCC Shandong Jinghu Highway Jile Co., Ltd.	Associate
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
Kunming Metro Line 5 Construction & Operation Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Chongqing Tiefa Xiusong Highway Co., Ltd.	Associate
Yunnan Kunchu Highway Investment & Development Co., Ltd.	Associate
Kunming Sanqing Highway Co., Ltd.	Associate
Kunming Fuyi Highway Co., Ltd.	Associate

4. Other related parties

Company name	Related party relationship
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
Beijing Railway Construction Technology Magazine Co., Ltd.	Fellow subsidiary
China Railway Construction Jinli Assets Management Co., Ltd.	Fellow subsidiary

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions

Item	RMB '000	
	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(1) Revenue from construction services	<i>Note 1</i>	
Hohhot Metro Line 2 Construction & Management Co., Ltd.	1,009,902	–
Kunming Metro Line 5 Construction & Operation Co., Ltd.	628,761	116,001
Sichuan Tianfu Airport Expressway Co., Ltd.	473,986	331,240
Gansu Zhuzhong Railway Co., Ltd.	434,326	–
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	350,234	–
CRCC Shaanxi Highway Co., Ltd.	306,811	–
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	279,265	3,683
Changde Yuanjiang Tunnel Co., Ltd.	216,093	130,503
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	212,468	39,030
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	190,433	92,389
Yunnan Kunchu Highway Investment & Development Co., Ltd.	190,117	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	180,244	–
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	144,733	37,908
Chongqing Tiefa Jianxin Highway Co., Ltd.	140,934	514,673
Tianjin China Railway Guancheng Real Estate Co., Ltd.	108,847	–
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	85,093	–
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	72,847	–
Tianjin China Railway Yuhua Real Estate Co., Ltd.	46,990	48,377
CRCC Harbor and Channel Engineering Bureau Taixing Port Co., Ltd.	37,290	–
Lin'an Changxi Investment and Construction Management Co., Ltd.	33,267	44,213
Chongqing Monorail Transit Engineering Co., Ltd.	20,680	89,226
Hunan Maglev Transportation Development Co., Ltd.	19,111	43,456
Chongqing Yurong Highway Co., Ltd.	17,049	23,271
Yuxi China Railway Infrastructure Construction Co., Ltd.	16,450	220,934
CRCC-HC-CR15G Joint Venture	12,249	60,443
Ningxia Inter-City Railway Co., Ltd.	136	215,757
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	–	31,333
Total	5,228,316	2,042,437

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

RMB'000

Item		For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(2) Revenue from sales of goods	<i>Note 2</i>		
CRCC Financial Leasing Co., Ltd.		539,165	720,951
Chongqing Tiefa Jianxin Highway Co., Ltd.		440,098	302,488
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		148,659	–
Total		1,127,922	1,023,439
(3) Other income	<i>Note 3</i>		
Tianjin Wanhe Real Estate Co., Ltd.		98,021	–
Beijing Xinda Real Estate Co., Ltd.		95,429	–
Chengdu China Railway Huafu Real Estate Co., Ltd.		83,984	52,841
Foshan City Shunde District Shunjia Real Estate Co., Ltd.		59,832	–
Nanjing Jingrui Real Estate Investment Co., Ltd.		56,650	–
Beijing Liuzhuang Real Estate Co., Ltd.		38,353	37,568
CRCCG	<i>Note 4</i>	37,965	–
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.		23,882	–
Foshan City Shunde District Shunhao Real Estate Co., Ltd.		22,435	–
Guangzhou Xintie Xinjian Investment Co., Ltd.		20,254	–
Beijing Ruida Real Estate Co., Ltd.		18,786	–
Shanghai Hongjun Real Estate Co., Ltd.		18,608	58,791
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		6,246	33,545
Beijing Jiehai Real Estate Co., Ltd.		4,641	36,802
Total		585,086	219,547

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

RMB'000

Item		For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
(4) Purchase of goods and receipt of services	<i>Note 5</i>		
PetroChina & CRCC Petroleum Marketing Co., Ltd.		14,055	96,997
Changzhou China Railway Blue Flame Component Co., Ltd.		5,449	11,130
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		4,100	–
Guangxi Lvfa Railway Construction Commodity Concrete Co., Ltd.		3,221	–
Total		26,825	108,127
(5) Other expenses	<i>Note 5</i>		
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.		4,725	–
China Railway Construction Jinli Assets Management Co., Ltd.	<i>Note 4</i>	2,202	2,910
Beijing Tongda Jingcheng Highway Co., Ltd.	<i>Note 4</i>	1,548	–
CRCCG	<i>Note 4</i>	1,276	845
Beijing Railway Construction Technology Magazine Co., Ltd.	<i>Note 4</i>	7	–
Total		9,758	3,755

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Related party leasing

As the lessee (unaudited):

RMB '000

Lessor	Leasing asset types	Amount recognised in the current period	Amount recognised in the prior period
CRCC Financial Leasing Co., Ltd.	Machinery	441,057	139,265
CRCCG	Buildings	31,796	37,083
Total	-	472,853	176,348

(7) Guarantees granted to a related party

30 June 2018 (unaudited):

RMB '000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	992,490	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	285,837	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2023	No
Total	1,473,327	-	-	-

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(7) Guarantees granted to a related party (Continued)

31 December 2017:

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	<i>RMB '000</i>
				Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	980,130	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	282,277	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2023	No
Total	1,457,407	–	–	–

Note 1: The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

Note 2: The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

Note 3: The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The other income from related parties was mainly interest income from loans receivable.

Note 4: The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Note 5: The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

RMB '000

	30 June 2018 (unaudited)		31 December 2017	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Bills receivable and accounts receivable <i>Note 1</i>				
Gansu Zhuzhong Railway Co., Ltd.	578,836	–	307,603	–
CRCC Financial Leasing Co., Ltd.	567,239	–	346,831	–
Kunming Metro Line 5 Construction & Operation Co., Ltd.	425,409	–	–	–
Hohhot Metro Line 2 Construction & Management Co., Ltd.	372,730	–	324,589	–
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	238,333	–	206,004	–
Yuxi China Railway Infrastructure Construction Co., Ltd.	162,950	–	153,439	–
Hunan Maglev Transportation Development Co., Ltd.	144,402	–	144,402	–
Chongqing Tiefsa Jianxin Highway Co., Ltd.	110,328	–	31,402	–
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	99,198	–	16,343	–
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	70,710	–	69,341	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	47,711	–	–	–
Tianjin China Railway Guancheng Real Estate Co., Ltd.	46,582	–	–	–
Chongqing Monorail Transit Engineering Co., Ltd.	45,687	–	192,122	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

	30 June 2018 (unaudited)		31 December 2017	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Bills receivable and accounts receivable (continued)				
	<i>Note 1</i>			
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	45,043	-	-	-
CRCC Harbor and Channel Engineering Bureau Taixing Port Co., Ltd.	39,280	-	-	-
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	38,552	-	30,618	-
CRCC-HC-CR15G Joint Venture	28,239	-	28,239	-
CRCC (Shandong) Deshang Highway Co., Ltd.	21,051	-	119,944	-
Lin'an Changxi Investment and Construction Management Co., Ltd.	14,883	-	26,065	-
Chongqing Yurong Highway Co., Ltd.	11,099	-	6,924	-
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	10,901	-	40,531	-
CRCC Shaanxi Highway Co., Ltd.	2,000	-	202,552	-
Guizhou China Railway Construction Engineering Investment Co., Ltd.	-	-	168,047	-
Inner Mongolia BERUN New Energy Co., Ltd.	-	-	29,797	-
Total	3,121,163	-	2,444,793	-
Loans and advances to related parties				
	<i>Note 3</i>			
CRCCG	2,000,000	20,000	1,700,000	17,000
Total	2,000,000	20,000	1,700,000	17,000

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

		30 June 2018 (unaudited)		31 December 2017	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables					
Beijing Xinda Real Estate Co., Ltd.	Note 2	4,073,844	–	3,927,327	–
Foshan City Shunde District Shunjia Real Estate Co., Ltd.	Note 2	3,873,869	–	–	–
Chengdu China Railway Huaifu Real Estate Co., Ltd.	Note 2	2,973,571	–	2,666,937	–
Tianjin Wanhe Real Estate Co., Ltd.	Note 2	2,844,653	–	2,752,386	–
Nanjing Jingrui Real Estate Investment Co., Ltd.	Note 2	1,862,007	–	–	–
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Note 2	1,427,969	–	704,837	–
Beijing Liuzhuang Real Estate Co., Ltd.	Note 2	1,373,128	–	1,592,548	–
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Note 2	1,296,523	–	–	–
Beijing Ruida Real Estate Co., Ltd.	Note 2	710,938	–	1,892,899	–
Guangzhou Xintie Xinjian Investment Co., Ltd.	Note 2	667,982	–	–	–
Guangzhou Baorui Real Estate Co., Ltd.	Note 2	580,423	–	549,786	–
CRCC-Tongguan Investment Co., Ltd.		470,410	–	433,581	–
CRCC Shandong Jinghu Highway Jile Co., Ltd.		445,959	–	435,000	–
Chongqing Pinjinyue Real Estate Co., Ltd.	Note 2	425,695	–	–	–
CRCC (Shandong) Gaodong Highway Co., Ltd.		420,000	–	–	–
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Note 2	321,738	–	448,612	–
Chengdu Tiecheng Real Estate Co., Ltd.	Note 2	277,745	–	842,027	–
Chongqing Jianlian New Real Estate Co., Ltd.	Note 2	273,211	–	–	–
CRCC Shaanxi Highway Co., Ltd.		262,740	–	262,290	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		261,000	–	261,000	–
Guangzhou Jingyue Bay Industry Development Co., Ltd.		244,371	–	291,100	–
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Note 2	212,729	–	153,555	–
CRCC Real Estate Co., Ltd.	Note 2	207,101	–	207,101	–
Guangzhou Hongjia Real Estate Co., Ltd.	Note 2	133,448	–	182,331	–

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

	30 June 2018 (unaudited)		31 December 2017	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables (continued)				
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	125,000	-	-	-
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	113,200	-	-	-
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	101,148	-	192	-
Guangzhou Hongxuan Real Estate Co., Ltd. <i>Note 2</i>	77,474	-	120,457	-
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	36,438	-	-	-
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	30,000	-	30,000	-
Tianjin China Railway Yuhua Real Estate Co., Ltd. <i>Note 2</i>	13,402	-	18,185	-
CRCC Financial Leasing Co., Ltd.	6,732	69	6,033	69
Chongqing Monorail Transit Engineering Co., Ltd.	6,186	-	26,652	-
Chongqing Tiefa Jianxin Highway Co., Ltd.	6,020	-	202,924	-
Guangzhou Jingye Real Estate Co., Ltd. <i>Note 2</i>	1,057	-	47,411	-
Hunan Yuntong Rail Traffic Equipment Co., Ltd.	561	168	561	168
Shanghai Hongjun Real Estate Co., Ltd. <i>Note 2</i>	-	-	1,072,139	-
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd. <i>Note 2</i>	-	-	337,407	-
Dalian Wancheng Zhiguang Real Estate Co., Ltd. <i>Note 2</i>	-	-	198,640	-
Beijing Jiehai Real Estate Co., Ltd. <i>Note 2</i>	-	-	181,371	-
Hohhot Metro Line 2 Construction & Management Co., Ltd.	-	-	100,000	-
Changzhou China Railway Blue Flame Component Co., Ltd.	-	-	4,763	-
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.	-	-	1,383	-
Total	26,158,272	237	19,951,435	237

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

	30 June 2018 (unaudited)		31 December 2017	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Long-term receivables				
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd. <i>Note 2</i>	4,229,829	-	4,902,454	-
Inner Mongolia Dongyun Sports Investment Co., Ltd.	23,330	-	-	-
Lin'an Changxi Investment and Construction Management Co., Ltd.	15,454	-	-	-
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd. <i>Note 2</i>	9,996	-	32,337	-
Total	4,278,609	-	4,934,791	-

RMB '000

		30 June 2018	31 December 2017
		(unaudited)	
Bills payable and accounts payable	<i>Note 1</i>		
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		23,879	19,083
PetroChina & CRCC Petroleum Marketing Co., Ltd.		12,367	54,566
Changzhou China Railway Blue Flame Component Co., Ltd.		6,375	-
China Railway First Survey And Design Institution Group Shandong Architecture Design Institute Co., Ltd.		5,714	15,834
Wuhan Lvyin Lawn Engineering Co., Ltd.		1,963	2,374
Guangxi Lvfa Railway Construction Commodity Concrete Co., Ltd.		1,930	258
Total		52,228	92,115

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Contract liabilities		
	<i>Note 4</i>	
Sichuan Tianfu Airport Expressway Co., Ltd.	300,000	/
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	256,462	/
China Railway 14 th Bureau Group Wuhai Metro Investment & Construction Co., Ltd.	135,767	/
CRCC Shaanxi Highway Co., Ltd.	132,034	/
Chongqing Tiefa Jianxin Highway Co., Ltd.	129,618	/
Tianjin China Railway Guancheng Real Estate Co., Ltd.	77,677	/
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	66,648	/
CRCC-HC-CR15G Joint Venture	66,518	/
Total	1,164,724	/
Advances from customers		
Chongqing Tiefa Jianxin Highway Co., Ltd.	–	206,104
China Railway 14 th Bureau Group Wuhai Metro Investment & Construction Co., Ltd.	–	138,722
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	–	82,088
CRCC-HC-CR15G Joint Venture	–	57,950
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	–	38,425
Total	–	523,289

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

		30 June 2018 (unaudited)	31 December 2017
Other payables	<i>Note 1</i>		
CRCCG		1,367,851	5,180
Hangzhou Jingbin Real Estate Co., Ltd.		1,130,475	586,739
Hangzhou Jingke Real Estate Co., Ltd.		504,900	178,482
Hangzhou Jianshen Real Estate Co., Ltd.		460,000	500,000
Nanjing Xincheng Guanghong Real Estate Co., Ltd.		437,000	437,000
Hangzhou Jingping Real Estate Co., Ltd.		364,000	392,000
Kunming Fuyi Highway Co., Ltd.		332,593	190,829
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		322,094	–
Dalian Wancheng Zhiguang Real Estate Co., Ltd.		245,000	–
Beijing Jiehai Real Estate Co., Ltd.		203,472	–
Jiangxi Jingcheng Real Estate Co., Ltd. of China Railway Construction 16 th Bureau Group Real Estate		188,592	239,695
Kunming Sanqing Highway Co., Ltd.		150,328	200,000
Chongqing Tiefa Xiusong Highway Co., Ltd.		141,472	184,161
Chongqing Yonglu Expressway Co., Ltd.		86,091	–
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.		82,888	132,595
CRCC-HC-CR15G Joint Venture		65,420	69,241
Shanghai Hongjun Real Estate Co., Ltd.		44,024	–
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.		36,210	–
Chongqing Tiefa Shuanghe Expressway Co., Ltd.		16,686	–
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.		12,261	12,194
Sichuan Tianfu Airport Expressway Co., Ltd.		1,019	161,686
China Railway Construction Jinli Assets Management Co., Ltd.		300	8,145
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		265	32,097

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

		30 June 2018 (unaudited)	31 December 2017
Other payables (continued)	<i>Note 1</i>		
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.		–	85,000
PetroChina & CRCC Petroleum Marketing Co., Ltd.		–	400
Total		6,192,941	3,415,444
Advances to suppliers			
CRCC Financial Leasing Co., Ltd.		63,918	37,740
Total		63,918	37,740
Due to customers	<i>Note 5</i>		
China Railway Construction Jinli Assets Management Co., Ltd.		356,925	337,721
Beijing Tongda Jingcheng Highway Co., Ltd.		204,033	242,485
CRCCG		136,182	170,549
Beijing Railway Construction Technology Magazine Co., Ltd.		2,995	3,136
CRCC Real Estate Co., Ltd.		–	27,518
Guangzhou Xintie Xinjian Investment Co., Ltd.		–	20,256
PetroChina & CRCC Petroleum Marketing Co., Ltd.		–	1,714
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.		–	974
Beijing Xinda Real Estate Co., Ltd.		–	456
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		–	25
Total		700,135	804,834
Long-term loans	<i>Note 6</i>		
CRCCG		780,564	780,564
Total		780,564	780,564

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

		30 June 2018 (unaudited)	31 December 2017
Short-term loans	<i>Note 7</i>		
China Railway Construction Real Estate Group Jinan 6 th Continent Real Estate Co., Ltd.		1,000,000	–
Total		1,000,000	–
Long-term payables			
CRCC Financial Leasing Co., Ltd.	<i>Note 8</i>	520,942	538,938
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)		109,046	–
Total		629,988	538,938

Note 1: The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

Note 2: The amounts due from related parties were loans for cooperative development project from the Group's real estate development operation segments, with the interest rate agreed in the contracts.

Note 3: The amounts due from CRCCG were borrowings from CRCC Finance Company Limited.

Note 4: The amounts were mainly advances from related parties and were interest-free.

Note 5: The amounts due to the Group's related parties were deposits in CRCC Finance Company Limited.

Note 6: The amounts are appropriations from the Ministry of Finance to CRCCG and considered as the entrusted loans granted to the Group by CRCCG. The interest rate of such entrusted loans is determined by the benchmark interest rate in the market.

Note 7: The amounts are bank loans released to the Group's subsidiary which are entrusted by related parties. The interest rate of such loans is determined by the benchmark interest rate in the market.

Note 8: The amounts due to CRCC Financial Leasing Co., Ltd. are rental expenses on financial leasing.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Contracted, but not provided for:		
Capital commitments	413,823	364,024
Investment commitments	2,915,852	3,515,230
Other commitments	3,888,666	8,462,504
Total	7,218,341	12,341,758

2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advices. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

RMB '000

The Group	30 June 2018 (unaudited)	31 December 2017
Associates	1,473,327	1,457,407
Other entities	117,600	117,600
Total	1,590,927	1,575,007

The above guarantees exclude guarantees in respect of the banking facilities other than mortgages. As at 30 June 2018, the guarantees in respect of mortgages amounted to RMB23,859,391,000 (31 December 2017: RMB21,552,828,000). Until 30 June 2018, the guarantees rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages are granted to the purchasers of the Group's properties and secured by the mortgages.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

3. Guarantees (Continued)

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

RMB '000

The Company	30 June 2018 (unaudited)	31 December 2017
Subsidiaries	18,185,378	19,754,232
Associates	1,473,327	1,457,407
Other entities	117,600	117,600
Total	19,776,305	21,329,239

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 30 June 2018 (31 December 2017: Nil).

XII. EVENTS AFTER THE BALANCE SHEET DATE

Transfer of state-owned shares without consideration

According to *Indicative Announcement on the Transfer of State-owned Shares without Consideration* issued by the Company on 24 July 2018, upon approval by the State-owned Assets Supervision and Administration Commission of the State Council, CRCCG, the controlling shareholder of the Company, proposed to transfer 624,658,910 A shares of the Company to Beijing Chengtong Financial Investment Co., Ltd. and Guoxin Investment Co., Ltd. without consideration.

Prior to completion of transfer without consideration, CRCCG directly held 7,567,395,500 A shares of the Company, representing 55.73% of the total share capital of the Company. Upon completion of the transfer without consideration, CRCCG directly holds 6,942,736,590 A shares of the Company, representing 51.13% of the total share capital of the Company; Beijing Chengtong Financial Investment Co., Ltd. Holds 312,329,455 A shares of the Company, representing 2.30% of the total share capital of the Company; Guoxin Investment Co., Ltd. holds 312,329,455 A shares of the Company, representing 2.30% of the total share capital of the Company.

The transfer without consideration will not cause changes in controlling shareholders and de facto controller of the Company.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS

1. Leases

As lessee

Finance leases: As at 30 June 2018, the balance of unrecognised financing charges was RMB55,450,000 (31 December 2017: RMB110,802,000), which was amortised using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Less than 1 year (including 1 year)	389,359	742,472
1 to 2 years (including 2 years)	296,389	365,001
2 to 3 years (including 3 years)	186,916	276,087
Over 3 years	250,652	267,269
Total	1,123,316	1,650,829

Significant operating leases: according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Less than 1 year (including 1 year)	706,736	680,585
1 to 2 years (including 2 years)	452,760	538,920
2 to 3 years (including 3 years)	193,891	237,077
Over 3 years	186,084	210,289
Total	1,539,471	1,666,871

For the six months ended 30 June 2018, payments under operating leases recognised in profit or loss for the period amounted to RMB641,728,000 (2017: RMB437,884,000).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. *Segment reporting*

Operating segments

For management purposes, the Group is organized into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- (3) The manufacturing operations segment engages in the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- (4) The real estate development operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises trade and logistics, finance and insurance and highway operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

RMB '000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
For the six months ended 30 June 2018 (unaudited):							
Revenue from external customers	263,985,685	7,018,128	6,679,333	9,911,413	21,386,371	-	308,980,930
Inter-segment sales	3,199,686	7,664	718,749	-	10,239,732	(14,165,831)	-
Total	267,185,371	7,025,792	7,398,082	9,911,413	31,626,103	(14,165,831)	308,980,930
Share of profits/(losses) of joint ventures and associates	(10,194)	70,867	110,051	(67,401)	21,041	-	124,364
Losses from impairment of assets and credit	521,827	1,197	25,280	(773)	(37,634)	-	509,897
Depreciation and amortisation	5,494,704	117,788	203,164	21,236	206,518	-	6,043,410
Profit before tax	6,142,529	1,529,038	888,096	1,044,442	1,941,971	(162,653)	11,383,423
Other disclosures:							
Increase in non-current assets other than long-term equity investments	7,097,066	111,119	654,636	10,882	4,722,761	-	12,596,464
30 June 2018 (unaudited)							
Segment assets (Note 1)	570,160,647	19,518,098	32,911,346	183,127,385	210,637,297	(151,696,249)	864,658,524
Segment liabilities (Note 2)	467,400,915	10,852,654	17,671,964	157,593,697	168,199,501	(149,356,409)	672,362,322
Other disclosures:							
Long-term equity investments in joint ventures and associates	11,402,332	618,795	1,172,769	2,138,173	6,288,733	-	216,620,802

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

RMB '000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
For the six months ended 30 June 2017 (unaudited):							
Revenue from external customers	250,014,400	5,933,947	5,843,455	9,022,665	18,146,442	-	288,960,909
Inter-segment sales	2,580,265	2,295	578,231	-	8,732,743	(11,893,534)	-
Total	252,594,665	5,936,242	6,421,686	9,022,665	26,879,185	(11,893,534)	288,960,909
Share of profits/(losses) of joint ventures and associates	9,133	(22,470)	(40,828)	(20,402)	83,200	-	8,633
Impairment losses recognised	(36,354)	2,437	25,004	372	287,837	-	279,296
Depreciation and amortisation	5,272,991	96,516	169,823	30,746	245,808	-	5,815,884
Profit before tax	5,345,278	871,250	875,749	816,574	1,004,845	(149,034)	8,764,662
Other disclosures:							
Increase in non-current assets other than long-term equity investments	7,559,746	153,089	622,737	135,054	4,766,162	-	13,236,788
As at 31 December 2017							
Segment assets (Note 1)	515,723,414	25,133,993	30,396,750	181,530,772	218,358,762	(149,256,232)	821,887,459
Segment liabilities (Note 2)	417,738,497	17,375,465	15,841,303	154,822,322	182,588,213	(145,127,186)	643,238,614
Other disclosures:							
Long-term equity investments in joint ventures and associates	9,113,647	246,449	1,103,038	2,424,956	4,981,435	-	17,869,525

Note 1: Segment assets do not include deferred tax assets of RMB3,659,576,000 (31 December 2017: RMB3,577,034,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB155,355,825,000 (31 December 2017: RMB152,833,266,000) are eliminated on consolidation.

Note 2: Segment liabilities do not include deferred tax liabilities of RMB329,610,000 (31 December 2017: RMB289,431,000) and corporate income tax payable of RMB843,515,000 (31 December 2017: RMB2,146,938,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB150,529,534,000 (31 December 2017: RMB147,563,555,000) are eliminated on consolidation.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Group information

Geographical information

Revenue from external customers

RMB '000

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Mainland China	291,289,181	271,295,712
Outside Mainland China	17,691,749	17,665,197
Total	308,980,930	288,960,909

Total non-current assets (Note)

RMB '000

	30 June 2018 (unaudited)	31 December 2017
Mainland China	118,528,115	109,155,101
Outside Mainland China	2,552,624	2,684,943
Total	121,080,739	111,840,044

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

Note: Non-current assets consisted of investment properties, fixed assets, construction in progress, intangible assets, long-term prepayments and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer during the six months ended 30 June 2018 (during the six months ended 30 June 2017: Nil).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information

(1) Pension scheme contributions

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Pension scheme contributions (defined contribution plans)	2,548,901	2,269,873
Pension scheme costs (defined benefit plans)	14,249	16,370

As at 30 June 2018, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2017: Nil).

(2) Directors', supervisors' and key management's remuneration

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Directors' and supervisors' remuneration	3,279	1,857

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Bills receivable and accounts receivable

An aging analysis of accounts receivable is listed as follows:

RMB '000

Aging	30 June 2018 (unaudited)	31 December 2017
Within 1 year	3,583,773	3,869,332
1 to 2 years	1,095,995	501,066
Less: Provision for bad debts	9,360	–
Total	4,670,408	4,370,398

As at 30 June 2018, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of accounts receivable (31 December 2017: Nil).

As at 30 June 2018, accounts receivable from the five largest customers are listed as follows (unaudited):

RMB '000

Due from	Relationship with the Company	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	1,398,580	Within 1 year	29.89
Company 2	Third party	905,486	Within 2 years	19.35
Company 3	Third party	497,982	Within 1 year	10.64
Company 4	Third party	459,219	Within 1 year	9.81
Company 5	Third party	450,380	Within 2 years	9.62
Total	–	3,711,647	–	79.31

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Bills receivable and accounts receivable (Continued)

As at 31 December 2017, accounts receivable from the five largest customers are listed as follows:

RMB '000

Due from	Relationship with the Company	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	901,890	Within 1 year	20.64
Company 2	Third party	764,339	Within 1 year	17.49
Company 3	Third party	653,529	Within 1 year	14.95
Company 4	Third party	618,377	Within 1 year	14.15
Company 5	Third party	383,035	Within 2 years	8.76
Total	–	3,321,170	–	75.99

2. Other receivables

An aging analysis of other receivables is listed as follows:

RMB '000

Aging	30 June 2018 (unaudited)	31 December 2017
Within 1 year	39,856,776	32,005,039
1 to 2 years	339,056	429,877
2 to 3 years	50	30
Over 3 years	173,237	173,237
Less: Provision for bad debts	–	–
Total	40,369,119	32,608,183

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 30 June 2018, other receivables from the five largest customers are listed as follows (unaudited):

RMB '000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	25,515,000	Within 1 year	63.20
Company 2	Subsidiary	5,582,601	Within 1 year	13.83
Company 3	Subsidiary	3,097,602	Within 2 years	7.67
Company 4	Subsidiary	1,777,316	Within 2 years	4.40
Company 5	Subsidiary	1,294,404	Within 1 year	3.21
Total	–	37,266,923	–	92.31

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB '000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	20,515,014	Within 1 year	62.91
Company 2	Subsidiary	5,498,231	Within 1 year	16.86
Company 3	Subsidiary	2,119,142	Within 1 year	6.50
Company 4	Subsidiary	1,128,468	Within 1 year	3.46
Company 5	Subsidiary	731,297	Within 1 year	2.24
Total	–	29,992,152	–	91.97

As at 30 June 2018, no balance due from shareholders that held 5% or more of the company's voting rights was included in the aforesaid balance of other receivables (31 December 2017: Nil).

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 30 June 2018, the amount due from related parties is listed as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Amount due from subsidiaries	40,079,722	32,256,606

3. Long-term equity investments

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Equity investment accounting for cost method		
– Subsidiaries (1)	92,225,915	90,125,915
Equity investment accounting for equity method		
– Interests in joint ventures (2)	681,647	678,396
Total	92,907,562	90,804,311

Note: All the long-term equity investments are in unlisted companies, except for CRCC High-tech Equipment Co., Ltd..

(1) Subsidiaries

RMB '000

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 30 June 2018 (unaudited) (%)	Carrying amount as at 30 June 2018 (unaudited)	Carrying amount as at 31 December 2017
China Civil Engineering Construction Corporation	100	2,946,507	2,946,507
China Railway 11 th Bureau Group Co., Ltd.	100	1,893,912	1,893,912
China Railway 12 th Bureau Group Co., Ltd.	100	1,957,277	1,957,277
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	100	2,460,480	2,460,480

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

RMB '000

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 30 June 2018 (unaudited) (%)	Carrying amount as at 30 June 2018 (unaudited)	Carrying amount as at 31 December 2017
	China Railway 14 th Bureau Group Co., Ltd.	100	2,130,105
China Railway 15 th Bureau Group Co., Ltd.	100	1,585,152	1,585,152
China Railway 16 th Bureau Group Co., Ltd.	100	1,482,412	1,482,412
China Railway 17 th Bureau Group Co., Ltd.	100	1,717,837	1,717,837
China Railway 18 th Bureau Group Co., Ltd.	100	1,103,234	1,103,234
China Railway 19 th Bureau Group Co., Ltd.	100	3,954,638	3,954,638
China Railway 20 th Bureau Group Co., Ltd.	100	1,615,144	1,615,144
China Railway 21 st Bureau Group Co., Ltd.	100	1,557,251	1,557,251
China Railway 22 nd Bureau Group Co., Ltd.	100	1,295,286	1,295,286
China Railway 23 rd Bureau Group Co., Ltd.	100	1,545,004	1,545,004
China Railway 24 th Bureau Group Co., Ltd.	100	1,346,917	1,346,917
China Railway 25 th Bureau Group Co., Ltd.	100	1,078,597	1,078,597
China Railway Construction Group Co., Ltd.	100	2,868,346	2,868,346
China Railway Construction Electrification Bureau Group Co., Ltd.	100	1,105,530	1,105,530
China Railway Construction Real Estate Group Co., Ltd.	100	7,233,191	7,233,191
China Railway First Survey and Design Institute Group Co., Ltd.	100	623,730	623,730
China Railway Siyuan Survey and Design Group Co., Ltd.	100	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100	318,196	318,196
China Railway Shanghai Design Institute Group Co., Ltd.	100	267,624	267,624
China Railway Material Group Co., Ltd.	100	3,314,805	3,314,805
CRCC High-tech Equipment Co., Ltd.	63.70	1,714,797	1,714,797
China Railway Construction Heavy Industry Co., Ltd.	100	4,048,245	4,048,245
Chenghe Insurance Broker Co., Ltd.	100	113,290	113,290
China Railway Construction (Beijing) Business Management Co., Ltd.	100	28,313	28,313
China Railway Construction Investment Group Co., Ltd.	100	10,538,793	10,538,793
CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	100	1,385,891	1,385,891

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

RMB '000

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 30 June 2018 (unaudited) (%)	Carrying amount as at 30 June 2018 (unaudited)	Carrying amount as at 31 December 2017
CRCC Finance Company Limited	94	8,460,000	8,460,000
CRCC International Group Co., Ltd.	100	3,000,102	3,000,102
CRCC Assets Management Co., Ltd.	100	1,520,000	1,520,000
CRCC Urban Construction Group Co., Ltd.	100	2,000,000	2,000,000
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	98.04	2,000,000	2,000,000
China Railway Strait Construction Group Co., Ltd.	50	500,000	500,000
CRCC Kunlun Investment Group Co., Ltd.	100	3,000,000	3,000,000
CRCC Huabei Investment & Development Co., Ltd.	100	1,000,000	1,000,000
CRCC Nanfang Construction and Investment Co., Ltd.	100	1,000,000	200,000
CRCC Chongqing Investment Group Co., Ltd.	100	3,000,000	3,000,000
China Railway Maglev Transportation Investment Construction Co., Ltd.	70	700,000	700,000
CRCC Huanan Construction Co., Ltd.	100	500,000	500,000
CRCC Xibei Investment and Construction Co., Ltd. (Note VI)	100	1,000,000	-
CRCC Beibuwan Construction and Investment Co., Ltd. (Note VI)	100	300,000	-
Total		92,225,915	90,125,915

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(2) Interests in joint ventures

For the six months ended 30 June 2018:

RMB '000

Investee	Investment cost (unaudited)	1 January 2018	Recovery of Investment (unaudited)	share of profits under equity method (unaudited)	Distribution of dividends (unaudited)	30 June 2018 (unaudited)	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	678,396	-	3,251	-	681,647	57.29	57.29
Total	654,930	678,396	-	3,251	-	681,647	-	-

2017:

RMB '000

Investee	Investment cost	1 January 2017	Recovery of Investment	share of profits under equity method	Distribution of dividends	31 December 2017	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	667,490	-	10,906	-	678,396	57.29	57.29
Chongqing Tiefsa Jianxin Highway Co., Ltd.	-	48,000	48,000	-	-	-	-	-
Total	654,930	715,490	48,000	10,906	-	678,396	-	-

Note: China-Africa Lekkil is accounted for as joint ventures by the Company with more details are included in Note V 12.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Other payables

Other payables are disclosed by category:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Payables for advances	22,344,581	20,770,858
Dividends payable	2,523,424	–
Interests payable	344,277	368,021
Guarantees and deposits	65,398	163,860
Others	1,118,086	1,395,309
Total	26,395,766	22,698,048

5. Long-term loans

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Credit loans	6,876,102	8,424,271
Total	6,876,102	8,424,271

The maturity profile of the long-term loans as at the end of the reporting period is listed as follows:

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Within one year or paid on demand	6,529,769	7,037,479
In the second year (inclusive)	4,671,769	2,650,000
In the third year (inclusive)	372,333	3,780,564
Over three years	1,832,000	1,993,707
Total	13,405,871	15,461,750

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Revenue and costs

Revenue is presented as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue from principal operations	4,713,483	6,864,370
Other operating revenue	5,553	30,165
Total	4,719,036	6,894,535

Operating cost is presented as follows:

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Operating cost	4,620,009	6,602,418

7. Finance costs

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Interest expenses	1,114,642	1,082,286
Less: interest income	1,103,188	960,470
Exchange losses/(gains)	70,306	(131,215)
Bank charges and others	49,549	41,153
Total	131,309	31,754

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Finance costs (Continued)

The Company's interest expenses are as follows:

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Interest on bank loans and other loans	466,839	433,481
Interest on corporate bonds	647,803	648,805
Total	1,114,642	1,082,286

8. Investment income/(loss)

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Share of net profits/(losses) of the joint ventures	3,251	(1,731)
Investment income received from long-term equity investments under cost method	3,778,010	4,528,075
Others	2,970	2,966
Total	3,784,231	4,529,310

For the six months ended 30 June 2018, the investment income mentioned above was composed of investment income of RMB12,653,000 (for the six months ended 30 June 2017: RMB157,882,000) from listed companies and RMB3,771,578,000 from unlisted companies (for the six months ended 30 June 2017: RMB4,371,428,000).

As at 30 June 2018, the remittance of the Company's investment income was not subject to significant restriction.

Notes to the Financial Statements (continued)

For the six months ended 30 June 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,788,247	4,672,365
Plus: Losses from impairment of credit	9,360	–
Depreciation of fixed assets	6,352	6,221
Amortisation of intangible assets	1,586	1,030
Amortisation of long-term prepayments	2,831	549
Loss from disposal of fixed assets	143	75
(Gains)/losses from changes in fair value	(331,607)	(94,199)
Finance costs	29,176	264,338
Investment income	(3,784,231)	(4,529,310)
Decrease in deferred tax assets	–	23,493
Increase in deferred tax liabilities	82,902	57
Decrease in inventories	–	3,469,996
Decrease in contract assets	1,635,975	/
(Increase)/decrease in operating receivables	(7,721,110)	3,071,811
Decrease in operating payables	(750,959)	(5,075,531)
Net cash flows (used in)/generated from operating activities	(7,031,335)	1,810,895

(2) Cash and cash equivalents

RMB '000

Item	30 June 2018 (unaudited)	31 December 2017
Cash	13,766,330	12,318,553
Including: Cash on hand	285	28
Cash with banks/financial institutions without restrictions	13,766,045	12,318,525
Closing balance of cash and cash equivalents	13,766,330	12,318,553

Supplementary Information

For the six months ended 30 June 2018

XV. SUPPLEMENTARY INFORMATION

1. Summary of non-recurring profit or loss

RMB '000

Item	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Gains from disposal of non-current assets	24,821	5,058
(Losses)/gains from disposal of long-term equity investments	(1,809)	4,812
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	297,574	285,813
Net gains from debt restructuring	51,274	52,174
Investment income from disposal of financial instruments at fair value through profit or loss	/	56,608
Investment income from holding and disposal of held-for-trading financial assets	3,984	/
Gains/(losses) from changes in fair value of financial instruments at fair value through profit or loss	/	(31,333)
Gains from fair value changes of held-for-trading financial assets	334,370	/
Reversal of impairment of accounts receivable	380,043	307,814
Other non-operating income and expenses other than the above items	31,145	(9,962)
Impact on income tax	(245,249)	(141,247)
Impact on non-controlling interests (after tax)	(11,403)	(59,044)
Non-recurring profit or loss	864,750	470,693

Government grants recognised in profit or loss but not included in non-recurring profit or loss items for being closely related to normal operating activities and continuously granted following the national policies and certain quota are as follows:

RMB '000

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Reason for being recognised in profit or loss
Special equipment appropriation from the Ministry of Railway	-	1,000	Related to normal operating activities
Total	-	1,000	-

Supplementary Information (continued)

For the six months ended 30 June 2018

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share ("EPS")

For the six months ended 30 June 2018 (unaudited):

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	5.53	0.56	0.53
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	4.90	0.50	0.47

For the six months ended 30 June 2017 (unaudited):

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	5.16	0.47	0.45
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	4.79	0.45	0.43

The Company issued a five-year Zero Coupon Convertible Bond at USD500 million on 29 January 2016 and issued a five-year Coupon Convertible Bond at RMB3.45 billion on 21 December 2016. The Group has considered the impact result from the conversion of those issued convertible bonds.

The above weighted average return on equity and earnings per share are calculated in accordance with *Information Disclosure by Companies Offering Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share* (Revised in 2010).

Section XI Documents for Inspection

DOCUMENTS FOR INSPECTION

The following documents are kept at the headquarters of the Company in Beijing and available for inspection by regulatory authorities and shareholders in accordance with laws, regulations or the Articles and Association:

1. Full text of the interim report signed by the person in-charge of the Company;
2. Full text of the financial report signed and sealed by the person in-charge of the Company, chief financial officer and head of the accounting department;
3. Original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by CSRC and the website of Shanghai Stock Exchange during the Reporting Period; and
4. Articles of Association

Person-in-charge of the Company

ZHUANG Shangbiao

Submission date approved by the Board of Directors: 30 August 2018

REVISION HISTORY

Applicable Not applicable

**The Board of Directors of
China Railway Construction Corporation Limited**

Beijing, the PRC
30 August 2018

As at the date of this announcement, the Board comprises Mr. ZHUANG Shangbiao (President and Executive Director), Mr. XIA Guobin (Executive Director), Mr. LIU Ruchen (Executive Director), Mr. GE Fuxing (Non-executive Director), Mr. WANG Huacheng (Independent Non-executive Director), Mr. Patrick SUN (Independent Non-executive Director), Mr. CHENG Wen (Independent Non-executive Director) and Ms. Amanda Xiao Qiang LU (Independent Non-executive Director).