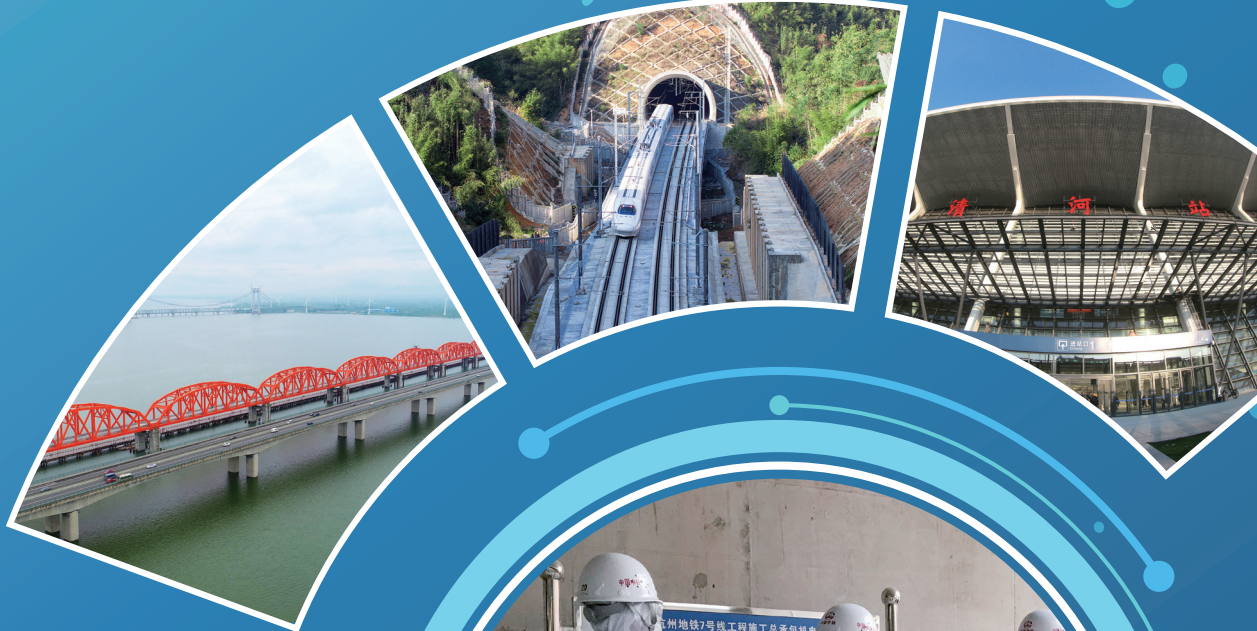




中國中鐵股份有限公司 CHINA RAILWAY GROUP LIMITED

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

Stock Code: 390



2020 INTERIM REPORT



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COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 50th on the 2020 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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

FINANCIAL SUMMARY

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

Summary of Interim Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June					Change 2020 vs 2019 (%)
	2020	2019	2018 <i>RMB million</i>	2017	2016	
Revenue						
Infrastructure Construction	385,934	324,150	276,636	260,889	240,533	19.1
Survey, Design and Consulting Services	7,967	7,978	7,553	6,750	5,738	-0.1
Engineering Equipment and Component Manufacturing	13,351	11,147	9,615	9,321	7,547	19.8
Property Development	13,001	13,898	12,411	11,113	10,873	-6.5
Other Businesses	29,418	30,741	29,237	24,203	16,674	-4.3
Inter-segment Eliminations and Adjustments	(33,368)	(26,027)	(19,350)	(13,723)	(12,918)	
Total	416,303	361,887	316,102	298,553	268,447	15.0
Gross Profit	36,381	34,818	31,132	27,447	21,968	4.5
Profit before Tax	16,098	14,634	12,713	10,844	7,804	10.0
Profit for the Period	12,398	11,263	9,412	7,549	5,394	10.1
Profit for the Period Attributable to Owners of the Company	11,697	10,514	9,552	7,707	5,463	11.3
Basic Earnings per Share (RMB)	0.425	0.399	0.394	0.310	0.224	6.5

Summary of Interim Condensed Consolidated Balance Sheet

	As at			Change	
	30 June 2020	31 December 2019 <i>RMB million</i>	30 June 2019	30 June 2020 vs 31 December 2019 (%)	30 June 2020 vs 30 June 2019 (%)
Assets					
Current Assets	750,177	709,770	691,202	5.7	8.5
Non-current Assets	392,122	346,271	320,867	13.2	22.2
Total Assets	1,142,299	1,056,041	1,012,069	8.2	12.9
Liabilities					
Current Liabilities	731,861	676,034	651,541	8.3	12.3
Non-current Liabilities	143,926	134,679	130,846	6.9	10.0
Total Liabilities	875,787	810,713	782,387	8.0	11.9
Total Equity	266,512	245,328	229,682	8.6	16.0
Total Equity and Liabilities	1,142,299	1,056,041	1,012,069	8.2	12.9

CHAIRMAN'S REPORT

Dear shareholders and investors,

Since 2020, faced with the unexpected COVID-19 pandemic, the great challenge of an economic downturn, and a complex and challenging environment at home and abroad, the whole Company has taken the initiative to strengthen its sense of mission, fulfill its responsibilities, generate new opportunities amid the current crisis, and embark on a new chapter in this changing environment. The Company will turn the words of its founding missions into action, fulfilling its responsibility as the backbone of the country and make more concrete efforts in transforming and developing the Company.

In the first half of the year, we forged ahead amid the adverse environment and sought progress while maintaining stability. Faced with the outbreak of the global pandemic, the Company responded with prompt yet prudent efforts. The Company has steadily resumed its work and production, continued to deepen its reform of management, and driven the development of both the domestic and international businesses. The construction of the China-Laos Railway, Yakarta-Bandung High-speed Railway, Xiong'an New Area and other key projects achieved steady progress. In order to catch up following the disruption of the pandemic, the Company unleashed its full potential over a 100-day period to make all-out efforts, recorded stable growth across all the operation performance indexes. The Company has been credited as one of the Fortune Global 500 companies for 15 consecutive years, and it is the first time that the Company has made it to the Top 50 this year. The Company ranked 6th in the Fortune China 500. For seven consecutive years, the SASAC has classified the Company as A-level enterprise after it appraised the Company's performance. According to the Engineering New Record (ENR), the Company ranked the second among the world's largest contractors.

In the first half of the year, we made painstaking efforts to strength our capacity and consolidate our foundation. We continued to strengthen our management laboratory program, and built a platform to normalize our management innovation in the laboratory, from which we have achieved a series of effective management innovative results that have considerably improved our management efficiency. We accelerated the pace of building the Company into an inherently safe enterprise, implemented a three-year special rectification program of safety production, built a long-term mechanism to safeguard against both risks and invisible dangers so as to ensure the stable growth of the Company. We kept on advancing our regional, dimensional and professional operations, optimizing our business portfolio, strengthening coordinated efforts and optimizing our incentive system. We continued to consolidate our position in conventional infrastructure market with high quality operations. We continued to see new achievements in "two new areas and one important field". Reform of the overseas business structure and mechanisms was further advanced, and the overseas "Double Priorities" development strategy was implemented. Efforts was also made to form the business layout of "one main body with two wings and multiple drivers". In the future, we will continue to raise the standard of our corporate governance system and capabilities, focusing on high-quality development.

In the first half of the year, we accelerated the pace of transforming our business with innovative initiatives. We focused on "Three Transformations" to enhance our development. The Shangqiu-Hefei-Hangzhou High-speed Railway has been completed and commenced operation, and the "Nanhu" shield tunneling machine, "Yunling" TBM, has been fully assembled. A great number of advanced equipment to strengthen national power and supreme projects have greatly impressed people, which, to a higher extent, have consolidated the capability of national brands such as the "China High-speed Railway", "China Bridge", "China Tunnel" and "China Equipment", etc. We have advanced the "Demonstration Activities of Scientific Reform", "Double Hundred Action" and the "Pilots of Mixed Ownerships". The Company obtained the approval of acquiring controlling shares of Beijing Hengtong

Innovation Luxwood Technology Co., Ltd.. We also facilitated the successful listing of CRHEEC the STAR Market. We focused on developing a number of pioneers in the scientific and innovation space and leading enterprises. Five of our key technologies on railway, bridge and tunnels have obtained the National Science Progress Award, which made the Company stand at the first for two consecutive years in terms of the total awards among all construction central enterprises. This has demonstrated our innovative capability in science and technology. In the future, high-quality innovation will continue to serve as our development engine, which will improve the Company's core competence and innovative capacity in all respects.

In the first half of the year, we proactively shouldered our responsibility and stayed true to our mission. We have taken concrete efforts to alleviate poverty and help the poor, and consolidated what we have achieved in this regard. The "Zhashui Black Fungus" project we participated in has become a poverty-alleviation model. In addition, we took part in the social anti-pandemic work and donated materials in cash and in-kind. Also, we participated in the construction of "Huoshenshan Hospital" and "Leishenshan Hospital", which were used to prevent and control COVID-19, in which we demonstrated our strong team spirit. We have donated anti-epidemic materials to Bangladesh, Serbia and Hungary and spread the ideology of "a community of mankind with a shared future". Faced with the pandemic, disasters and dangers, the Company's employees have joined the front line where they helped those most in need with courage, acted bravely to defeat the COVID-19 outbreak, made efforts in response to floods, and persevered when being part of fighting fire disasters. All of these efforts have secured the life and property of the country and its people. In the future, we will continue to make practical efforts to fulfill the social responsibility of a central enterprise, stay true to our mission and shoulder our duty.

Development is an ongoing process. We will adhere to our mission and vision. We will continue to uphold Xi Jinping's New Thoughts on the Socialism with Chinese Characteristics in the New Era, and the ideology of high-level development and new growth. We will make concrete efforts in "Six Stabilities" and "Six Secures". We will continue to implement the development strategy of "taking construction as our main business while seeking diversified development", remain committed to both the prevention and control of the pandemic, and the Company's production and operation. Also, we will combine improving of management methods and of innovation and efficiency, promote inbound and outbound development and advance reform and opening-up and risk prevention and control. Together, we will head towards the goal of building a world-class enterprise with global competence, so as to reward our shareholders, employees and society with more excellent results and performance.

I would like to extend my hearty gratitude to all of the shareholders and friends from all sectors that have cared, supported and helped the development and reform of the Company and to all the hard-working employees.

Zhang Zongyan

Chairman

Beijing, the PRC

28 August 2020

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 Changes in Share Capital

(1) Changes in shares

(i) Changes in shares

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

(ii) Explanation to the changes in shares

Not applicable

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

Not applicable

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

Not applicable

(2) Changes in shares with selling restrictions

During the reporting period, there was no changes in shares with selling restrictions.

2 Information on Shareholders

(1) Number of shareholders

Total number of holders of ordinary shares as at the end of the reporting period	606,914
Total number of holders of preference shares with reinstated voting rights as at the end of the reporting period	0

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(2) Shareholdings of the top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares Conditions of shares	Number	Nature of shareholder
1	CREC (Note 1)	0	11,598,764,390	47.21	0	Nil	0	State-owned legal person
2	HKSCC Nominees Limited (Note 2)	-488,750	4,008,351,049	16.98	0	Nil	0	Other
3	China Securities Finance Corporation Limited	0	683,615,678	2.78	0	Nil	0	Other
4	China Reform Holdings Corporation Ltd.	0	387,050,131	1.58	387,050,131	Nil	0	State-owned legal person
5	China Great Wall Asset Management Co., Ltd.	0	372,192,507	1.51	372,192,507	Nil	0	State-owned legal person
6	Hong Kong Securities Clearing Company Limited	59,877,206	270,874,218	1.10	0	Nil	0	Other
7	Central Huijin Asset Management Ltd.	0	235,455,300	0.96	0	Nil	0	State-owned legal person
8	China Structural Reform Fund Corporation Limited	0	223,296,399	0.91	223,296,399	Nil	0	State-owned legal person
9	China Orient Asset Management Co., Ltd.	0	223,271,744	0.91	223,271,744	Nil	0	State-owned legal person
10	ABC Capital Management Co., Ltd. – Suida (Jiaxing) Investment Partnership (LLP)	0	178,138,508	0.72	178,138,508	Nil	0	Other

Statement on the related relations and concerted actions between the shareholders above

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

Note 1: CREC held 11,598,764,390 shares of the Company, including 11,434,370,390 A shares and 164,394,000 H shares of the Company.

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

Note 3: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of northbound investors of the Company through the Shanghai – Hong Kong Stock Connect.

Note 4: The numbers shown in the table are based on the register of members of the Company as at 30 June 2020.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Quantity
1	CREC (Note 1)	11,434,370,390	RMB-denominated ordinary shares	11,434,370,390
			Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited (Note 2)	4,008,351,049	Overseas listed foreign shares	4,008,351,049
3	China Securities Finance Corporation Limited	683,615,678	RMB-denominated ordinary shares	683,615,678
4	Hong Kong Securities Clearing Company Limited	270,874,218	RMB-denominated ordinary shares	270,874,218
5	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
6	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
6	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Quantity
7	ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	119,642,589	RMB-denominated ordinary shares	119,642,589
8	Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Product	97,372,138	RMB-denominated ordinary shares	97,372,138
9	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	92,833,643	RMB-denominated ordinary shares	92,833,643
10	China Merchants Wealth – China Merchants Bank – Guosen Financial Holdings No. 1 Special Asset Management Plan	92,183,237	RMB-denominated ordinary shares	92,183,237

Statement on the related relations and concerted actions between the shareholders above

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

Note 1: CREC held 11,598,764,390 shares of the Company, including 11,434,370,390 A shares and 164,394,000 H shares of the Company.

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

Note 3: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of northbound investors of the Company through the Shanghai – Hong Kong Stock Connect.

Note 4: The numbers shown in the table are based on the register of members of the Company as at 30 June 2020.

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

Not applicable

3 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Save as disclosed below, as at 30 June 2020, none of the directors, supervisors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

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

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

As at 30 June 2020, the Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholder	Capacity	Number of A shares held (Shares)	Nature of interest	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
CREC	Beneficial owner	11,434,370,390	Long position	56.15	46.54

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (Share)	Nature of interest	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
BlackRock, Inc.	Interest of controlled corporation	292,731,858	Long position	6.96	1.19
		1,116,000	Short position	0.03	0.005
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.35
The Bank of New York Mellon Corporation	Interest of controlled corporation	244,026,260	Long position	5.80	0.99
		238,716,297	Lending pool	5.67	0.97
Deutsche Bank Aktiengesellschaft	(Note 1)	229,803,271	Long position	5.46	0.94
		123,424,962	Short position	2.93	0.50
		10,406,000	Lending pool	0.25	0.04
Lehman Brothers Holdings Inc.	Interest of controlled corporation	210,186,560	Long position	5.00	0.86
		94,560,550	Short position	2.25	0.38

Notes:

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

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

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Name of substantial shareholders	Long Position				Short Position			
	Listed equity derivatives payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash	Listed equity derivatives payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash
BlackRock, Inc.	-	-	-	5,885,000	-	-	-	1,116,000
Deutsche Bank Aktiengesellschaft	-	-	-	17,624,000	-	-	-	10,166,000
Lehman Brothers Holdings Inc.	-	-	10,000,000	-	-	-	60,000	-

Apart from the foregoing, as at 30 June 2020, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 Directors

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

Name	Age	Position
ZHANG Zongyan	57	Chairman and Executive Director
CHEN Yun	57	Executive Director
WANG Shiqi (elected on 29 April 2020)	54	Executive Director
ZHANG Xian	59	Executive Director
GUO Peizhang	70	Independent Non-executive Director
WEN Baoman	69	Independent Non-executive Director
ZHENG Qingzhi	68	Independent Non-executive Director
CHUNG Shui Ming Timpson	68	Independent Non-executive Director
MA Zonglin (resigned on 26 August 2020)	63	Non-executive Director

2 Supervisors

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

Name	Age	Position
ZHANG Huijia	59	Chairman of the Supervisory Committee, Shareholder Representative Supervisor
LIU Jianyuan	58	Employee Representative Supervisor
YUAN Baoyin	57	Employee Representative Supervisor
CHEN Wenxin	56	Shareholder Representative Supervisor
FAN Jinghua	54	Employee Representative Supervisor

3 Senior Management

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

Name	Age	Position
CHEN Yun	57	President
SUN Cui (appointed on 5 March 2020)	54	Chief Accountant (Chief Financial Officer)
YU Tengqun	50	Vice President and General Legal Advisor
DUAN Yongchuan	55	Vice President
LIU Baolong	56	Vice President
REN Hongpeng	46	Vice President
KONG Dun	54	Chief Engineer
MA Jiangqian	51	Chief Economist
HE Wen	55	Secretary to the Board and Joint Company Secretary
TAM Chung Chung	47	Joint Company Secretary and Qualified Accountant
LIU Hui (ceased to act on 23 June 2020)	60	Vice President
YANG Liang (ceased to act on 5 March 2020)	51	Chief Accountant (Chief Financial Officer)

4 Change of Directors, Supervisors and Senior Management

On 5 March 2020, the Company held the 35th meeting of the fourth session of the Board of Directors, and Mr. YANG Liang ceased to act as the Chief Accountant (Chief Financial Officer); and Mr. SUN Cui was appointed as the Chief Accountant (Chief Financial Officer), the term of office of which commenced from the date of approval by the Board of Directors until the expiry of the term of office of the fourth session of the Board of Directors.

On 29 April 2020, the Company held the first extraordinary shareholders' meeting in 2020, at which the election of Mr. WANG Shiqi as the executive director of the Company was approved, the term of office of which commenced from the date of approval by the extraordinary shareholders' meeting until the expiry of the term of office of the fourth session of the Board of Directors.

On 23 June 2020, the Company held the 39th meeting of the fourth session of the Board of Directors, and Mr. LIU Hui ceased to act as the Vice President due to retirement.

On 26 August 2020, the Board of Directors of the Company received the written resignation report from Mr. MA Zonglin. In light of his age, Mr. MA Zonglin has tendered his resignation as a non-executive director of the Company, a member of the strategy committee under the Board, a member of the remuneration committee under the Board and a member of safety, health and environmental protection committee under the Board. Upon his resignation, Mr. MA Zonglin will not hold any position in the Company.

5 Human Resources and Emolument Policy

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

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

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

As at 30 June 2020, the total number of employees hired by the Group was 285,405, among which, 141,364 have bachelor's degree or above. The Company has 97,574 employees who have intermediate or advanced professional titles or above, and 85,774 employees are professional and skilled personnel. In addition, the Group has 1,918 employees who are experts in various fields, including one academician of the Chinese Academy of Engineering, 10 national candidates of Millions of Talents Project, 9 employees who are National Geotechnical Investigation & Surveying Design Masters, 260 employees who are experts enjoying the special government allowance of the State Council, 3 employees who are winners of the China Youth Science and Technology Award, 2 employees who are National Outstanding Professional and Technical Personnel, 13 employees who are the special experts of China Railway and 86 employees who are experts of China Railway.

6 Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), as amended, as the code of conduct regarding securities transactions by directors and supervisors. The Company has made enquiries to all directors and supervisors, each director and supervisor confirmed that he or she has complied with the required standard set out in the Model Code throughout the period from 1 January 2020 to 30 June 2020.

1 Industry Development Overview

Infrastructure construction business

Domestically, the delay in the resumption of work due to COVID-19 has a short-term adverse impact on construction enterprises. However, with the effective control over the epidemic, China has stepped up counter-cyclical adjustments, and the growth rate of infrastructure investment has been gradually rebounded. The construction industry maintains a stable development trend overall. During the first half of 2020, the gross output value of the construction industry in China decreased by 0.76% year-on-year to RMB10.08 trillion; national fixed asset investment (excluding rural households) decreased by 3.1% year-on-year to RMB28.3 trillion; national fixed asset investment in transportation increased by 6.0% year-on-year. In particular, the fixed asset investment in railways increased by 1.2% year-on-year to RMB325.8 billion, and the fixed asset investment in highways increased by 6.8% year-on-year to RMB1,014.8 billion. The amount of investment in new PPP projects in the library, projects of net increase, projects that have been contracted and landed, and projects with construction commenced across the country all showed a downward trend. As the epidemic eased and governments at all levels increased their steady investment, the year-on-year decline in the second quarter was significantly less than that in the first quarter. The investment in new projects in the library decreased by RMB220.7 billion or 21.8% year-on-year; there were 216 contracted and landed projects with an investment of RMB431 billion, representing a year-on-year decrease of RMB1.2 trillion or 73.7%; there were 219 projects with construction commenced, with an investment of RMB305.9 billion, representing a year-on-year decrease of RMB1.7 trillion or 84.4%; the investment in the “two new areas and one important field” projects in the library accounted for 84.3% of all new projects in the library.

Internationally, the global spread of COVID-19 has brought certain challenges to the overseas production and operation of Chinese construction enterprises. Some international contracted projects were in a state of suspension, and the advancement of tracked overseas projects was forced to delay. The progress of resumption of work and production still depends on the local epidemic control, which, to a certain extent, tests the ability of Chinese construction enterprises to identify, handle, and manage risks. In view of the data of countries along the Belt and Road in the first half of the year, the value of contracts of overseas business and the completed turnover indicators both showed a downward trend. The amount of new contracting projects from 59 countries along the Belt and Road decreased by 5.2% year-on-year to US\$60.3 billion, representing 56.3% of the amount of new contracting projects of China from all foreign countries for the same period. The turnover decreased by 7.8% year-on-year to US\$35.57 billion, representing 58.7% of the total amount of turnover of completed contracting projects from all foreign countries for the same period. From the perspective of national policies, China will continue to promote the construction of the Belt and Road Initiative and expand trade and investment cooperation with countries along the Belt and Road. As the epidemic eases, infrastructure as a key investment direction will continue to play an important role in the construction of the Belt and Road Initiative.

Survey, design and consulting services business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. It has a leading position in project construction, plays an important supporting role in improving the investment benefits and social benefits of construction projects, and is a key link in project construction. At this stage, the industry development focuses on strengthening areas of weakness in the infrastructure, renovating old urban areas, and improving the living environment and people's quality of life; practicing the concept of "lucid waters and lush mountains are invaluable assets", infiltrating the design concept of energy conservation and environmental protection, and promoting ecological environment construction; arranging the regional coordinated development strategies, strengthening the construction of new infrastructures, paying more attention to digitalization and intelligence, and facilitating the application of building information modeling (BIM) technology. At the same time, the reform of the engineering construction organization model has spawned new services, which gradually extend to the engineering consulting industry chain of the whole life cycle of the construction project, including investment decision consulting and post-evaluation consulting. The services also gradually cover energy conservation and emission reduction, green and low-carbon economy consulting, land use and ecological environmental protection consulting, safety evaluation consulting, circular economy and resource comprehensive utilization consulting, project operation management consulting and other fields, to promote the implementation of new development concepts and new construction policies in the construction of housing, municipal works, transportation engineering and industrial engineering, and to carry out engineering technical services in the direction of "being green, advanced, economical, and comfortable", which reflects the future value pursuit of the industry.

Engineering equipment and component manufacturing business

The State Council issued a series of industrial plans including Made in China 2025 and 13th Five-Year Plan for the Development of National Strategic Emerging Industries, which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the 13th Five-Year Plan, China's fixed asset investment in railways will stay at a high level, and there is still much room for highways, bridges, urban rail transit, irrigation works and underground development. In addition, with the in-depth promotion of joint pursuit of the "One Belt, One Road" Initiative, the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow. In terms of policies, the release of the Action Plan for Promoting the Production and Application of Green Building Materials and the Guiding Opinions on Vigorously Developing Prefabricated Construction has provided strong policy support for the development of the steel structure industry. With the increasing application of steel structure products with the characteristics of "green, environmental friendly and circular economy" such as municipal bridge steel structure and high-rise building steel structure, the market demand for steel structure will further expand. However, the intensified competition in the industry has brought about some new changes in the market environment. To a certain extent, it has brought uncertain effects on the demand for tunnel construction equipment, turnout products for urban rail transit and electric equipment products in the future. In the first half of 2020, the added value of large-scale industries throughout PRC recorded a year-on-year decrease of 1.3%, in which the added value of high-tech manufacturing industry and equipment manufacturing industry increased by 4.5% and 0.4% year-on-year respectively.

Property development business

In the first half of 2020, the real estate market remained generally stable in China. Local governments resolutely implemented the Central Committee of the Communist Party of China (“CPC”) and the State Council’s deployment, and always adhered to the orientation that “houses are built to be inhabited, not for speculation”. In the face of the impact of COVID-19, local governments became more flexible in implementing policies based on cities, but they still adhered to the bottom line of “restricted purchases” and “restricted loans” to promote the smooth operation of the real estate market. According to the National Bureau of Statistics, in the first half of 2020, the property development investments nationwide amounted to RMB6,278.0 billion, representing a year-on-year increase of 1.9%. In particular, the investments in residential housing were RMB4,635.0 billion, representing a year-on-year increase of 2.6%. The area of buildings under construction was 7,927.21 million square meters, representing a year-on-year increase of 2.6%. In particular, the area of residential housing under construction was 5,587.76 million square meters, representing a year-on-year increase of 3.8%. The area of buildings the construction of which was newly commenced was 975.36 million square meters, representing a year-on-year decrease of 7.6%. In particular, the area of residential housing, the construction of which was newly commenced, was 715.83 million square meters, representing a year-on-year decrease of 8.2%. The area of completed buildings was 290.30 million square meters, representing a year-on-year decrease of 10.5%. In particular, the area of completed residential housing was 206.80 million square meters, representing a year-on-year decrease of 9.8%. The sales area of commodity housing in China was 694.04 million square meters, representing a year-on-year decrease of 8.4%. In particular, the sales area of residential housing decreased by 7.6%, the sales area of office buildings decreased by 26.5% and the sales area of commercial housing decreased by 20.7%. The sales amount of commodity housing was RMB6,689.5 billion, representing a year-on-year decrease of 5.4%. In particular, the sales amount of residential housing decreased by 2.8% year-on-year, the sales amount of office buildings decreased by 28.0% year-on-year and the sales amount of commercial housing decreased by 25.5% year-on-year.

Other businesses

Mining business

In the first half of 2020, with the spread of COVID-19 and the intensification of trade frictions, the subsequent evolution of the global economic situation is not optimistic. Consumption dropped significantly. The prices of industrial products were increasingly show the downward pressure, and prices of international commodities undergone large fluctuations. Severe liquidity risks occurred in overseas financial markets in March, and prices of metal products fell sharply. As liquidity risks were reduced in April, and domestic economic activities gradually resumed, prices of non-ferrous metals increased correspondingly. As domestic economic activities fully recovered in May, and some overseas countries began to lift restrictions, prices of non-ferrous metals continued to rise. The current global liquidity easing pattern will not change in the short term, and the logic of resuming production and work in European and American countries will gradually be verified. The price pivot of global metal products will also rise again steadily in the second half of this year.

Financial business

In the first half of 2020, affected by the global epidemic, the world economy suffered a severe recession, the loop of industry chain and supply chain were blocked, international trade and investment were reduced, and the market of commodities was volatile. Domestic consumption, investment, and exports declined; employment pressure increased significantly; enterprises, especially private enterprises, small and medium-sized enterprises faced more difficulties; and risks accumulated in the finance and other fields. The government continued to implement proactive fiscal policies and prudent monetary policies, introduced a series of financial and monetary policies, accelerated the issuance and use of special local government bonds, issued special anti-epidemic treasury bonds, reduced taxes and fees, optimized the supervision of equity asset allocation of insurance companies, and promoted finance infrastructure interconnection, which ensured the overall stability of China’s financial operations.

2 Business Development Overview

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

In the first half of 2020, facing the severe test brought by COVID-19 and the complex and changeable domestic and foreign environment, the Group resolutely implemented the decisions and deployments of the Central Committee of the CPC, the State Council and the SASAC, responded in a calm manner, implemented policies precisely, and surmounted difficulties. The Group focused on epidemic prevention and control on the one hand, and on reform and development on the other hand, solidly promoted the resumption of work and production, and comprehensively deepened the improvement of quality and efficiency. The scale of the Company grew against the trend, and its main economic indicators were higher than the average level of central enterprises, showing a good momentum of steady and positive growth.

In the first half of 2020, the Group earnestly and entirely implemented the deployment of the work meeting at the beginning of the year, accurately recognized changes, responded scientifically, actively sought changes, accelerated innovative thinking concepts, upgraded business models, and achieved new highs in operating performance. In the first half of the year, the value of new contracts of the Group was RMB870.34 billion, representing a year-on-year increase of RMB169.0 billion or 24.1%, and achieved growth against the trend despite increasing risks and challenges. The railway market continued to grow stronger and bigger, with the value of new contracts increasing by 22.3% year-on-year, ranking the first in the industry market; the urban construction business was developed in depth, and the value of new contracts regarding housing construction and municipal works continued to rise, increasing by 79.1% and 14.9% respectively; continuous improvement was made in the irrigation and hydropower sector, with an increase of 10.4%. In terms of overseas business, the value of new contracts reached RMB44.77 billion, representing an increase of 23.1%.

In the first half of 2020, the Group actively implemented the national "Six Stabilities" and "Six Ensures" requirements, and actively responded to many challenges such as the shutdown of the industrial supply chain caused by the epidemic. While achieving full resumption of work and production, the Group launched the special labor competition activity of "battling against the epidemic, maintaining growth, and working hard for one hundred days", which facilitated the accelerated recovery of construction and production and improvement month by month. In addition, the economic scale indicators were gradually recovered and achieved year-on-year growth.

In the first half of 2020, the Group earnestly implemented the important instructions of "Three Transformations" proposed by General Secretary Xi Jinping, held high-end forums, established the China Railway "Three Transformations" Research Institute, and formulated special action plans to focus on enhancing the innovation and creativity of the Company. The Company intensified reform efforts, actively promoted the reform of overseas systems and mechanisms and the organizational reform of the headquarters, and carried out comprehensive reforms of the "Double Hundred Action" and "Demonstration Activities of Scientific Reform". The Company deepened management innovation, formulated the "Administrative Measures for the Management of Laboratory Works", and formed a long-term management innovation mechanism. Focusing on technological innovation and digital upgrades, the Company increased efforts to tackle key core technologies, launched the "Information Throughout Project", and strengthened the application of scientific research results. The number of national science and technology awards in the first half of the year ranked first among central construction enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, while making every effort to prevent and control the epidemic internally, the Group was actively devoted to the overall domestic epidemic prevention and control, and fully participated in the construction of domestic treatment hospitals such as Huoshenshan Hospital and Leishenshan Hospital, taking on responsibility of China Railway in the prevention and control of the epidemic in the whole society. The Company solidly promoted the resumption of work and production, implemented the construction and deployment of major national projects, and the requirements of “stabilizing employment and protecting people’s livelihood”, demonstrating the strength of China Railway in the resumption of work and production in the whole society. The Company implemented deeply the corporate responsibilities for poverty alleviation, formulated plans for poverty alleviation in 2020, and established a long-term poverty alleviation mechanism of consuming products and services from poor areas and poor people, which reflected the role of China Railway in consolidating the results of poverty alleviation. The Company has entered the Fortune Global 500 for 15 consecutive years, ranking 50th in 2020, up 5 places from the 55th in 2019. The Company entered the top 50 of the Fortune Global 500 for the first time, setting the best result in history. The Company ranks second among the world’s largest contractors according to ENR. It has been assessed as an A-type enterprise by the SASAC for seven consecutive years in performance appraisal of central enterprises. The Company has been assessed as a listed company of A-type (outstanding) by the Shanghai Stock Exchange for seven consecutive years in the evaluation of information disclosure of listed companies. The Company’s social image and brand status have been further consolidated and improved.

During the first half of 2020, the value of new contracts of the Group was RMB870.34 billion, representing a year-on-year increase of 24.1%. In particular, the value of new contracts of domestic business was RMB825.57 billion, representing a year-on-year increase of 24.1%; the value of new contracts of overseas business was RMB44.77 billion, representing a year-on-year increase of 23.1%. As at the end of the reporting period, the value of contract backlog of the Group was RMB3,486.94 billion, representing an increase of 3.7% as compared with the end of 2019. An analysis of changes in the value of new contracts and the value of contract backlog by business segment is set out as below:

Unit: RMB100 million Currency: RMB

Business segments	Reporting period	Same period last year	Year-on-year increase/decrease
Infrastructure construction	7,587.0	5,979.0	26.9%
Including: Railways	1,233.4	1,008.6	22.3%
Highways	1,157.3	894.3	29.4%
Municipal works and others	5,196.3	4,076.2	27.5%
Including: Urban rail transit	803.3	1,076.0	-25.3%
Survey, design and consulting services	114.7	121.0	-5.3%
Engineering equipment and component manufacturing	193.4	160.8	20.3%
Property development	176.7	244.8	-27.8%
Other businesses	631.6	507.8	24.4%
Total	8,703.4	7,013.4	24.1%

Infrastructure construction business

During the first half of 2020, the value of the Group's new contracts of infrastructure construction business was RMB758.70 billion, representing a year-on-year increase of 26.9%. As at the end of June 2020, the value of the Group's contract backlog of infrastructure construction business was RMB3,354.96 billion, representing an increase of 6.0% from the end of 2019. **From a business segment perspective:** ① In respect of railway construction business, the value of new contracts of railway construction business amounted to RMB123.34 billion, representing a year-on-year increase of 22.3%. In particular, the value of new contracts in terms of the medium- and large-sized railways construction in China amounted to RMB63.38 billion, representing a year-on-year increase of 14.4%, and the market share reached 51.9%. As at the end of June 2020, the value of contract backlog of railway construction business was RMB640.69 billion, representing an increase of 3.7% from the end of 2019. ② In respect of highway construction business, the value of new contracts of highway construction business amounted to RMB115.73 billion, representing a year-on-year increase of 29.4%. As at the end of June 2020, the value of contract backlog of highway construction business was RMB589.81 billion, representing an increase of 4.9% from the end of 2019. ③ In respect of municipal works and other businesses, in the first half of 2020, with the continuous advancement of urbanization and renovation of old urban areas, as well as the continuous deepening of future development strategies such as national-level city clusters and smart cities, the Group further enhanced its operation in urban construction market. The value of the Group's new contracts of municipal works and other businesses amounted to RMB519.63 billion, representing a year-on-year increase of 27.5%. In particular, the value of new contracts of municipal business was RMB172.72 billion, representing a year-on-year increase of 14.9%, the value of new contracts of housing construction business was RMB219.05 billion, representing a year-on-year increase of 79.1% and the value of new contracts of urban rail transit business was RMB80.33 billion, representing a year-on-year decrease of 25.3%. As at the end of June 2020, the value of contract backlog of municipal works and other businesses was RMB2,124.45 billion, representing an increase of 7.1% from the end of 2019. **From a business model perspective,** the value of new contracts for infrastructure construction obtained by the Group through the general contract mode was RMB693.7 billion, representing a year-on-year increase of 44.8%. The value of new contracts for infrastructure construction obtained through investment mode reached RMB65.0 billion, representing a year-on-year decrease of 45.4%. The main reasons for the decrease in new contracts for infrastructure investment business are as follows: first, due to the impact of COVID-19, the bidding plan of some tracked projects was delayed; second, with the expansion of government special bond issuance, some key tracked projects were implemented from the investment mode to general contract mode.

During the reporting period, the key projects under construction and investment projects the Group undertook or participated in the construction proceeded smoothly. The projects that the Group participated in the construction including Chengdu-Kunming Railway, Shangqiu-Hefei-Hangzhou High-speed Railway, Anhui-Jiangxi Railway, Changsha Metro and Shenyang Metro were put into operation on schedule. The key projects under construction such as Hangzhou Metro, Qingdao Metro, Dalian Metro, the station building of Xiong'an Station of the new Beijing-Xiong'an New District Intercity Railway, and the China-Laos Railway were implemented in an orderly manner. In the domestic market, the Group's share in the railway's large- and medium-sized infrastructure market has remained over 45%, its share in the urban rail transit infrastructure market has remained over 40%, and its share in the highway infrastructure market has remained over 10%.

Survey, design and consulting services business

In the first half of 2020, the value of new contracts of the Group regarding the survey, design and consulting service business amounted to RMB11.47 billion, representing a year-on-year decrease of 5.3%. It was mainly due to the fact that the impact of COVID-19 delayed the survey and design of some housing construction and rail transit projects, which caused a decrease in overall market bidding quantity. As at the end of June 2020, the value of the Group's contract backlog of survey, design and consulting services business was RMB58.61 billion, representing an increase of 7.3% from the end of 2019. During the reporting period, the survey and design of Ya'an-Linzhi Segment of the Sichuan-Tibet Railway, the Chengdu-Chongqing Middle Line High-speed Rail, the new Chengdu-Dazhou-Wanzhou Railway, and the Chongqing-Ankang Segment of the Chongqing-Xi'an High-speed Rail which the Group was responsible for, were progressed smoothly.

As a backbone enterprise in China's survey and design and consulting industry, the Group has played an important leading role in the field of engineering construction, especially in assisting in the formulation of construction codes and quality acceptance standards of the railway industry. In ENR's 2020 ranking of the world's 150 largest design companies and 225 largest international design companies, China railway ranked 16th and 122nd respectively.

Engineering equipment and component manufacturing business

In the first half of 2020, the value of new contracts of the engineering equipment and component manufacturing business of the Group was RMB19.34 billion, representing a year-on-year increase of 20.3%. The main engineering equipment and products of CRHIC, a listed subsidiary controlled by the Company, achieved high growth. In particular, the newly signed contracts for special engineering machinery and equipment such as tunnel boring machines and lifting racks had the fastest growth rate. It is mainly due to the continuous development and innovation of technology of tunnel boring machines and civil construction methods, and the continuous expansion of the application field of boring machines. Currently, the increased span and heavier beam of highways and railways under construction in China have promoted the development, manufacture and use of new-type laying equipment. At the same time, the epidemic has been effectively controlled, construction units have resumed work one after another, and national key railway, highway and urban rail transit projects have been launched successively, which have promoted the steady growth of new contracts for the Group's turnout business and steel structure manufacturing and installation business. As at the end of June 2020, the value of the Group's contract backlog of engineering equipment and component manufacturing business was RMB58.92 billion, representing an increase of 8.8% from the end of 2019.

During the reporting period, the Group's tunnel boring machine made significant progress in the field of irrigation and hydropower, and won the bid for the second phase of water resources allocation project of the Pearl River Delta; the turnout business won the bid for the construction project of new Mile-Mengzi Railway, the related projects of instruction of the new Hefei-Anqing Railway into the Hefei hub, the construction project of the new Fuzhou-Xiamen Railway and other national key infrastructure projects; steel structure manufacturing and installation business won the bid for the bridge steel structure manufacturing project of Dezhou-Shangrao Expressway Chizhou-Qimen Segment, the steel truss construction project of Shantou Niutianyang Expressway and other key projects.

The Group has a leading position in the field of high-end equipment manufacturing related to transportation infrastructure such as railways, highways, urban rail transit and underground engineering in the country and even the world. It has outstanding competitiveness in scientific and technological innovation strength, core technology advantages, production and manufacturing level, brand awareness and other aspects. The Group is the world's largest shield tunneling machine/TBM R&D manufacturer in terms of sales volume, the world's largest steel structure manufacturer of turnouts and bridges, and the largest railway construction equipment manufacturer in China. For the domestic market, the Group maintained an approximate market share of 65% in the high-speed turnout market that requires high techniques (speed over 250km/h), a market share of more than 50% in the heavy-haul turnout market, a market share of 60%-70% in the turnout market of urban rail transit business; a market share of more than 60% in the large steel structure bridge market, a market share of more than 60% in the catenary parts market of high-speed railway; a market share of approximate 50% in the power supply products market of urban rail transit business. CRHIC (600528.SH), a controlling subsidiary of the Company, is the only industrial enterprise in A share market that mainly engages in rail transit and underground excavation of high-end equipment. CRHEEC (873023.OC) is an important supplier engaging in R&D, production and system integration of domestic electrified catenary components and power supply equipment for urban rail transit.

Property development business

In the first half of 2020, the COVID-19 outbreak had a great impact on the real estate development industry. The Group actively responded to national policies, and scientifically and orderly promoted the resumption of work and production in the real estate sector on the premise of its outperformance in epidemic prevention and control, and strove to minimize the impact of the epidemic. During the reporting period, the Group's real estate development business achieved a sales amount of RMB17.67 billion, representing a year-on-year decrease of 27.8%, and its sales area was 1.1405 million square meters, representing a year-on-year decrease of 52.48%. The area that has commenced construction was 2.1967 million square meters, representing a year-on-year decrease of 25.79%; the area that has completed construction was 1.8444 million square meters, representing a year-on-year increase of 412.33%; and the newly acquired land reserve was 0.7309 million square meters, representing a year-on-year decrease of 34.01%. The property business of the Group has covered 25 provinces and municipalities nationwide with a total of 196 real estate development projects currently. As of the end of the reporting period, the Group's real estate projects in progress cover 44.61 million square meters; the land reserve to be developed covers 17.94 million square meters.

Other businesses

Mining business

The Group's mining business is mainly based on the management and development of mining entities. Currently, it wholly owns, controls or holds shares to invest in construction of 5 modern mines at home and abroad, including Luming Molybdenum Mine in Heilongjiang, Luishia Copper-Cobalt Mine, MKM Copper-Cobalt Mine and SICOMINES Copper-Cobalt Mine in Congo, and Wulan Lead and Zinc Mine in Mongolia. The main mineral products produced and sold include concentrates of copper, cobalt, molybdenum, lead and zinc, and copper cathode and cobalt hydroxide. In the first half of 2020, the prices of the Group's main mineral products including copper, cobalt, lead, and zinc were falling first and then rising on the whole, and all fell to varying degrees from the same period last year. As of the end of the reporting period, the retained resources/reserves of the aforementioned mines mainly include copper of approximately 8.40 million tons, cobalt of approximately 0.65 million tons, and molybdenum of approximately 0.66 million tons. In particular, the retained reserves of copper, cobalt and molybdenum are in the leading position in the same industry in China, and its mines' production capacity for copper and molybdenum has been at the forefront in the same industry in China.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, SICOMINES Copper-Cobalt Mine was operating in good condition, and the construction of the phase II project was progressing smoothly; Luishia Copper-Cobalt Mine, MKM Copper-Cobalt Mine and Wulan Lead and Zinc Mine in Mongolia were all in normal operation; Busuanga Hydropower Project was also under orderly construction and planned to be completed and put into operation simultaneously with the phase II project of SICOMINES Copper-Cobalt Mine. In the first half of 2020, the production of the Group's relevant resource products was as follows: copper metal production was 0.1076 million tons, a slight increase over the same period last year; cobalt metal production was 1,325 tons, representing a year-on-year decrease of 4.02%; molybdenum metal production was 3,900 tons, representing a year-on-year decrease of 38.53%; lead metal products were 8,218 tons, representing a year-on-year decrease of 9.39%; zinc metal production was 11,299 tons, representing a year-on-year increase of 33.48%; silver metal production was 24.9 tons, representing a year-on-year increase of 21.3%.

As at 30 June 2020, the Group's mineral reserves are as follows:

No.	Project name	Type	Grade	Mineral resources		Equity ratio (%)	Planned	Accumulated	Investment	Planned completion date	Project progress
				Resources/Reserve			total investment	investment	in the		
				Unit	Quantity		of China	of China	reporting period		
							Railway	Railway	(RMB100 million)		
							(RMB100 million)	(RMB100 million)	(RMB100 million)		
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.09%	0'000 tonne	66.2	83	60.17	60.26	0	Completed	Ceased production and under rectification
2	Luishia Copper-Cobalt Mine, Comagnie Miniere de Luisha S.A.S, Congo	Copper Cobalt	2.3% 0.11%	0'000 tonne 2.67	56.62	72	21.38	19.58	0.38	Completed	Normal production and operation, production system improvement are in progress
3	MKM Copper-Cobalt Mine, La Miniere De Kalumbwe Myunga sprl, Congo	Copper Cobalt	2.16% 0.25%	0'000 tonne 0.35	2.46	80.2	11.95	12.35	0	Completed	Normal production and operation
4	SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Copper Cobalt	3.14% 0.24%	0'000 tonne 61.65	786.8	41.72	45.86	22.56	1.42	2021	Phase 1 in normal production and operation, phase 2 under construction
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	1.56% 3.20%	0'000 tonne 41.96	20.24	100	/	21.86	0	Completed	Normal production and operation
			66.59g/t	Ton	872.1						
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	0.95% 3.21%	0'000 tonne 20.68	6.13	100	/	/	0	/	Not yet exploited
			114.54g/t	Ton	736.89						
7	Wurle Ovoo and Zhanggai Tolgoi Gold Mine, New Eerdesi Company, Mongolia	Gold	3g/t	Ton	3	100	/	/	0	/	Not yet exploited
8	Silver-Lead-Zinc polymetallic Mine, Chafu, Xianglong Mineral Co., Ltd., Mongolia	Lead Zinc Silver	7.00% 5.09%	0'000 tonne 6.52	8.97	100	3.3	3.3	0	/	Ceased production
			200.39g/t	Ton	256.8						

Financial business

The financial business of the Group has always followed the principle of developing business around the main businesses, and formed a strategic synergy with the main businesses. At present, the Group mainly involves trust, fund, factoring, insurance brokerage, and financial leasing business, and has built a multi-level, wide-covered and differentiated “finance, quasi-finance” institutional service system represented by China Railway Trust, China Railway Finance, and China Railway Capital. The three financial enterprises have adhered to the concept of serving the value of the main business, satisfying the needs of the market and organically integrating the development of the corporate strategy, and formulated strategic implementation approaches and resource allocation plans based on maximizing the value of the main business, so as to generate synergy and maximize the benefit of the Group. As an important trust business platform of the Group, China Railway Trust has enjoyed a good reputation in the industry, and its rating by the CBIRC and China Trustee Association has been kept at the forefront of the industry.

Merchandise trading business

The merchandise trading business of the Group represents the trading business carried out by the trading enterprises at all levels of the Group relying on the demand advantage, product advantage and resource channel advantage and centralized purchase and supply based on the main businesses of the Company. It mainly serves the internal trading demand of the Group and provides external services in an appropriate manner. China Railway Material Trade Co., Ltd, a wholly-owned subsidiary of the Company, has established a national-wide operation and service network, and maintained good cooperative relationship with domestic large-scale production enterprises of steel, cement, petrochemical, components for communications engineering, signal engineering, electrical engineering and electrification engineering, building decoration materials and other products. It carries out centralized procurement and supply of major materials at the Group level, and supplies materials to other domestic construction enterprises.

Infrastructure operation business

The Group obtains operational rail transit, expressway, water utilities and other assets through investment and construction, and achieves operating income by providing operation and management services and collecting fees according to relevant charging standards. The infrastructure projects operated by the Group mainly include rail transit, expressway, water supplies, municipal roads, industrial parks and underground pipe corridors, with an operating period ranging from 8 to 40 years.

3 Consolidated Results of Operations

For the six months ended 30 June 2020, the Group’s revenue increased by 15.0% from the corresponding period of 2019 to RMB416.303 billion. The Group realized profit for the period of RMB12.398 billion, representing an increase of 10.1% from the same period of last year. For the six months ended 30 June 2020, profit for the period attributable to owners of the Company was 11.697 billion, representing an increase of 11.3% from the same period of last year while the basic earnings per share of the Company were RMB0.425, representing an increase of 6.5% from the same period of last year.

A comparison of the financial results for the six months ended 30 June 2020 and the corresponding period of 2019 is set forth below.

Revenue

In the first half of 2020, the Group’s revenue increased year-on-year by 15.0% to RMB416.303 billion, mainly due to the increase in revenue from infrastructure construction business. Among which, the revenue generated from overseas was RMB22.703 billion, representing a year-on-year increase of 8.8%.

Cost of sales and services and gross profit

The Group's cost of sales and services primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. For the six months ended 30 June 2020, the Group's cost of sales and services increased year-on-year by 16.2% to RMB379.922 billion. In the first half of 2020, gross profit of the Group increased year-on-year by 4.5% to RMB36.381 billion. The gross profit margin for the first half of 2020 was 8.7%, representing a decrease from 9.6% for the first half of 2019. Such decrease was primarily due to the decrease in gross profit margin of property development business and engineering equipment and component manufacturing business.

Other income

The Group's other income primarily consists of dividend income and subsidies from government. For the six months ended 30 June 2020, the Group's other income was RMB1.110 billion, representing an increase of 6.5% from the same period of last year.

Other expenses

The Group's other expenses primarily include expenditures on research and development. For the six months ended 30 June 2020, other expenses increased by 11.7% to RMB6.195 billion from the same period of last year. Such increase was mainly due to the Group's continuous advancement on scientific research and technological innovation and further increased input in research and development.

Net impairment losses on financial assets and contract assets

The Group's net impairment losses on financial assets and contract assets mainly include impairment losses on trade and other receivables, other financial assets at amortised cost and contract assets. For the six months ended 30 June 2020, the Group's net impairment losses on financial assets and contract assets was RMB1.178 billion (first half of 2019: RMB1.221 billion), which mainly comprised of impairment losses on trade and other receivables of RMB1.017 billion.

Losses from derecognition of financial assets at amortised cost

The Group's losses from derecognition of financial assets at amortised cost mainly include the losses arising on derecognition of trade receivables which were transferred in accordance with asset-backed medium-term notes ("ABN") and asset-backed securities ("ABS") issuance, and non-recourse factoring agreements. In the first half of 2020, the Group's losses from derecognition of financial assets at amortised cost was RMB1.476 billion, representing an increase of 51.5% from the same period of last year. For the six months ended 30 June 2020, the Group transferred trade receivables of RMB23.982 billion and RMB3.668 billion under the issuance of ABN and ABS, and non-recourse factoring agreements, respectively (first half of 2019: RMB20.009 billion and RMB1.755 billion, respectively).

Other gains, net

The Group's other gains and losses mainly include gains/losses on disposal/write-off of financial assets/liabilities, joint ventures, associates and subsidiaries, foreign exchange gains/losses, impairment loss on property, plant and equipment and other assets and changes in the fair value of financial assets/liabilities through profit and loss. The other net gains for the first half of 2020 was RMB0.536 billion (first half of 2019: RMB0.231 billion).

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. For the six months ended 30 June 2020, the Group's selling and marketing expenses was RMB1.786 billion, representing a decrease of 2.8% from the same period of last year which was mainly due to the decrease in marketing expenses of property development business brought by the COVID-19 pandemic. Selling and marketing expenses as a percentage of total revenue was 0.4% for the first half of 2020, representing a decrease from 0.5% for the first half of 2019.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. For the six months ended 30 June 2020, the Group's administrative expenses decreased by 1.0% to RMB10.908 billion from the corresponding period of last year, which was mainly due to the decrease in non-production related expenses owing to the COVID-19 pandemic. Administrative expenses as a percentage of total revenue for the first half of 2020 was 2.6%, representing a decrease from 3.0% for the first half of 2019.

Finance costs, net

In the first half of 2020, the Group's net finance costs (finance costs less finance income) was RMB1.057 billion, representing a decrease of 36.3% from the same period of last year. It was mainly due to the decrease in interest expenses through profit and loss brought by the decrease in interest costs and the increase in interest income brought by the significant increase in average daily bank balances as compared to the same period of last year.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax for the six months ended 30 June 2020 increased by 10.0% to RMB16.098 billion from RMB14.634 billion for the corresponding period of 2019.

Income tax expense

For the six months ended 30 June 2020, the Group's income tax expense was RMB3.700 billion, representing an increase of 9.8% from the same period of last year. By excluding land appreciation tax, the effective income tax rate of the Group was 17.6% for the first half of 2020, representing a decrease of 1.2 percentage points from 18.8% for the corresponding period of last year. It was mainly due to the deduction of interest expenses on perpetual notes and the Group's further entitlement of tax preferential treatments on high and new technology enterprises, west region development and deduction of research and development expenditures.

Profit for the period attributable to owners of the Company

The profit for the period attributable to owners of the Company for the six months ended 30 June 2020 increased by 11.3% to RMB11.697 billion from RMB10.514 billion for the corresponding period of 2019. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2020 was 2.8%, representing a decrease of 0.1 percentage point from 2.9% for the corresponding period of 2019.

4 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2020 are set forth in the table below.

Business segment	Revenue RMB million	Growth rate (%)	Profit/loss before tax RMB million	Growth rate (%)	Profit/loss before tax margin ¹ (%)	Revenue as a percentage of total (%)	Profit/loss before tax as a percentage of total (%)
Infrastructure Construction	385,934	19.1	14,767	46.8	3.8	85.8	82.9
Survey, Design and Consulting Services	7,967	-0.1	1,026	32.6	12.9	1.8	5.8
Engineering Equipment and Component Manufacturing	13,351	19.8	975	9.4	7.3	3.0	5.5
Property Development	13,001	-6.5	-848	Profit turned into loss	-6.5	2.9	-4.8
Other Businesses	29,418	-4.3	1,892	44.6	6.4	6.5	10.6
Inter-segment Eliminations and Adjustments	(33,368)		(1,714)				
Total	416,303	15.0	16,098	10.0	3.9	100.0	100.0

¹ Profit/loss before tax margin is the profit/loss before tax divided by revenue.

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business was mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continued to account for a high percentage of total revenue of the Group. In the first half of 2020, the revenue from the infrastructure construction business accounted for 85.8% of the total revenue of the Group (first half of 2019: 83.6%). In the first half of 2020, in response to the adverse impact brought by the COVID-19 pandemic, the State implemented a series of counter cyclical adjustment measures with an aim to stabilize economy, investment and growth, which brought significant favourable policies to the Group. Meanwhile, the Group continued to focus on both the pandemic control and resumption of work and production. On the basis of ensuring of the staff's health and safety, the Group fully implemented the resumption of work and production that caused the increase in work quality and efficiency and there was a significant increase in revenue from highway and municipal works business. Revenue of the infrastructure construction business for the six months ended 30 June 2020 was RMB385.934 billion, representing an increase of 19.1% as compared to the same period of last year. Gross profit margin and profit before tax margin of the infrastructure construction segment for the first half of 2020 was 7.1% and 3.8% respectively (first half of 2019: 7.1% and 3.1% respectively). The increase in profit before tax margin was mainly due to the decrease in administrative expenses.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. In the first half of 2020, due to the adverse effect brought by the COVID-19 pandemic, there was delay in project implementation and the Group's revenue of survey, design and consulting services business recorded RMB7.967 billion, which basically remained the same as that for the corresponding period of last year. For the first half of 2020, gross profit margin and profit before tax margin for the segment was 27.6% and 12.9% respectively (first half of 2019: 26.7% and 9.7% respectively). Such increase was mainly due to the decrease in staff cost and travelling expenses resulting from the field work restriction brought by the COVID-19 pandemic.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. For the first half of 2020, based on the target of becoming "domestic leading and international first class" high and new technology equipment manufacturing enterprise and based on the direction of transforming and upgrading to service-typed manufacturing, the Group deepened internal reform, grasped business opportunities and continuously optimized resources allocation. Revenue of the engineering equipment and component manufacturing business of the Group increased by 19.8% year-on-year to RMB13.351 billion for the six months ended 30 June 2020. Gross profit margin and profit before tax margin for the first half of 2020 was 17.6% and 7.3% respectively (first half of 2019: 23.9% and 8.0% respectively). Such decrease was mainly due to ① the decrease in profitability of tunnel equipment and turnouts brought by the decrease in selling price and increase in production costs; ② the increase in sub-contracting costs, caused by the COVID-19 pandemic, resulting in a weak profitability of the manufacturing and installation of steel structure business.

Property development business

In the first half of 2020, the Group strictly adhered to the national policy on property market, further strengthened the effort on the transformation and upgrading and the increase in quality and profitability of the property development business. The Group explored new business development opportunities and new profitability drivers, made great effort to cultivate the brand competitiveness of the property development business, enriched sales and marketing mode and strived to overcome the adverse effect brought by the control policies on the property development business. In the first half of 2020, due to the adverse effect brought by the national macro control policies and the COVID-19 pandemic, revenue of property development business decreased by 6.5% year-on-year to RMB13.001 billion. Gross profit margin and profit before tax margin for the first half of 2020 was 21.6% and -6.5% respectively (first half of 2019: 30.6% and 12.4% respectively). Such decrease was mainly due to the provision made for impairment losses on individual projects.

Other businesses

In the first half of 2020, the Group has progressively implemented the “limited and interrelated” diversification strategy. Revenue of other businesses decreased year-on-year by 4.3% to RMB29.418 billion for first half of 2020. In the first half of 2020, gross profit margin and profit before tax margin was 24.0% and 6.4% respectively (first half of 2019: 23.8% and 4.3% respectively). Details are as follows: ① Revenue from infrastructure operation business decreased year-on-year by 73.0% to RMB0.422 billion with gross profit margin decreasing year-on-year by 30.0 percentage points to 15.6%. The significant decrease in revenue and gross profit was mainly due to the sale of controlling interests in 11 expressways at the end of 2019. ② Revenue from mining business decreased year-on-year by 33.1% to RMB1.763 billion with gross profit margin decreasing year-on-year by 8.0 percentage points to 39.2%. ③ Revenue from merchandise trading business increased year-on-year by 6.3% to RMB20.908 billion with gross profit margin increasing year-on-year by 2.7 percentage points to 9.1%. ④ Revenue from financial business increased year-on-year by 15.2% to RMB1.937 billion with gross profit margin increasing year-on-year by 3.3 percentage points to 79.2%.

5 Cash Flow

For the six months ended 30 June 2020, the net cash outflow from operating activities of the Group amounted to RMB50.773 billion, representing an increase of net cash outflow from operating activities of RMB49.805 billion for the corresponding period of 2019. It was mainly due to the delay in settlement from project owners owing to the COVID-19 pandemic. Beside, for ensuring the orderly implementation of resumption of work and production, the Group maintained the necessary reserve of raw materials and settled the payables to suppliers abided by contracts. For the six months ended 30 June 2020, the net cash outflow from investing activities of the Group amounted to RMB21.169 billion, representing an increase of net cash outflow from investing activities of RMB15.202 billion for the corresponding period of 2019. It was mainly due to the increase of equity investment in investment projects and increase of investment in infrastructure investment projects with intangible assets mode. For the six months ended 30 June 2020, the net cash inflow from financing activities of the Group amounted to RMB52.574 billion, representing an increase in the net cash inflow from financing activities of RMB42.442 billion for first half of 2019. It was primarily due to the increase in scale of borrowings and capital contributions from minority shareholders.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group’s production facilities. The Group’s capital expenditure for the first half of 2020 was RMB20.165 billion (including RMB1.763 billion for construction in progress, RMB3.959 billion for purchase of fixed assets, RMB13.637 billion for purchase of intangible assets, RMB0.071 billion for purchase of investment properties and RMB0.735 billion for purchase of right-of-use assets), representing an increase of 90.3% as compared to RMB10.597 billion for the corresponding period of last year. It was mainly due to the increase of service concession arrangements on BOT expressways and waterworks.

Working capital

	As at	
	30 June 2020 RMB million	31 December 2019 RMB million
Inventories	47,330	40,945
Properties under development for sale	142,929	133,776
Trade and bills receivables	158,214	139,080
Trade and bills payables	361,380	353,258
Turnover of inventory (<i>days</i>)	21	19
Turnover of trade and bills receivables (<i>days</i>)	64	56
Turnover of trade and bills payables (<i>days</i>)	169	163

As at 30 June 2020, the Group's inventories was RMB47.330 billion, representing an increase of 15.6% as compared to the end of 2019. The inventory turnover days for the six months ended 30 June 2020 increased to 21 days from 19 days for the year of 2019. As at 30 June 2020, properties under development for sale increased by 6.8% to RMB142.929 billion from RMB133.776 billion as at the end of 2019.

Trade and bills receivables

As at 30 June 2020, trade and bills receivables was RMB158.214 billion, representing an increase of 13.8% from RMB139.080 billion as at the end of 2019. Such increase was mainly due to: ① the normal increase in balance of trade receivables attributable to the growth in business scale and ② there was delay in settlement from certain project owners who had funding pressure owing to the COVID-19 outbreak. The turnover days of trade and bills receivables increased from 56 days for 2019 to 64 days for the first half of 2020. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than one year and the trade and bills receivables of more than one year accounted for 12.1% (31 December 2019: 16.0%) of the total amount, reflecting the sound receivables management capability of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the ageing analysis of the Group's trade and bills receivables (net of impairment) as at 30 June 2020 and 31 December 2019, based on invoice date.

	As at	
	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Less than 1 year	139,004	116,793
1 year to 2 years	10,070	11,395
2 years to 3 years	4,120	4,078
3 years to 4 years	2,266	1,872
4 years to 5 years	838	809
More than 5 years	1,916	4,133
Total	158,214	139,080

Trade and bills payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As at 30 June 2020, the Group's trade and bills payables was RMB361.380 billion, representing an increase of 2.3% from the end of 2019. The turnover days of trade and bills payables for the first half of 2020 was 169 days, representing an increase of 6 days from 163 days for 2019. According to the ageing analysis of the trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 8.8% (31 December 2019: 7.0%) of the total amount.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 30 June 2020 and 31 December 2019, based on invoice date.

	As at	
	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Less than 1 year	329,558	328,356
1 year to 2 years	19,704	14,270
2 years to 3 years	5,705	5,153
More than 3 years	6,413	5,479
Total	361,380	353,258

6 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2020 and 31 December 2019. As at 30 June 2020, 53.5% (31 December 2019: 48.6%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Bank borrowings		
Secured	54,748	40,756
Unsecured	155,301	123,919
	210,049	164,675
Long-term debentures, unsecured	52,456	46,848
Other borrowings		
Secured	472	688
Unsecured	16,028	19,034
	68,956	66,570
Total	279,005	231,245
Long-term borrowings	129,663	118,934
Short-term borrowings	149,342	112,311
Total	279,005	231,245

Bank borrowings carry interest rates ranging from 0.75% to 9.50% (31 December 2019: 0.75% to 9.50%) per annum. Long-term debentures carry fixed interest rates ranging from 2.14% to 4.50% (31 December 2019: 2.88% to 4.88%) per annum. Other borrowings carry interest rates ranging from 4.35% to 7.00% (31 December 2019: 4.35% to 7.00%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the maturity of the Group's borrowings as at 30 June 2020 and 31 December 2019.

	As at	
	30 June 2020 <i>RMB million</i>	31 December 2019 <i>RMB million</i>
Less than 1 year	149,342	112,311
1 year to 2 years	34,929	33,644
2 years to 5 years	48,278	54,970
More than 5 years	46,456	30,320
Total	279,005	231,245

As at 30 June 2020 and 31 December 2019, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB89.252 billion and RMB71.148 billion and floating-rate bank borrowings amounting to RMB120.797 billion and RMB93.527 billion, respectively. The Group's borrowings are primarily denominated in Renminbi and foreign currency borrowings are primarily denominated in U.S. dollars and Malaysian Ringgit.

The following table sets forth the details of the Group's secured borrowings as at 30 June 2020 and 31 December 2019.

	As at 30 June 2020		As at 31 December 2019	
	Secured borrowings <i>RMB million</i>	Carrying value of pledged assets <i>RMB million</i>	Secured borrowings <i>RMB million</i>	Carrying value of pledged assets <i>RMB million</i>
Property, plant and equipment	81	403	7	3
Intangible assets	15,241	19,357	12,238	21,802
Properties under development for sale	15,759	37,673	14,346	33,637
Trade and bills receivables	2,972	4,590	2,911	4,491
Trade receivables from subsidiaries of the Group	107	142	661	1,357
Contract assets	21,060	35,890	11,281	26,926
Total	55,220	98,055	41,444	88,216

As at 30 June 2020, the Group's unused credit line facilities from banks amounted to RMB826.423 billion (31 December 2019: RMB960.220 billion).

As at 30 June 2020, the Group's gearing ratio (total liabilities/total assets) was 76.7%, representing a decrease of 0.1 percentage point from 76.8% as at 31 December 2019. It was mainly because the Group promoted deleveraging work continuously through increase in equity, expansion in capital, adjustment in assets and risk control.

During the six months ended 30 June 2020, the Group completed the issuance of 3 tranches of renewal corporate bonds totaled RMB7.1 billion with coupon rate of 3.11%-3.99% per annum.

7 Contingent Liabilities

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

	As at	
	30 June 2020 RMB million	31 December 2019 RMB million
Pending lawsuits <i>(Note 1)</i>		
– arising in the ordinary course of business	3,206	3,446

Note 1: The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for those pending lawsuits where the management considered that the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The aggregate sum of those unprovided claims is disclosed in the table above.

8 Business Risks

The risks faced by the Group include investment risk, international business risk, cash flow risk, safety production, quality, environmental protection and stability risk and major epidemic prevention and control risk in the ordinary course of business.

- (1) **Investment risk:** It refers to the risk that due to the uncertainty about investment results arising from uncontrollable external factors, inadequate research and feasibility studies prior to project investment, inappropriate project implementation and management, significant changes in external macro environment and policies and other factors, which may lead to an investment return lower than expected or an investment failure of the Group.
- (2) **International business risk:** It refers to the risk that due to the influence of international political situation, foreign policy changes, administrative intervention from government, economic, social, environmental or technological changes and other factors, as well as conflicts between different cultures, which may lead to the failure to normally perform the contracts in the Group's overseas investment and contracted projects.
- (3) **Cash flow risk:** It refers to the risk that the Group may incur economic losses or loss of reputation in the event of failure to meet the requirements of timely payment, investment expenses or timely repayment of the Company's debts in its operations due to improper management of cash flow.
- (4) **Safety production, quality, environmental protection, and stability risk:** It refers to the risk that due to a lack of effective management in the implementation of management system and measures, technical management, subcontract management, equipment management, personnel management, accident handling, etc., the Group may have products with quality defects, serious production safety accidents and environmental accidents. Consequently, the Group may incur the risks of brand image damage, economic losses, and external regulatory penalties.

- (5) **Major epidemic prevention and control risk:** Due to the impact of a major uncontrollable epidemic (COVID-19), some local governments have issued policies that regard the major epidemic as safety accidents and adopted strict control and punishment measures. Consequently, the Group cannot proceed with normal construction of projects under construction or even suffers from suspension of work, which brings great risk of contract performance and severe loss of economic benefits to the Group.

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

9 Prospect

In the second half of 2020, China will continue to adhere to the general principle of pursuing progress while ensuring stability, persist in the new development concept, stick to the supply-side structural reform as the main line, and accelerate the new development pattern of a domestic large cycle as the mainstay and mutual promotion between the domestic and international cycles. China will establish a medium- and long-term coordination mechanism for epidemic prevention and control and economic and social development, adhere to the strategic direction of structural adjustment, rely more on technological innovation, and improve the cross-cycle design and adjustment of macro-control, so as to achieve long-term balance of stable growth and risk prevention. The meeting of the Political Bureau of Central Committee of the CPC held on 30 July pointed out that it is necessary to guarantee funds for the construction of major projects, and focus on quality and efficiency; to speed up the construction of new infrastructure, deeply promote major regional development strategies, and accelerate the implementation of major national strategic projects; to drive investment and consumer demand by urbanization, and promote the innovation of the system and mechanism for the integrated development of city clusters and metropolitan areas; to continue to fight pollution prevention and control, and promote the implementation of a number of major ecological protection projects regarding the Yangtze and Yellow Rivers. It provides new growth points and development opportunities for the infrastructure market.

In the face of the ever-changing international situation, the normalization of epidemic prevention and control, and the huge development space, the Group will accumulate and gain momentum, identify, seek and respond to changes, focus on key points, make up for shortcomings, and strengthen weak areas, to promote the high-quality development of the Company. First, the Group will accelerate the improvement of business scale and quality. The Group will consolidate the traditional market and strengthen the core business; promote the upgrading of business thinking and expand emerging markets; and attach great importance to operation quality and clarify responsibilities at all levels. Second, the Group will consolidate the foundation for development and accelerate the improvement of project management standards. The Group will accelerate the construction of a project management-oriented system, adhere to the equal emphasis on micro-cost and macro-cost, pay attention to management and technology cost reduction, steadily improve the refined management of projects, strengthen the management improvement of the entire production process, and ensure that each project achieves expected income. Third, the Group will strengthen overall planning and accelerate the improvement of economic management and control capabilities. The Group will improve the internal fund distribution and circulation mechanism, enhance the efficiency of fund use, strengthen the service capabilities of financial enterprises, flexibly connect the capital market and financial institutions, and strengthen the overall management and control of funds; implement dual control over debt ratio and debt scale, scientifically allocate financial resources, and strive to optimize overall resource allocation.

1 Overview of General Meeting

Session of meeting	Date of meeting	References of designated websites for the publication of resolutions	Date of publication of the resolutions
2019 Annual General Meeting	23 June 2020	China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange	24 June 2020
		The website of Hong Kong Stock Exchange	23 June 2020

Description of the general meeting:

The 2019 annual general meeting of the Company was held on 23 June 2020 with a combination of on-site and online voting. Proposals including the Report of the Board of Directors for the Year 2019 were considered and approved at the meeting. The announcement of the resolutions was published in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times and on the website of the Shanghai Stock Exchange on 24 June 2020 and on the website of Hong Kong Stock Exchange on 23 June 2020.

2 The Plan for Profit Distribution or Capitalisation of Capital Reserves

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

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

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

Not applicable

(2) Formulation and implementation of the cash dividend policy

Profits are distributed in cash under the profit distribution plan of the Company for 2019. Pursuant to the profit distribution plan considered and passed at the 2019 annual general meeting convened on 23 June 2020, a cash dividend of RMB0.169 (tax inclusive) per share based on the total share capital of 24,570,929,283 shares before the implementation of the plan (the Company's total share capital has not changed since 31 December 2019) was declared by the Company, totaling RMB4,152,487,048.83 and representing approximately 17.5% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the year of 2019 of the Company. The announcement on the profit distribution of H shares was published on 15 July 2020 on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crec.cn). The announcement on the profit distribution of A shares was published on 31 July 2020 on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn). As at 13 August 2020, the implementation of the profit distribution plan of the Company for 2019 has been completed.

3 Performance Status of Undertakings

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

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Non-competition	CREC	Upon the establishment of China Railway in accordance with the law, CREC and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CREC or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CREC or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CREC warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	Nil	No	Yes	/	/
Undertakings related to refinancing	Other undertakings	CREC	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, CREC shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

Notes:

1. For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as China Railway Hi-Tech Industry Corporation Limited in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.
2. The Company issued the Letter on Extending the Performance Term of Undertakings on Certain Contingencies to CRHIC on 20 December 2018, pursuant to which, the performance term of the undertaking in relation to apply for ownership certificates for defective real estate was changed, which was considered and approved by the shareholders' general meeting of CRHIC on 12 March 2019. Details of which please refer to the Announcement of CRHIC on Extending the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of the Company published at the website of Shanghai Stock Exchange (www.sse.com.cn) on 29 December 2018.
3. For details of the relevant undertakings made by the Company and CREC during the share issuance for asset acquisition, please refer to the Report on the Share Issuance for Asset Acquisition of China Railway Group Limited (Revision) published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) on 31 May 2019. The Company and CREC are currently duly complying with all the undertakings.
4. For details of the relevant undertakings made by the Company and CREC for spinning off its subsidiary CRHEEC to go listing on the STAR Market, please refer to the Plan for China Railway Group Limited on the Spin-off of Its Subsidiary China Railway High-speed Electrification Equipment Corporation Limited to Go Listing on the STAR Market published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) on 30 April 2020. The Company and CREC are currently duly complying with all the undertakings.

4 Appointment and Removal of Auditors

(1) Explanation on the appointment and removal of auditors

On 30 March 2020, resolutions including the Resolution on the Appointment of Auditors for 2020 and Resolution on the Appointment of Internal Control Auditors for 2020 were considered and passed at the thirty-sixth meeting of the fourth session of the Board of Directors. For details of the appointment of auditors, please see the Announcement of China Railway Group Limited on Re-appointment of Auditors published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 31 March 2020. These resolutions were then considered and passed at the 2019 annual general meeting of the Company on 23 June 2020. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2020 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2020. For details, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2019 disclosed by the Company on the website of the Shanghai Stock Exchange on 24 June 2020 and on the website of Hong Kong Stock Exchange on 23 June 2020 respectively.

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

Not applicable

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

Not applicable

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

Not applicable

5 Matters Relating to Insolvency or Restructuring

Not applicable

6 Material Litigation and Arbitration

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

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

Not applicable

8 Integrity of the Company and its Controlling Shareholders and Ultimate Controllers During the Reporting Period

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

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

Not applicable

10 Significant Related Party Transactions

(1) Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	7,660	7,660	Less than 1%
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	3	3	Less than 1%
Total					<u>7,663</u>	<u>7,663</u>	

Description of related party transactions

The above two transactions resulted from the implementation during the reporting period of the Premises Leasing Agreement and Comprehensive Services Agreement renewed by the Company and CREC on 27 December 2018. Each of the two agreements has a term of three years. The total transaction amount involved was within the decision-making authority of the Board and was considered and approved at the 18th meeting of the fourth session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Premises Leasing Agreement and Comprehensive Services Agreement were exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules.

(iii) Matters undisclosed in announcement

Not applicable

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

Not applicable

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

Not applicable

(4) Amounts due from/to related parties

Not applicable

(5) Other significant related party transactions

Not applicable

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(6) Others

(i) Related party guarantees

Unit: Thousand Currency: RMB

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

Note: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 10-year 2010 Corporate Bonds (Tranche 1) issued in January 2010 and the 15-year 2010 Corporate Bonds (Tranche 2) and 10-year 2010 Corporate Bonds (Tranche 2) issued in October 2010. As at 30 June 2020, the remaining payable amount of abovementioned bonds was RMB6,175,126,000 (31 December 2019: RMB11,266,893,000).

As at 27 January 2020, the related party guarantees provided by CREC for the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 has been released.

(ii) Related party balances in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	30 June 2020	31 December 2019
Loans	CREC	1,650,000	150,000
Deposit-taking	CREC	259,483	154,569
Deposit-taking	China Railway State Assets Management Co., Ltd.	172,774	110,025

Note: In order to increase the Company's utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and passed at the 18th meeting of the fourth session of the Board convened by the Company on 7 December 2018, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement ("Financial Services Framework Agreement") (the agreement would expire on 31 December 2021) with CREC, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CREC and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 28 December 2018 published on the website of the Shanghai Stock Exchange and the relevant announcement dated 27 December 2018 published on the website of Hong Kong Stock Exchange.

As at 30 June 2020, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC was RMB1.65 billion. During the reporting period, the daily loan balance (including accrued interests) obtained by CREC from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to CREC and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

(iii) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related Party	Amount of the current period	Amount of the corresponding period last year
Interest income	CREC	4,242	51,239
Interest expense	CREC	757	1,005
Interest expense	China Railway State Assets Management Co., Ltd.	793	446
Interest expense on lease liabilities	China Railway State Assets Management Co., Ltd.	1,987	344

Note: The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from CREC for the loans to CREC. The interest expense represents the interest payable by China Railway Finance Co., Ltd. to CREC and China Railway State Assets Management Co., Ltd. for deposit-taking.

11 Material Contracts and Their Performance

(1) Trusteeship, contracting and leasing

Not applicable

(2) Guarantees

Unit: 0'000 Currency: RMB

Guarantor	Relationship between guarantor and listed company	Secured party	Guarantee amount	Guarantee provided by the Company (excluding those provided to subsidiaries)			Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party Relations
				Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee							
China Railway	The Company	Linha Railway Co., Ltd.	46,139	2008/6/30	2008/6/30	2027/6/20	Joint and several liability guarantee	No	No	-	No	No	/
China Railway	The Company	Yunnan Fujan Expressway Co., Ltd.	74,900	2015/4/5	2015/4/5	2027/11/1	Joint and several liability guarantee	No	No	-	No	No	/
China Railway	The Company	Shaanxi Yulin Shen-jia-mi Expressway Co., Ltd.	345,536.76	2015/4/29	2015/4/29	2038/12/1	Joint and several liability guarantee	No	No	-	No	No	/
China Railway No.2 Construction Co., Ltd.	Wholly-owned subsidiary	Yunnan Fujan Expressway Co., Ltd.	40,480	2007/8/30	2007/8/30	2022/12/20	Joint and several liability guarantee	No	No	-	No	No	/
China Railway No.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Xuzhou Yingbin Expressway Construction Co., Ltd.	119,000	2018/10/22	2018/10/30	2028/10/29	Joint and several liability guarantee	No	No	-	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	235,821.86	2015/12/24	2015/12/24	2023/11/24	Joint and several liability guarantee	No	No	-	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	991	2019/11/11	2019/11/11	2039/8/23	Joint and several liability guarantee	No	No	-	No	No	/
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	6,229.96	2012/12/29	2012/12/29	2021/6/30	Joint and several liability guarantee	No	No	-	No	No	/

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(2) Guarantees (Continued)

Unit: 0'000 Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Guarantee provided by the Company (excluding those provided to subsidiaries)			Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party Relations
				Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee							
China Railway Shanghai Group Co., Ltd.	Wholly-owned subsidiary	Fangchenggang China Railway Diluyuan Investment Development Co., Ltd.	500	2019/5/8	2019/5/8	2030/12/31	Joint and several liability guarantee	No	No	-	No	No	/
China Railway International Group Co., Ltd.	Wholly-owned subsidiary	MontagProp Proprietary Limited	6,151.5	2015/7/3	2015/7/3	2023/11/3	Joint and several liability guarantee	No	No	-	No	No	/
China Railway Communications Investment Group Co., Ltd.	Wholly-owned subsidiary	Henan Pingzheng Expressway Development Co., Ltd.	80,150	2016/6/1	2016/6/1	2028/9/30	Joint and several liability guarantee	No	No	-	No	No	/
China Southern Investment Group Co., Ltd.	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	105,172.36	2019/8/7	2019/8/7	2042/8/23	Joint and several liability guarantee	No	No	-	No	No	/

Total amount of guarantees incurred during the reporting period (excluding the guarantees provided to subsidiaries) 47,652.75

Total balance of guarantee as at the end of the reporting period (A) (excluding the guarantees provided to subsidiaries) 1,061,072.44

Guarantee provided by the Company and its subsidiaries to its subsidiaries

Total guarantee to subsidiaries incurred during the reporting period -542,462.6

Total balance of guarantee to subsidiaries as at the end of the reporting period (B) 3,845,120.56

Total amount of guarantees provided by the Company (including the guarantees to subsidiaries)

Total amount of guarantees (A+B) 4,906,193

Percentage of amount of guarantees over the net assets of the Company (%) 21.75

Including:

Amount of guarantees provided for shareholders, the ultimate controller and their related parties (C) 0

Amount of debt guarantees directly or indirectly provided to the parties guaranteed with the gearing ratio exceeding 70% (D) 4,489,718.62

Excess amount of aggregate guarantee over 50% of net assets (E) 0

Total amount of the above three types of guarantees (C+D+E) 4,489,718.62

Statement on the contingent joint and several liability in connection with unexpired guarantee

Statement on guarantee As at 30 June 2020, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB40,043.749 million.

(3) Other material contracts

Material contracts signed by the Group during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Name of contract	Date of contract	Contract sum (RMB' 0,000)	Construction period
Railway					
1	China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering	Sections SHCG-ZQ6, SHCG-ZQ1 and SHCG-ZQ4 of the lump sum contract of civil engineering and relating construction project of the new Shihengcang Port Intercity Railway (Hengshui-Huanghua Port Segment)	2020-05	917,003	42 months
2	China Railway No. 7 Engineering, China Railway No. 8 Engineering, China Railway Major Bridge Engineering, China Railway Tunnel	Sections CQQJZQ-8, CQQJZQ-13, CQQJZQ-9 and CQQJZQ-12 of the civil engineering and relating construction project of the new Chongqing-Qianjiang Railway	2020-01	881,350	2,008 days
3	China Railway No. 1 Engineering, China Railway No. 8 Engineering, China Railway Tunnel	Sections LZX-ZW-ZQ3, LZX-ZW-ZQ1 and LZX-ZW-ZQ4 of the civil engineering and relating construction project of Zhongchuan Airport-Wuwei Segment (excluding Xinwu Qiaoling Tunnel) and the buildings and ancillary facilities construction project in Zhongchuan area of the new Lanzhou-Zhangye Railway Line 3 and Line 4	2020-02	784,314	1,573 calendar days
Highway					
1	China Railway No. 3 Engineering	Sections 2, 3 and 5 of the construction project of Shanxi Lishi-Xi County Segment of the Hohhot-Beihai National Expressway	2020-01	680,861	4 years
2	China Railway No. 4 Engineering, China Railway No. 7 Engineering	Sections 12 and 9 of the construction project of Lhasa-Shigatsze Airport Segment of the Ya'an-Yecheng National Expressway	2020-04	622,192	48 months
3	China Railway No. 1 Engineering	The construction project of the 18th work area of the contract section II of Yunnan Miyu Expressway	2020-04	240,798	48 months

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No.	Signatory	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Municipal works					
1	China Railway No. 5 Engineering	Engineering General Contracting (EPC) of Shandong hydraulic system laboratory construction project	2020-06	1,165,129	5 years
2	China Railway and its subsidiaries	Phase I project of Changchun Urban Rail Transit Line 5	2020-06	936,200	2,009 days
3	China Railway Construction	Settlement buildings and ancillary facilities project of Groups B1, B2, C, D1, D2 and E in Rongdong Area in Xiong'an – EPC contract of the construction project of Group E	2020-05	654,008	396 calendar days

(ii) Survey, design and consulting services business

No.	Signatory	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	EPC contract of design of Chongqing Rail Transit Line 27 and Line 24	2020-03	52,500	Accept upon completion of the project
2	China Railway Eryuan Engineering	EPC contract for the project of feasibility study and survey design of Chengdu Rail Transit Line 30 (Phase I)	2020-01	33,105	Accept upon completion of the project
3	China Railway Consulting	Survey, design and technical services of Mongolia Erdenet-Ovoot Railway	2020-01	22,302	Accept upon completion of the project

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Name of contract	Date of contract	Contract sum (RMB'0,000)
Tunnel construction equipment				
1	China Railway Engineering Equipment	STM Sales & Purchase Contract	2020-04	11,255
2	China Railway Engineering Equipment	STM Sales & Purchase Contract	2020-04	11,200
Turnout products				
1	China Railway Baoji Bridge	Procurement contract of the owner-supply merchandise (high-speed turnout) of the civil engineering and relating construction project of the new Beijing-Tangshan Railway	2020-04	21,288
2	China Railway Shanhaiguan Bridge	Procurement and sales contract of the owner-supply merchandise for high-speed turnout of new Dunhua-Baihe Railway	2020-01	15,602
Manufacturing and installation of steel structures				
1	China Railway Baoji Bridge	Project contract of Wuhu-Huangshan expressway bridge steel structure manufacturing and installation	2020-06	44,488
2	China Railway Shanhaiguan Bridge	Project contract of Shantou Niutianyang Expressway steel truss beam	2020-06	31,096

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(iv) Material infrastructure investment projects

No.	Signatory	Shareholding of the project company	Item	Date of investment agreement or date of winning the bid	Total investment amount of the project (RMB100 million)	Construction period	Concession period
1	China Railway and other parties	100%	Investment Agreement on PPP project of Yiwang-Lingjingdian Segment of G2003 Taiyuan ring highway (Taiyuan northwest second ring)	2020-01	259.8	4	30 years
2	China Railway and other parties	49%	Contract for public-private partnership (PPP) projects of National highway No. 109 new line expressway (west sixth ring road-municipal boundary Segment)	2020-04	220.9	4	25 years
3	China Railway and other parties	51%	Contracts for PPP project of Tianjin Metro Line 4	2020-06	236.8	5	21 years/ 24.5 years

(v) Strategic framework agreements signed during the reporting period

No.	Agreement name	Investment amount agreed (if any)	Date of agreement	Main contents of agreements
1	Project Investment and Cooperation Framework Agreement between China Railway Group Limited and People's Government of Changchun	China Railway intends to invest at least RMB100 billion in Changchun in the next five years	2020-06	The two parties intend to actively innovate cooperation models and carry out in-depth cooperation in the areas of urban facilities construction, culture, tourism and health care, park development, ecological environment, old city reconstruction, environmental protection and water resources, and the airports and civil and military integration to ensure high-quality implementation of projects.

(4) Particulars of material properties**(i) Properties held for investment**

Name	Location	Use	Holding period	Interests of the Company and its subsidiaries
Beijing Nuode Center Phase III Building S1, S2, 16 and 19	No. 1 South Yuren Road, Fengtai District, Beijing	Commercial	2054-11	100%
Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities	No. 50 Lwwei Road, Hebei District, Tianjin	Commercial	2054-01	100%
Beijing China Railway Mansion	No. 3 Yard, South Automobile Museum Road, Fengtai District, Beijing	Commercial	2065-11	100%
Guangzhou Nuode Center	No. 477 East Hanxi Avenue, Nancun Town, Panyu District, Guangzhou City, Guangdong	Commercial	2053-05	100%
Shanghai Nuode International Plaza	3/5 Block, 219 Lane, Xinzhuang Town, Minhang District, Shanghai	Commercial	2064-03	100%
Chengdu Nuode No. 1	Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu, Sichuan	Commercial	2065-01	100%
China Railway Real Estate Qingdao Center	No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong	Commercial	2046-07	100%
Reeda Plaza	No. 46 South Shengli Street, Heping District, Shenyang, Liaoning	Commercial	2051-04	100%
China Railway South Headquarters Building	No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong	Commercial	2046-12	100%
Nanjing Lukou Fur Town Shop District A-H, District J, Boutique Business District	No. 47 Xincheng Avenue, Jiangning District, Nanjing, Jiangsu	Commercial	2061-03	100%

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(ii) Properties held for development and/or sale

Name of building or project	Specific address	Current land use	Site area (0'000 m ²)	Floor area (0'000 m ²)	State of completion	Expected completion date	Interests of the Company and its subsidiaries
Sichuan Heilongtan International Eco Tourism Resort Project	Renshou County, Meishan, Sichuan	Comprehensive	2,266	1,418	Under construction	2027	100%
Guiyang China Railway Yueshan Lake	Guanshan Lake District, Guiyang, Guizhou	Commercial, residential	236	266	Under construction	2024	80%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	86.39	148.3	Under construction	2029	100%
Taiyuan China Railway Nuode Mall	Chaoyang Street, Yingze District, Taiyuan	Commercial, residential	27.66	125	Under construction	2020	100%
Guiyang Qingzhen Project	Xiangchou Residential Quarters, Vocational Education Area, Qingzhen, Guiyang City, Guizhou	Commercial, residential	45.5	104.8	Under construction	2027	90%

12 Poverty Relief Efforts of the Listed Company

(1) Targeted poverty alleviation planning

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and the SASAC, in response to the call of the Communist Party of China and the State, CREC, our controlling shareholder, together with the Company have been active in fulfilling their social responsibilities and obligations as central enterprises. They have been participating in various targeted poverty alleviation programs since 2002. CREC and the Company have been devoting to targeted poverty alleviation by taking into account the real needs of the local people. They have been making due contributions to the timely poverty alleviation in the three targeted counties (namely, Rucheng and Guidong in Hunan Province, and Baode in Shanxi Province) by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services as well as information and policy guidance. The Company plans to invest dedicated funds of RMB60 million to targeted poverty alleviation counties in 2020, to introduce RMB600,000 of assistance funds to targeted poverty alleviation counties, to train 70 grass-root cadres and 3,000 technical personnel, to purchase RMB2.50 million of agricultural products and help to sell RMB800,000 of agricultural products of poor areas.

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

In the first half of 2020, the Company worked hard to overcome the impact of the COVID-19 outbreak and earnestly implemented the national decisions and arrangements for poverty alleviation. The Company held two leading group meetings on poverty alleviation and development work in February and June, respectively, maintained the overall requirements for the annual poverty alleviation target, formulated the 2020 Targeted Poverty Alleviation Responsibility Statement for the Central Unit of China Railway, identified key projects for poverty alleviation and construction assistance in 2020, and deployed system-wide poverty alleviation work. At the same time, the Company's poverty alleviation work leading group conducted field investigations in three counties to learn more about the poverty alleviation situation, signed agreements on poverty alleviation donations and project implementation, held the foundation stone laying ceremony for key aid projects, put forward some concrete suggestions for the establishment of long-term mechanism for poverty alleviation through consuming products and services in designated poverty-stricken counties by taking advantage of the characteristics of China Railway, such as large number of employees and large food consumption, which was in line with the arrangement and deployment of national consumption poverty alleviation. It has contributed China Railway's strength to the consolidation of poverty alleviation achievements in the designated poverty alleviation counties, demonstrated the responsibility of China Railway and reflected the role of China Railway. As at 30 June 2020, the Company had invested RMB63.90 million of assistance funds, introduced RMB26.23 million of assistance funds, trained 100 grass-root cadres and 2,125 technical personnel, purchased RMB14.69 million and helped to sell RMB1.42 million of agricultural products from poor areas. Except for the indicators for training technical personnel that have not yet been completed, all other indicators have been over fulfilled.

(3) Effectiveness of targeted poverty alleviation efforts

Unit: 0'000 Currency: RMB

Indicators	Quantity & Implementation
I. General	
Including: 1. Fund	6,390
2. Materials converted into cash	47.1
3. Number of registered impoverished people relieved from poverty under the help offered (person)	342
II. Investment Breakdown	
1. Poverty alleviation through industrial development	
	<input checked="" type="checkbox"/> Agricultural and forestry poverty alleviation <input checked="" type="checkbox"/> Tourism poverty alleviation <input checked="" type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Asset income poverty alleviation <input type="checkbox"/> Technological poverty alleviation <input type="checkbox"/> Others
Including: 1.1 Type of industrial projects for poverty alleviation	
1.2 Number of industrial projects for poverty alleviation (item)	7
1.3 Amount of investment in industrial projects for poverty alleviation	2,112
1.4 Number of registered impoverished people relieved from poverty under the help offered (person)	319

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Indicators	Quantity & Implementation
2. Poverty alleviation through transferred employment	
Including: 2.1 Amount of investment in occupational skill training	94.67
2.2 Number of persons receiving vocational skill training (person/time)	2,125
2.3 Number of registered impoverished people getting employed under the help offered (person)	672
3. Poverty alleviation through relocation	
Including: 3.1 Number of employment for relocated household (person)	0
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in financing needy students	55.55
4.2 Number of needy students financed (person)	1,310
4.3 Amount of investment in improving the educational resources in poverty-stricken areas	4,000
5. Poverty alleviation through health	
Including: 5.1 Amount of investment in the medical and health resources of poverty-stricken areas	0
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of Project	<input checked="" type="checkbox"/> Commencing ecological protection and construction <input checked="" type="checkbox"/> Devising ways of ecological protection compensation <input checked="" type="checkbox"/> Setting up ecological charity job positions <input type="checkbox"/> Others
6.2 Amount of investment	2.9
7. Baseline security	
Including: 7.1 Amount of investment in helping the elderly people, women and left-behind children in rural areas	0
7.2 Number of elderly people, women and left-behind children in rural areas helped (person)	0
7.3 Amount of investment in helping needy disabled people	10
7.4 Number of needy disabled people helped (person)	200
8. Poverty alleviation through society	
Including: 8.1 Amount of investment in coordinated eastern-western poverty alleviation	0
8.2 Amount of investment in precision poverty alleviation	61.7
8.3 Public social charitable fund for poverty alleviation	10
9. Other projects	
Including: 9.1 Number of projects (item)	5
9.2 Amount of investment	43.18
9.3 Number of registered impoverished people relieved from poverty under the help offered (person)	23
9.4 Description about other projects	Nil
III. Awards Received (Nature and Level)	
Nil	

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

The Company's affiliates and poverty alleviation cadres earnestly implemented the "2020 Poverty Alleviation Work Plan of China Railway". According to the decomposed poverty alleviation tasks, they grasped the time node, strove to reduce the impact of the epidemic, and did a solid job in all tasks to ensure the successful accomplishment of the annual poverty alleviation task. As of the end of the first half of the year, an accumulative total number of 41,812 people have got rid of poverty in Guidong County, with the poverty incidence reduced to 0.29%; an accumulative total number of 61,773 people have got rid of poverty in Rucheng County, with the poverty incidence reduced to 0.46%; and an accumulative total number of 34,042 people have got rid of poverty in Baode County, with the poverty incidence reduced to 0.12%.

The Company has fully communicated with cadres in designated poverty alleviation counties, and after research and feasibility studies by the county party committees and governments, it has determined that the key assistance projects for this year focus on education and transportation facilities. Education is a long-term mechanism for consolidating the results of poverty alleviation, which can fundamentally solve the problem of intergenerational transmission of poverty. At the same time, we will continue to leverage on the advantages of China Railway's infrastructure construction to assist in the construction of highway transportation facilities in designated counties. In 2020, China Railway centered on "compensating shortcomings and strengthening weak areas" in three designated poverty alleviation counties, focusing on poverty alleviation through education and poverty alleviation through transportation construction, and implemented the following key construction assistance projects: constructed 1 nine-year system school (including teaching rooms, student dormitories and canteens) in Zhaiqian Town, Guidong County, Hunan Province, donated 1 teaching building in the "China Railway Targeted Poverty Alleviation Skills Education Training Base" in Rucheng County, Hunan Province, and assisted the construction of the "China Railway Xingfu Avenue" North Section Project in Baode County, Shanxi Province.

(5) Subsequent targeted poverty alleviation plan

The year of 2020 is the final year for poverty alleviation. The Company will earnestly implement the CPC's spirit of poverty alleviation and work hard to overcome difficulties, to achieve a decisive victory in poverty alleviation in 2020. First, the Company will strictly execute the specific assessment requirements of the Leading Group Office of Poverty Alleviation and Development of the State Council, carry out work as required, and ensure the implementation of specific tasks. Second, the Company will continue to do well in the survey, supervision, and inspection of poverty alleviation. Third, the Company will continue to increase investment in funds for poverty alleviation. Fourth, the Company will give priority to the initiation and implementation of key aid projects in 2020, the all-round popularization of the "employment management information system for targeted poverty alleviation", and the construction of the "Day Care Center for Rural Elders", etc. Fifth, the Company will urge cadres to conduct investigation and research, focus on helping to build a mechanism for poverty alleviation, and promote the effective combination of poverty alleviation through consuming products and services and targeted poverty alleviation.

13 Convertible Corporate Bonds

Not applicable

14 Description of Environmental Protection Efforts of the Highly Polluting Companies and Their Subsidiaries as Announced by the Environmental Protection Authorities

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

Not applicable

(2) Description of environmental information of companies other than those classified as key pollutant discharge entities

(i) Environmental management framework

Adhering to “ecological priority and practicing the concept of green development”, the Company continues to improve the environmental management system and clarify the working mode of environmental protection management. Based on the principles of “territoriality”, “prevention-focused complemented by remediation” and “the polluter taking the responsibility” in the Company’s environmental protection work of each level, the Company exercised unified leadership and adopted a tiered management model in its subsidiaries and branches in order to ensure orderly and controllable environmental protection work. In terms of assessment, the Company earnestly implements the assessment and reward and punishment system for energy resource conservation and ecological environmental protection, strengthens assessment goals, and takes accountability seriously for ecological and environmental protection issues. Based on systematic environmental management, the Company obtained ISO14001 environmental management system certification issued by China Certification Center Co., Ltd.

(ii) Environmental risk management and control

The year of 2020 is the final year for the Company’s “13th Five-Year” energy conservation and environmental protection plan. The Company strictly abode by the laws and regulations such as the Environmental Protection Law of the People’s Republic of China and the Regulations on the Administration of Construction Project Environmental Protection, thoroughly implemented General Secretary Xi Jinping’s ecological civilization thought to firmly establish the concept of green development, earnestly implemented various national environmental protection policies, implemented work arrangements and requirements, and carried out ecological environmental protection and energy conservation management in a solid manner.

(iii) Emissions management

The Company formulated and implemented the Administrative Measures for Environmental Protection at Construction and Installation Sites, Administrative Measures for Environmental Protection of Construction, Regulations on Environmental Management of Boiler Room, Administrative Measures for Recycling Waste and Old Materials, Regulations on Environmental Management of Metal Welding and Gas Cutting, Administrative Measures for Environmental Protection of Machinery and Equipment, Regulations on Environmental Management of Warehouses, Regulations on Management of Hazardous Waste, and Regulations on Environmental Sanitation Management at Production Sites and other regulations and systems to form a standardized work model and took effective measures to strengthen the control of waste gas, waste, sewage, noise and ecological environment management.

In the first half of 2020, all major exhaust gas pollutants of the Company have achieved the emission standards.

Key Performance Indicators for Emissions and Waste

Indicator	First half of 2020
Total carbon dioxide emissions (10,000 tons)	640.23
CO ₂ emission intensity (tons/RMB10,000)	0.1782
NO _x emissions (tons)	3.91
Smoke (powder) dust emissions (tons)	10.2
Volatile organic compound emissions (tons)	1.55
SO ₂ (tons)	0.16
Total hazardous wastes (tons)	83
Discharge of hazardous waste per RMB10,000 (kg/RMB10,000)	0.02
Total non-hazardous waste (10,000 tons)	220.5
Discharge of non-hazardous waste per RMB10,000 (kg/RMB10,000)	55.4

Note: The emissions of nitrogen oxides, sulfur dioxide, smoke (powder) dust and volatile organic compounds are calculated according to the pollutant discharge permit.

(iv) Use and protection of natural resources

“Lucid waters and lush mountains are invaluable assets.” The Company adhered to both resources conservation and environment protection so as to strive to build “environment-friendly and resource-saving” projects. In the first half of 2020, the Company revised a series of rules and regulations such as the Measures for the Supervision and Administration of Ecological and Environmental Protection and Energy Conservation of China Railway Corporation Limited, strengthened the construction of the system, and made solid progress in ecological and environmental conservation and energy conservation.

The main types of energy consumed by the Company include electricity, gasoline, diesel, natural gas, etc. during the construction and office processes. The Company has steadily promoted energy conservation and efficiency improvement. In accordance with the requirements of the Measures for the Supervision and Administration of Ecological and Environmental Protection and Energy Conservation and the “13th Five-Year” Energy Saving and Emission Reduction Plan, the Company has determined that the quantitative assessment index of energy conservation in 2020 is RMB10,000 of operating income (comparable price), and the comprehensive energy consumption decreased by 3.2% on the basis of 2019. In accordance with the latest requirements of SASAC on energy conservation and ecological and environmental protection for central enterprises, the Company has made comprehensive arrangements and implemented relevant work from the aspects of adjusting the management and organizational structure, upgrading the monitoring system, issuing indicators of rewards and punishments for assessment, and carrying out technological research and development. In the first half of 2020, the Company’s comprehensive energy consumption of RMB10,000 of business income decreased by 3.25% compared with the same period last year, achieving the annual target of ecological environment protection and energy conservation. The new water consumption is 6.3005 million tons, and the new water consumption for output value of RMB10,000 (comparable price) is 3.9943 tons/RMB10,000.

SIGNIFICANT EVENTS

Key Performance Indicators for Energy and Resource Consumption

Type of energy/ resource	Index	Data for the first half of 2020
Direct energy consumption	Gasoline (10,000 tons)	18.8
	Diesel (10,000 tons)	63.2
	Natural gas (10,000 standard cubic meters)	3,367
Indirect energy consumption	Electricity (10,000 kWh)	420,374
Integrated energy consumption	Integrated energy consumption (10,000 tons of standard coal)	181.05
	Integrated energy consumption (ton of standard coal/income of RMB10,000)	0.05
	Integrated energy consumption (10,000 kWh)	420,374
	Integrated energy consumption (kWh/income of RMB10,000)	105
Water	Total new water consumption (10,000 tons)	11,136.25

(v) Ecological protection

In the early stage of construction, the Company attaches great importance to the green top-level design for ecological environmental protection, organizes professional institutions to carry out environmental impact assessment, formulates effective protection plans based on the assessment results, and implements water and soil conservation, biodiversity protection, vegetation protection and other measures to achieve simultaneous planning and implementation of ecological environmental protection and engineering construction. The Company actively implements the basic national policies of resource conservation and environmental protection in the survey and design process, and strictly implements mandatory energy-saving standards; and eliminates the use of outdated production processes, facilities and equipment, and implements the application of energy-saving and low-carbon technologies highly recommended by the state in design. The concept of energy conservation and environmental protection is widely promoted in projects, and green design contributes to energy conservation, emission reduction and ecological environmental protection.

(vi) Green planning and construction

The Company adheres to the guidance of General Secretary Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, with green development and ecological civilization construction as the focus of work, fully implements the national guidelines and policies for energy conservation and emission reduction, and makes overall planning and deployment for the "13th Five-Year" energy conservation and emission reduction final annual work of the joint-stock company. Based on the in-depth summary of the work of energy conservation and emission reduction during the "13th Five-Year" Plan period, the Company comprehensively plans the work of energy conservation and emission reduction during the "14th Five-Year" Plan period. At present, the compilation is progressing steadily. At the same time, the Company puts a new premium on green construction, scientific and technological research, and exemplary role of engineering projects, and carries out projects for energy conservation and emission reduction and research and development of energy-saving and low-carbon technologies in an all-round way.

(vii) Strengthening the development of environmental protection and re-manufacturing industries

The Company believes that against the backdrop of the global low-carbon economic transformation, the environmental protection and remanufacturing industry will have favorable development foreground and business opportunities. The Company has established a comprehensive enterprise in the water and environmental protection industry--China Railway Construction Group Co., Ltd., with five sub-specialized companies in water utilities, municipal environmental protection construction, smart city, ecological environment, and green resource development. The Company actively promotes shield and TBM remanufacturing, implements high-end remanufacturing, develops a green and recycling economy, builds a smart and green high-end manufacturing enterprise, and establishes new competitive advantages in the manufacturing industry. The Company's affiliated China Railway Tunnel Group Co., Ltd. and CRHIC-China Railway Equipment Group successfully passed the acceptance of the pilot unit (the second batch) of mechanical and electrical product remanufacturing.

(viii) Tackling climate change

The Company pays close attention to the global climate change trend and the impact on the Company's business, and actively implements a series of green development measures such as green design and green real estate to deal with the impact of corporate development on the climate and environment.

(3) Explanation of reasons for non-disclosure of environmental information of companies other than those classified as key pollutant discharge entities

Not applicable

(4) Description of follow-up progress or changes in the disclosure of environmental information during the reporting period

Not applicable

15 Explanation for Other Significant Events**(1) Description, reasons and impacts of the changes in accounting policies, accounting estimates and auditing methods as compared to the previous accounting period**

Not applicable

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

Not applicable

(3) Others

Not applicable

16 Compliance with Corporate Governance Code

During the six months ended 30 June 2020, the Company had complied with all code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

17 Review of Interim Financial Report

The 2020 interim financial statements for the six months ended 30 June 2020 of the Company prepared in accordance with CAS and the 2020 interim financial information prepared in accordance with IAS 34 (collectively referred as "2020 Interim Financial Report") have not been audited. The 2020 Interim Financial Report has been reviewed by the Board of Directors of the Company and the Audit and Risk Management Committee under the Board of Directors of the Company.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	Company, China Railway	China Railway Group Limited
2	Group	the Company and its subsidiaries
3	SASAC	State-owned Assets Supervision and Administration Commission of the State Council
4	CREC	China Railway Engineering Group Company Limited, formerly known as China Railway Engineering Corporation
5	CRHIC	China Railway Hi-tech Industry Corporation Limited, Stock Code: 600528. SH
6	CRHEEC	China Railway High-speed Electrification Equipment Corporation Limited, Stock Code: 873023
7	BOT	"Build-Operate-Transfer" mode
8	PPP	"Public-Private-Partnership" mode
9	shield tunneling machine	a kind of professional engineering machine for tunneling which is used in soft soil and water-rich strata as a full-section tunneling excavator
10	TBM	Tunnel Boring Machine
11	turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
12	two new areas and one important field	new infrastructure construction, new urbanization construction and major construction project regarding transportation and water conservancy etc.
13	Latest Practicable Date	11 September 2020, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining the relevant information contained in this interim report

Directors

Executive Directors

ZHANG Zongyan (*Chairman*)
CHEN Yun
WANG Shiqi
ZHANG Xian

Independent Non-executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Supervisors

ZHANG Huijia (*Chairman*)
LIU Jianyuan
YUAN Baoyin
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

ZHANG Xian
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

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

Remuneration Committee

GUO Peizhang (*Chairman*)
WEN Baoman

Strategy Committee

ZHANG Zongyan (*Chairman*)
CHEN Yun
WANG Shiqi
GUO Peizhang

Nomination Committee

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

Safety, Health and Environmental Protection Committee

CHEN Yun (*Chairman*)
ZHANG Xian
ZHENG Qingzhi
CHUNG Shui Ming Timpson

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11/F, PricewaterhouseCoopers Center
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Huangpu District
Shanghai, PRC

International

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

Legal Advisors

For PRC Law

Jia Yuan Law Firm
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158 Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares

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

H Shares

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

Listing Information

A Shares

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

H Shares

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

Principal Bankers

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

Company Website

<http://www.crec.cn>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED

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

Introduction

We have reviewed the interim financial information set out on pages 62 to 116, which comprises the interim condensed consolidated balance sheet of China Railway Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited	
		Six month ended 30 June	
		2020	2019
		RMB million	RMB million
Revenue	6	416,303	361,887
Cost of sales and services	13	(379,922)	(327,069)
Gross profit		36,381	34,818
Other income	7	1,110	1,042
Other expenses	7	(6,195)	(5,546)
Net impairment losses on financial assets and contract assets	8	(1,178)	(1,221)
Other gains, net	9	536	231
Losses from derecognition of financial assets at amortised cost	10	(1,476)	(974)
Selling and marketing expenses	13	(1,786)	(1,837)
Administrative expenses	13	(10,908)	(11,019)
Operating profit		16,484	15,494
Finance income	11	1,427	1,048
Finance costs	11	(2,484)	(2,707)
Share of post-tax profits of joint ventures		173	101
Share of post-tax profits of associates		498	698
Profit before income tax		16,098	14,634
Income tax expense	12	(3,700)	(3,371)
Profit for the period		12,398	11,263
Profit attributable to:			
– Owners of the Company		11,697	10,514
– Non-controlling interests		701	749
		12,398	11,263
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	15	0.425	0.399
– Diluted	15	0.425	0.399

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six month ended 30 June	
	2020	2019
	RMB million	RMB million
Profit for the period	12,398	11,263
Other comprehensive (expenses)/income, net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of retirement and other supplemental benefit obligations	(45)	(1)
Income tax relating to remeasurement of retirement and other supplemental benefit obligations	8	–
Changes in the fair value of equity investments at fair value through other comprehensive income	(265)	17
Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income	52	(2)
	(250)	14
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(32)	12
Share of other comprehensive income of associates	1	9
Fair value gains/(losses) on cash flow hedging instrument, net of deferred tax	8	(3)
	(23)	18
Other comprehensive (expenses)/income for the period, net of tax	(273)	32
Total comprehensive income for the period	12,125	11,295
Total comprehensive income for the period attributable to:		
– Owners of the Company	11,470	10,521
– Non-controlling interests	655	774
	12,125	11,295

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2020 RMB million	Audited 31 December 2019 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	16	71,101	68,406
Right-of-use assets		2,329	2,229
Lease prepayments		13,372	13,198
Deposits for investments		1,411	1,098
Investment properties		10,992	11,167
Intangible assets	17	38,278	25,559
Mining assets		3,693	3,732
Contract assets	21	98,420	87,885
Investments in joint ventures		33,618	29,314
Investments in associates		33,895	30,565
Goodwill		1,040	1,040
Financial assets at fair value through other comprehensive income	19	10,147	10,472
Other financial assets at amortised cost	22	15,615	13,929
Financial assets at fair value through profit or loss	23	6,789	8,637
Deferred tax assets		8,986	8,012
Other prepayments		397	345
Trade and other receivables	20	42,039	30,683
		392,122	346,271
Current assets			
Lease prepayments		277	356
Properties held for sale		22,834	25,018
Properties under development for sale	18	142,929	133,776
Inventories		47,330	40,945
Financial assets at fair value through other comprehensive income	19	764	393
Trade and other receivables	20	223,445	203,256
Contract assets	21	150,319	130,155
Current income tax recoverable		3,178	2,641
Other financial assets at amortised cost	22	10,503	9,630
Financial assets at fair value through profit or loss	23	8,889	5,441
Restricted cash		20,745	19,973
Cash and cash equivalents		118,964	138,186
		750,177	709,770
Total assets		1,142,299	1,056,041

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2020 RMB million	Audited 31 December 2019 RMB million
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	24,571	24,571
Share premium and reserves		171,234	165,204
Perpetual notes	26	29,583	31,535
		225,388	221,310
Non-controlling interests		41,124	24,018
Total equity		266,512	245,328
LIABILITIES			
Non-current liabilities			
Trade and other payables	27	6,649	7,681
Borrowings	28	129,663	118,934
Lease liabilities		1,459	1,450
Retirement and other supplemental benefit obligations		2,732	2,770
Provisions		569	1,053
Deferred government grants and income		975	1,007
Deferred tax liabilities		1,879	1,784
		143,926	134,679
Current liabilities			
Trade and other payables	27	465,141	446,037
Contract liabilities	21	110,701	110,370
Current income tax liabilities		5,606	5,824
Borrowings	28	149,342	112,311
Lease liabilities		697	1,037
Retirement and other supplemental benefit obligations		292	359
Financial liabilities at fair value through profit or loss	23	72	85
Provision		10	11
		731,861	676,034
Total liabilities		875,787	810,713
Total equity and liabilities		1,142,299	1,056,041

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

The condensed consolidated interim financial information on pages 62 to 116 was approved by the Board of Directors on 28 August 2020 and were signed on its behalf.

ZHANG Zongyan
Director

CHEN Yun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited											
	Attributable to owners of the Company											
	Note	Share capital	Share premium	Capital reserve	Statutory reserve (Note 25)	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes (Note 26)	Total	Non-controlling interests	Total
Balance at 1 January 2020		24,571	51,978	3,112	12,495	(426)	314	97,731	31,535	221,310	24,018	245,328
Profit for the period		-	-	-	-	-	-	10,442	1,255	11,697	701	12,398
Other comprehensive expenses		-	-	(36)	-	(35)	(156)	-	-	(227)	(46)	(273)
Total comprehensive (expenses)/income for the period ended 30 June 2020		-	-	(36)	-	(35)	(156)	10,442	1,255	11,470	655	12,125
Total transactions with owners, recognised directly in equity												
Capital contributions from non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	16,898	16,898
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		-	-	(5)	-	-	-	4	-	(1)	193	192
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	-	10	-	10	-	10
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(25)	(25)
Redemption of perpetual notes		-	(42)	-	-	-	-	-	(8,958)	(9,000)	-	(9,000)
Issuance of perpetual notes		-	-	-	-	-	-	-	7,097	7,097	-	7,097
Dividends declared to shareholders	14	-	-	-	-	-	-	(4,152)	-	(4,152)	-	(4,152)
Dividends declared to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	(615)	(615)
Dividends declared to perpetual notes holders		-	-	-	-	-	-	-	(1,346)	(1,346)	-	(1,346)
Transferred to reserves		-	-	-	6	-	-	(6)	-	-	-	-
Balance at 30 June 2020		24,571	51,936	3,071	12,501	(461)	158	104,029	29,583	225,388	41,124	266,512

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Unaudited										
	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory reserve (Note 25)	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes (Note 26)	Total	Non-controlling interests	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2019	22,844	43,982	2,020	10,896	(525)	343	79,950	32,109	191,619	30,362	221,981
Profit for the period	-	-	-	-	-	-	9,111	1,403	10,514	749	11,263
Other comprehensive (expenses)/income	-	-	(1)	-	17	(9)	-	-	7	25	32
Total comprehensive (expenses)/income for the period ended 30 June 2019	-	-	(1)	-	17	(9)	9,111	1,403	10,521	774	11,295
Total transactions with owners, recognised directly in equity											
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	1,254	1,254
Transaction with non-controlling interests resulting from liquidation of a subsidiary	-	-	(44)	-	-	-	-	-	(44)	44	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	69	-	69	-	69
Issuance of perpetual notes	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Dividends declared to shareholders	14	-	-	-	-	-	(2,924)	-	(2,924)	-	(2,924)
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(410)	(410)
Dividends declared to perpetual notes holders	-	-	-	-	-	-	-	(1,581)	(1,581)	-	(1,581)
Transferred to reserves	-	-	-	10	-	-	(10)	-	-	-	-
Balance at 30 June 2019	22,844	43,982	1,975	10,906	(508)	334	86,196	31,929	197,658	32,024	229,682

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Net cash used in operating activities	(50,773)	(49,805)
Cash flows from investing activities		
– Additions of property, plant and equipment	(5,194)	(4,656)
– Disposal of property, plant and equipment	489	356
– Additions of lease prepayments	(406)	(446)
– Disposal of lease prepayments	113	111
– Additions of intangible assets	(7,187)	(2,353)
– Purchase of investment properties	(67)	(8)
– Acquisition of subsidiaries	281	824
– Disposal of a subsidiary	2,428	–
– Investments in associates	(4,626)	(5,526)
– Investments in joint ventures	(3,587)	(3,138)
– Disposal of joint ventures	219	852
– Disposal of associates	461	62
– Deposits paid for investments	(313)	(33)
– Purchase of financial assets at fair value through other comprehensive income	(2,092)	(2,084)
– Disposal of financial assets at fair value through other comprehensive income	126	163
– Purchase of financial assets at fair value through profit or loss	(575)	(3,982)
– Disposal of financial assets at fair value through profit or loss	343	4,220
– Net cash flow in respect of financial assets at amortised cost	(2,787)	(2,075)
– Interests received	360	399
– Dividends received	158	226
– Decrease of term deposits with initial term of over three months	2,866	1,886
– Increase of term deposits with initial term of over three months	(1,440)	–
– Advances to related parties	(739)	–
Net cash used in investing activities	(21,169)	(15,202)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Cash flows from financing activities		
– Capital contributions from non-controlling shareholders of subsidiaries	16,898	1,255
– Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	(109)	–
– Proceeds from debentures	11,996	–
– Repayment of debentures	(6,195)	(915)
– Proceeds from issuance of perpetual notes	7,097	–
– Redemption of perpetual notes	(8,958)	–
– Proceeds from bank borrowings	108,502	82,573
– Repayments of bank borrowings	(69,450)	(44,135)
– Proceeds from other borrowings	4,305	13,495
– Repayment of other borrowings	(4,147)	(3,771)
– Interests paid	(5,709)	(4,874)
– Dividends paid to non-controlling shareholders of subsidiaries	(367)	(149)
– Dividends paid to holders of perpetual notes	(421)	(450)
– Advances from non-controlling shareholders of subsidiaries	401	–
– Repayments of advances from non-controlling shareholders of subsidiaries	(260)	–
– Repayments of lease liabilities	(1,009)	(587)
Net cash generated from financing activities	52,574	42,442
Net decrease in cash and cash equivalents	(19,368)	(22,565)
Cash and cash equivalents at beginning of the period	138,186	117,768
Effect of foreign exchange rate changes	146	15
Cash and cash equivalents at end of the period	118,964	95,218

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

China Railway Group Limited (the "Company") was established in the People's Republic of China (the "PRC") on 12 September 2007 as a joint stock company with limited liability, as part of the Group reorganisation ("Reorganisation") of China Railway Engineering Group Company Limited ("CREC") in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The address of the Company's registered office is 918, Block 1, No.128 South 4th Ring Road West, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is CREC, established in the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development, mining and merchandise trading, financial trust management, comprehensive financial services and insurance agent.

The condensed consolidated interim financial information was approved for issue on 28 August 2020.

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in the annual consolidated financial statements.

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2020.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to IFRS 3 "Definition of a Business"	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	1 January 2020

The adoption of above did not have any material impact on the Group's results for the six months ended 30 June 2020 and the Group's financial position as at 30 June 2020. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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

The following new standards and amendments to standards are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing the condensed consolidated interim financial information.

	Effective for accounting periods beginning on or after
IFRS 17 "Insurance Contracts"	1 January 2023
Amendments to IFRS 3 "Update reference to the Conceptual framework"	1 January 2022
Amendments to IAS 16 "Proceeds before intended use"	1 January 2022
Amendments to IAS 37 "Onerous contracts – costs of fulfilling a contract"	1 January 2022
Amendments to IAS 1 "Presentation of financial statements' on classification of liabilities"	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	to be determined

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

4. Estimates

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. Financial risk management and financial instruments

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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

5.2 Credit risk

Credit risk arises from cash and bank balances, trade and other receivables except for prepayments, contract assets, debt investments carried at amortised cost, financial assets at fair value through profit or loss ("FVPL"), and the nominal value of the guarantees provided on liabilities.

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

	As at			
	30 June 2020		31 December 2019	
	RMB million (Unaudited)	Expiry period	RMB million (Audited)	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Joint ventures	7,724	2022-2042	7,239	2020-2042
An associate	2,358	2023	2,325	2023
Government-related entities	528	2021-2030	570	2020-2030
Property purchasers	40,044	2020-2046	36,075	2020-2038
	50,654		46,209	

5. Financial risk management and financial instruments (Continued)

5.3 Liquidity risk

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

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

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

	On demand or less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 30 June 2020						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 27)	435,689	4,315	2,097	526	442,627	442,311
Borrowings (Note 28)	156,544	39,642	55,861	58,426	310,473	279,005
Lease liabilities	748	633	514	461	2,356	2,156
Financial guarantee contracts	50,654	–	–	–	50,654	–
Financial liabilities at FVPL (Note 23)	72	–	–	–	72	72
	643,707	44,590	58,472	59,413	806,182	723,544

	On demand or less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2019						
Trade and other payables (excluding statutory and non-financial liabilities) (Note 27)	417,025	5,697	2,110	240	425,072	424,659
Borrowings (Note 28)	119,234	38,198	61,684	38,603	257,719	231,245
Lease liabilities	1,098	713	551	425	2,787	2,487
Financial guarantee contracts	46,209	–	–	–	46,209	–
Financial liabilities at FVPL (Note 23)	85	–	–	–	85	85
	583,651	44,608	64,345	39,268	731,872	658,476

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

5. Financial risk management and financial instruments (Continued)

5.3 Liquidity risk (Continued)

As at 30 June 2020, there is no bank borrowing that contains a repayment on demand clause.

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

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

5.4 Fair value estimation

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

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

5. Financial risk management and financial instruments (Continued)

5.4 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)						
1) Hedge instrument at FVPL	Assets/Liabilities	Amount	Assets/Liabilities	Amount				
	Assets	8	Assets	-				
	Liabilities	-	Liabilities	-	Level 2	Future cash flows discounted at rates that reflect management's best estimation of the expected risk level.	N/A	N/A
2) Listed equity securities and money – market securities investment funds at FVPL	Held-for-trading financial assets in Mainland China:		Held-for-trading financial assets in Mainland China:					
	Industry	Amount	Industry	Amount				
	Finance	2,190	Finance	2,332				
	Construction	-	Construction	-				
	Manufacturing	47	Manufacturing	58				
	Transportation	-	Transportation	-				
	Mining	-	Mining	1				
	Others	2	Others	2				
		2,239		2,393	Level 1	Quoted bid prices in active markets.	N/A	N/A
	Finance	938		941	Level 3	Market valuation method by reference to discount rate that reflects the liquidity level.	Discount rates that correspond to the expected liquidity level.	11.19%
	Total	3,177		3,334				The lower the discount rate, the higher the fair value.
3) Listed equity securities at fair value through other comprehensive income ("FVOCI")	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:					
	Industry	Amount	Industry	Amount				
	Finance	534	Finance	629				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	Amount	Amount	Amount				
	Manufacturing	374	Manufacturing	480	Level 1	Quoted bid prices in active markets.	N/A	N/A

5. Financial risk management and financial instruments (Continued)

5.4 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
	30 June 2020 (Unaudited)	31 December 2019 (Audited)					
4) Unlisted open-end equity funds at FVPL	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:				
	Assets		Assets				
	Industry	Amount	Industry	Amount			
	Finance	2,510	Finance	2,193	Level 1		
	Finance	738	Finance	749	Level 3	Quoted bid prices in active markets.	N/A
	Total	3,248	Total	2,942		Discounted cash flow. Future cash flows are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.
	Liabilities		Liabilities				
	Industry	Amount	Industry	Amount			
	Finance	72	Finance	85	Level 3	Discounted cash flow. Future cash flows are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.
							The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
							The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
5) Unlisted entrusted products and other financial assets at FVPL	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:				
	Industry	Amount	Industry	Amount			
	Construction	3,185	Construction	2,239			
	Real estate	1,522	Real estate	1,444			
	Finance	2,967	Finance	2,619			
	Mining	15	Mining	10			
	Manufacturing	-	Manufacturing	3			
	Others	799	Others	762	Level 3		
	Total	8,488	Total	7,077		Discounted cash flow. Future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, Discount rates that correspond to the expected risk level.
							7.15%-10.47%
							The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

5. Financial risk management and financial instruments (Continued)

5.4 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)						
6) Unlisted equity investments at FVOCI	Unlisted equity investment in Mainland China:		Unlisted equity investment in Mainland China:					
	Industry	Amount	Industry	Amount				
	Construction	6,653	Construction	6,025				
	Finance	1,113	Finance	2,189				
	Manufacturing	80	Manufacturing	80				
	Real estate	19	Real estate	33				
	Mining	5	Mining	5				
	Others	1,369	Others	1,031				
	Total	9,239	Total	9,363	Level 3	Market valuation method by reference to P/B ratio, P/S ratio, P/E ratio and discount rate that reflects the liquidity level.	P/B ratio, 0.96-1.78, P/S ratio, 2.12-3.86, P/E ratio, 12.60, Discount rates that reflects the liquidity level 15.00%	The higher the P/B ratio, P/S ratio, P/E ratio, the higher the fair value. The lower discount rate, the higher the fair value.
7) Unlisted equity investments at FVPL	Unlisted equity investment in Mainland China:		Unlisted equity investment in Mainland China:					
	Industry	Amount	Industry	Amount				
	Finance	757	Finance	725	Level 3	Market valuation method by reference to P/B ratio and discount rate that reflects the liquidity level.	P/B ratio, 0.96-1, Discount rates that reflects the liquidity level 15.00%	The higher the P/B ratio, the higher the fair value. The lower discount rate, the higher the fair value.
8) Bills receivables at FVOCI	Bills receivables in Mainland China:		Bills receivables in Mainland China:					
	Industry	Amount	Industry	Amount				
	Construction	764	Construction	393	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow, 3.85%, Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

5. Financial risk management and financial instruments (Continued)

5.4 Fair value estimation (Continued)

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

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

Reconciliation of Level 3 fair value measurements:

	Unlisted entrusted products RMB million (Unaudited)	Unlisted open-end funds RMB million (Unaudited)	Unlisted equity investments RMB million (Unaudited)	Listed equity securities RMB million (Unaudited)	Others RMB million (Unaudited)	Total RMB million (Unaudited)
30 June 2020						
Opening balance at 1 January	6,132	664	10,088	941	1,338	19,163
Acquisitions	2,822	76	2,091	-	450	5,439
Gains/(losses) recognised in profit or loss	48	(18)	32	(3)	91	150
Losses recognised in other comprehensive income	-	-	(79)	-	-	(79)
Disposals	(1,629)	(56)	(2,136)	-	-	(3,821)
Closing balance at 30 June	7,373	666	9,996	938	1,879	20,852

	Unlisted entrusted products RMB million (Unaudited)	Unlisted open-end funds RMB million (Unaudited)	Unlisted equity investments RMB million (Unaudited)	Listed equity securities RMB million (Unaudited)	Others RMB million (Unaudited)	Total RMB million (Unaudited)
30 June 2019						
Opening balance at 1 January	4,405	743	5,310	657	1,414	12,529
Acquisitions	5,876	-	2,293	-	129	8,298
(Losses)/gains recognised in profit or loss	(27)	99	8	167	(79)	168
Losses recognised in other comprehensive income	-	-	(25)	-	-	(25)
Disposals	(3,189)	(91)	(336)	-	(350)	(3,966)
Closing balance at 30 June	7,065	751	7,250	824	1,114	17,004

5. Financial risk management and financial instruments (Continued)

5.4 Fair value estimation (Continued)

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

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

	30 June 2020		As at 31 December 2019	
	Carrying amount RMB million (Unaudited)	Fair value RMB million (Unaudited)	Carrying amount RMB million (Audited)	Fair value RMB million (Audited)
Financial assets				
Other financial assets at amortised cost – fixed rate	23,619	24,979	23,559	24,855
Financial liabilities				
Long-term bank borrowings – fixed rate	23,826	25,016	24,591	25,913
Long-term debentures – fixed rate	52,456	52,341	46,848	46,505
Other long-term borrowings – fixed rate	1,473	1,510	3,338	3,439

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

6. Segment information

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

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

- (a) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works (“Infrastructure construction”);
- (b) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects (“Survey, design and consulting services”);

6. Segment information (Continued)

- (c) Design, research and development, manufacture and sale of turnouts, bridge steel structures, and other railway related equipment, engineering machinery and materials (“Engineering equipment and component manufacturing”);
- (d) Development, sale and management of residential and commercial properties (“Property development”); and
- (e) Mining, financial business, operation of service concession arrangements, merchandise trading and other ancillary business (“Other businesses”).

Revenue between segments is carried out at actual transaction prices.

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

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

	Six months ended 30 June 2020 (Unaudited)						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	369,709	7,406	10,318	12,694	13,453	-	413,580
Inter-segment revenue	14,489	413	2,924	-	15,358	(33,184)	-
Other revenue	1,605	148	109	307	554	-	2,723
Inter-segment other revenue	131	-	-	-	53	(184)	-
Segment revenue	385,934	7,967	13,351	13,001	29,418	(33,368)	416,303
Segment results							
Profit before tax	14,767	1,026	975	(848)	1,892	(2,587)	15,225
Segment results included:							
Share of profits/(losses) of joint ventures	453	-	43	42	(365)	-	173
Share of profits of associates	101	-	16	43	338	-	498
Interest income	398	39	32	111	788	(384)	984
Interest expenses	(727)	(61)	(22)	(674)	(1,380)	513	(2,351)

6. Segment information (Continued)

	Six months ended 30 June 2019 (Unaudited)						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	313,497	7,754	8,017	13,738	15,424	–	358,430
Inter-segment revenue	8,903	142	3,016	–	13,781	(25,842)	–
Other revenue	1,641	82	114	160	1,460	–	3,457
Inter-segment other revenue	109	–	–	–	76	(185)	–
Segment revenue	324,150	7,978	11,147	13,898	30,741	(26,027)	361,887
Segment results							
Profit before tax	10,060	774	891	1,724	1,308	(744)	14,013
Segment results included:							
Share of profits/(losses) of joint ventures	9	–	47	(14)	59	–	101
Share of profits/(losses) of associates	207	–	58	(6)	439	–	698
Interest income	457	59	25	233	325	(413)	686
Interest expenses	(1,718)	(50)	(17)	(748)	(1,894)	1,778	(2,649)

6. Segment information (Continued)

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

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
(i) Segment interest income, before inter-segment elimination	1,368	1,099
Inter-segment elimination	(384)	(413)
	984	686
Reconciling items:		
Reclassification of finance income obtained from other financial assets at amortised cost (Note 11)	443	362
Total consolidated finance income, as reported	1,427	1,048
(ii) Segment interest expenses, before inter-segment elimination	2,864	4,427
Inter-segment elimination	(513)	(1,778)
	2,351	2,649
Reconciling item:		
Imputed interest expenses on retention payables (Note 11)	133	58
Total consolidated finance costs, as reported	2,484	2,707
(iii) Segment results, before inter-segment elimination	17,812	14,757
Inter-segment elimination	(2,587)	(744)
	15,225	14,013
Reconciling item:		
Land appreciation tax (a)	873	621
Total consolidated profit before tax, as reported	16,098	14,634

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

6. Segment information (Continued)

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

Segment assets

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Infrastructure construction	674,625	685,225
Survey, design and consulting services	19,032	17,361
Engineering equipment and component manufacturing	50,592	44,947
Property development	266,349	249,778
Other businesses	370,991	348,864
Inter-segment elimination	(250,494)	(300,022)
Total segment assets	1,131,095	1,046,153

Segment liabilities

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Infrastructure construction	575,893	628,983
Survey, design and consulting services	10,336	9,062
Engineering equipment and component manufacturing	28,851	24,107
Property development	231,831	184,339
Other businesses	274,115	284,074
Inter-segment elimination	(249,960)	(324,809)
Total segment liabilities	871,066	805,756

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments; and
- all liabilities are allocated to operating segments other than deferred tax liabilities and current income tax liabilities excluding land appreciation tax payable which is allocated to operating segments.

6. Segment information (Continued)

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Segment assets, before inter-segment elimination	1,381,589	1,346,175
Inter-segment elimination	(250,494)	(300,022)
	1,131,095	1,046,153
Reconciling items:		
Deferred tax assets	8,986	8,012
Non-tradable shares reform of subsidiaries <i>(Note (a))</i>	(148)	(148)
Current income tax recoverable	3,178	2,641
Prepaid land appreciation tax included in current income tax recoverable	(812)	(617)
	11,204	9,888
Total consolidated assets, as reported	1,142,299	1,056,041
Segment liabilities, before inter-segment elimination	1,121,026	1,130,565
Inter-segment elimination	(249,960)	(324,809)
	871,066	805,756
Reconciling items:		
Deferred tax liabilities	1,879	1,784
Current income tax liabilities	5,606	5,824
Land appreciation tax payable included in current income tax liabilities	(2,764)	(2,651)
	4,721	4,957
Total consolidated liabilities, as reported	875,787	810,713

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

6. Segment information (Continued)

(i) Disaggregation of revenue from contracts with customers

Type of services and products	Six months ended 30 June 2020 (Unaudited)					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Infrastructure construction contracts	369,709	-	-	-	-	369,709
Manufacturing and sales of engineering equipment and component	-	-	10,318	-	-	10,318
Rendering of services	-	7,406	-	-	1,789	9,195
Sales of properties	-	-	-	12,694	-	12,694
Sales of goods and others	1,605	148	109	307	12,218	14,387
Total	371,314	7,554	10,427	13,001	14,007	416,303
Timing of revenue recognition:						
– At a point of time	1,605	148	7,734	12,136	13,415	35,038
– Over time	369,709	7,406	2,693	865	-	380,673
Rental income	-	-	-	-	592	592
Total revenue from contracts with customers	371,314	7,554	10,427	13,001	14,007	416,303

Type of services and products	Six months ended 30 June 2019 (Unaudited)					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Infrastructure construction contracts	313,497	-	-	-	-	313,497
Manufacturing and sales of engineering equipment and component	-	-	8,017	-	-	8,017
Rendering of services	-	7,754	-	-	2,614	10,368
Sales of properties	-	-	-	13,738	-	13,738
Sales of goods and others	1,641	82	114	160	14,270	16,267
Total	315,138	7,836	8,131	13,898	16,884	361,887
Timing of revenue recognition:						
– At a point of time	1,640	82	5,708	13,898	16,690	38,018
– Over time	313,498	7,754	2,423	-	-	323,675
Rental income	-	-	-	-	194	194
Total revenue from contracts with customers	315,138	7,836	8,131	13,898	16,884	361,887

6. Segment information (Continued)

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

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Mainland China	393,600	341,015
Other regions (including Hong Kong and Macau)	22,703	20,872
	416,303	361,887

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Mainland China	227,708	201,527
Other regions (including Hong Kong and Macau)	11,914	12,034
	239,622	213,561

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

7. Other income and expenses

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Other income from:		
Government subsidies (a)	495	342
Compensation and claim	131	115
Dividends from financial assets at FVPL	264	231
Dividends from financial assets at FVOCI	36	88
Income from the sale of waste and materials	18	41
Others	166	225
	1,110	1,042
Other expenses on:		
Research and development expenditures	6,195	5,546

- (a) Government subsidies relating to income include various government subsidies received by the Group entities from the relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement, product development, etc. All subsidies were recognised at the time when the Group fulfilled the relevant criteria and the related expenses were incurred.

Government subsidies relating to assets include government subsidies obtained by the Group entities in relation to the acquisition of property, plant and equipment, which were included in the condensed consolidated balance sheet as deferred government grants and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

8. Net impairment losses on financial assets and contract assets

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Trade and other receivables (excluding advance to suppliers)	1,017	827
Other financial assets at amortised cost	63	349
Contract assets	98	45
	1,178	1,221

9. Other gains/(losses), net

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Gains on disposal and/or write-off of:		
– Interests in subsidiaries	17	11
– Interests in associates	7	32
– Lease prepayments	19	51
– Property, plant and equipment	175	15
Gains arising on change in fair value of financial assets/liabilities at FVPL	108	113
Gains on disposal of financial assets at FVPL	5	–
Foreign exchange gains/(losses), net	143	(30)
Gains on debt restructurings	84	14
Impairment loss recognised on:		
– Deposits for investments	(16)	–
– Advance to suppliers	(6)	3
Negative goodwill arising from acquisition of a subsidiary	–	22
	536	231

10. Losses from derecognition of financial assets at amortised cost

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Asset-backed medium-term notes ("ABN") & Asset-backed securitisation ("ABS") (Note 20)	1,363	923
Factoring expense (Note 20)	113	51
	1,476	974

11. Finance income and costs

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Finance income from:		
Cash and cash equivalents and restricted cash	984	686
Other financial assets at amortised cost	443	362
Total financial income	1,427	1,048
Interest expenses on:		
Bank borrowings	4,254	3,721
Long-term debentures	817	693
Other long-term borrowings	217	200
Other short-term borrowings	215	102
Total borrowing costs	5,503	4,716
Less: amount capitalised	(3,252)	(2,356)
	2,251	2,360
Lease	36	48
Imputed interest expenses on retention payables	133	58
Imputed interest expenses on defined benefit obligations	47	52
Others	17	189
Total financial costs	2,484	2,707

11. Finance income and costs (Continued)

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB3,252 million (six months ended 30 June 2019: RMB2,356 million) were capitalised in the six months period ended 30 June 2020, of which approximately RMB2,778 million was charged to properties under development for sale, approximately RMB8 million was included in cost of construction-in-progress and approximately RMB466 million was included in cost of intangible assets (six months ended 30 June 2019: approximately RMB2,185 million was charged to properties under development for sale, approximately RMB31 million was included in cost of construction-in-progress and approximately RMB140 million was included in cost of intangible assets). A general capitalisation rate of 2.50%~7.39% per annum (six months ended 30 June 2019: 3.16%~7.00%) was used, representing the costs of the borrowings used to finance the qualifying assets.

12. Income tax expense

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax		
– Enterprise income tax (“EIT”)	3,807	3,327
– Land appreciation tax (“LAT”)	873	621
– (Over)/under provision in prior years	(74)	12
Deferred income tax	(906)	(589)
	3,700	3,371

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (six months ended 30 June 2019: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (six months ended 30 June 2019: 12.5%, 15%) during the current interim period.

Certain of the Group’s overseas entities are located in Malaysia, Democratic Republic of the Congo, Republic of Indonesia, People’s Republic of Bangladesh, United Republic of Tanzania and Federal Democratic Republic of Ethiopia. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 24%, 30%, 22%, 25%, 30% and 30% (six months ended 30 June 2019: 24%, 30%, 22%, 25%, 30% and 30%) are applied to these entities respectively.

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

13. Expenses by nature

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

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Employee benefit expenses	162,985	142,002
Raw materials and consumables used	154,435	133,580
Equipment usage costs	14,141	13,147
Cost of property development	8,579	9,347
Cost of production safety	6,231	5,354
Depreciation of property, plant and equipment (<i>Note 16</i>), right-of-use assets and investment properties	3,987	4,784
Amortisation of intangible assets (<i>Note 17</i>)	278	571
Amortisation of lease prepayments	226	198
Amortisation of mining assets	40	85

14. Dividends

The final dividend of RMB0.169 per share in respect of the year ended 31 December 2019, amounting to RMB4,152 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 23 June 2020, and subsequently paid off in August 2020.

The final dividend of RMB0.128 per share in respect of the year ended 31 December 2018, amounting to RMB2,924 million in aggregate, was paid in July 2019.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2019: nil).

15. Earnings per share

(a) Basic

Basic earnings per share for the six months ended 30 June 2020 is calculated by dividing the profit attributable to owners of the Company, after deducting the profit attributable to holders of perpetual notes, of RMB10,442 million (six months ended 30 June 2019: RMB9,111 million) by 24,570,929,283 shares (six months ended 30 June 2019: 22,844,301,543 shares) in issue during the period.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

16. Property, plant and equipment

	Six months ended 30 June 2020 RMB million (Unaudited)
At 30 June 2020	
Opening net book amount	68,406
Additions (a)	5,203
Transfer from right-of-use assets	42
Transfer from properties held for sale	9
Acquisition of subsidiaries	1,212
Disposals	(564)
Depreciation	(3,235)
Currency translation differences	28
Closing net book amount	71,101
At 30 June 2019	
Opening net book amount	66,351
Adjustment for change in accounting policy	(280)
Opening net book amount	66,071
Additions (a)	4,674
Transfer from investment properties	104
Transfer out	(97)
Acquisition of subsidiaries	3
Disposals	(341)
Depreciation	(3,760)
Currency translation differences	(4)
Closing net book amount	66,650

16. Property, plant and equipment (Continued)

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

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Construction in process	2,241	1,609
Buildings	105	109
Infrastructure construction equipment	1,621	2,081
Transportation equipment	579	421
Manufacturing equipment	165	146
Testing equipment and instruments	131	160
Other equipment	361	148
	5,203	4,674

- (b) As at 30 June 2020, bank borrowings amounting to RMB81 million (31 December 2019: RMB7 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB403 million (31 December 2019: RMB3 million) (Note 28).
- (c) As at 30 June 2020, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB3,834 million (31 December 2019: RMB3,408 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

17. Intangible assets

	Six months ended 30 June 2020 RMB million (Unaudited)
At 30 June 2020	
Opening net book amount	25,559
Acquisition of subsidiaries	4,504
Additions (a)	8,490
Disposals	(2)
Amortisation	(278)
Currency translation differences	5
Closing net book amount	38,278

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

(a) Additions to intangible assets include:

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Service concession arrangements	8,430	2,737
Computer software	55	75
Others	5	6
Total	8,490	2,818

17. Intangible assets (Continued)

- (b) As at 30 June 2020, bank borrowings amounting to RMB15,241 million (31 December 2019: RMB12,238 million) are secured by concession assets with carrying amount of approximately RMB19,357 million (31 December 2019: RMB21,802 million) (Note 28).

18. Properties under development for sale

As at 30 June 2020, properties under development for sale amounting to RMB37,673 million (31 December 2019: RMB33,637 million) have been pledged to secure borrowings amounting to RMB15,759 million (31 December 2019: RMB14,346 million) (Note 28).

19. Financial assets at fair value through other comprehensive income

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Non-current assets		
Unlisted equity investments	9,239	9,363
Listed equity securities		
– Mainland China	534	629
– Hong Kong	374	480
	10,147	10,472
Current assets		
Bills receivables	764	393

20. Trade and other receivables

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Trade and bills receivables	167,788	148,525
Less: loss allowance	(9,574)	(9,445)
Trade and bills receivables – net	158,214	139,080
Other receivables (net of impairment)	75,345	67,143
Advance to suppliers (net of impairment)	31,925	27,716
	265,484	233,939
Less: Amount due after one year included in non-current assets	(42,039)	(30,683)
Amount due within one year included in current assets	223,445	203,256

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	140,842	121,708
1 year to 2 years	10,930	12,399
2 years to 3 years	4,666	4,643
3 years to 4 years	2,844	2,354
4 years to 5 years	1,168	1,319
More than 5 years	7,338	6,102
Total	167,788	148,525

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

20. Trade and other receivables (Continued)

- (b) Trade and bills receivables of RMB4,590 million (31 December 2019: RMB4,491 million) were pledged to secure borrowings amounting to RMB2,972 million (31 December 2019: RMB2,911 million) (Note 28).
- (c) For the six months ended 30 June 2020, trade receivables of RMB23,982 million (six months ended 30 June 2019: RMB20,009 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB3,668 million (six months ended 30 June 2019: RMB1,755 million) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.
- (d) As at 30 June 2020, bills receivables – bank acceptance and commercial acceptance notes of RMB504 million (31 December 2019: RMB315 million) were endorsed to suppliers and RMB510 million (31 December 2019: RMB21 million) were discounted with banks. In the opinion of the Directors, as the counter party bears higher credit risk, such transactions did not qualify for derecognition. In addition, as at 30 June 2020, bills receivables – bank acceptance notes of RMB827 million (31 December 2019: RMB1,754 million) were endorsed to suppliers, and RMB55 million (31 December 2019: RMB570 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.
- (e) As at 30 June 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows:

Central-governmental enterprises

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	9,091	7,431
1 year to 2 years	926	1,053
2 years to 3 years	489	382
3 years to 4 years	205	231
4 years to 5 years	137	112
More than 5 years	84	78
Total	10,932	9,287

20. Trade and other receivables (Continued)

- (e) As at 30 June 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Locally-administrated state-owned enterprises

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	47,945	42,974
1 year to 2 years	4,443	5,154
2 years to 3 years	2,210	2,307
3 years to 4 years	1,301	1,011
4 years to 5 years	383	364
More than 5 years	426	362
Total	56,708	52,172

China State Railway Group Co., Ltd.

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	16,294	13,519
1 year to 2 years	1,801	2,016
2 years to 3 years	386	421
3 years to 4 years	264	261
4 years to 5 years	132	99
More than 5 years	83	83
Total	18,960	16,399

20. Trade and other receivables (Continued)

- (e) As at 30 June 2020, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Overseas enterprises

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	2,292	2,075
1 year to 2 years	812	870
2 years to 3 years	36	55
3 years to 4 years	34	17
4 years to 5 years	3	2
More than 5 years	7	6
Total	3,184	3,025

Other entities

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	15,413	13,159
1 year to 2 years	1,905	2,095
2 years to 3 years	836	696
3 years to 4 years	399	289
4 years to 5 years	155	148
More than 5 years	173	175
Total	18,881	16,562

As at 30 June 2020, the amount of individually impaired trade receivables was RMB8,880 million (31 December 2019: RMB9,615 million) with the provision for loss allowance of RMB3,251 million (31 December 2019: RMB3,348 million).

As at 30 June 2020, bills receivables – bank acceptance notes of RMB1,301 million (31 December 2019: RMB533 million) were not impaired. Commercial acceptance notes, which were collectively assessed for impairment, were RMB4,135 million (31 December 2019: RMB2,766 million) with the provision for loss allowance of RMB10 million (31 December 2019: RMB7 million).

As at 30 June 2020, the amount of collectively impaired long-term trade receivables was RMB37,645 million (31 December 2019: RMB31,188 million) with the provision for loss allowance of RMB172 million (31 December 2019: RMB152 million). The amount of individually impaired long-term trade receivables was RMB4,229 million (31 December 2019: RMB4,261 million) with the provision for loss allowance of RMB3,208 million (31 December 2019: RMB3,221 million).

21. Assets and liabilities related to contracts with customers

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Contract assets		
– Amount due from contract customers for contract work and retentions	194,007	182,650
– Primary land development	6,460	6,234
– Financial assets under concession arrangements	50,253	30,876
	250,720	219,760
Less: loss allowance (a)	(1,981)	(1,720)
Less: Amount due after one year included in non-current assets	(98,420)	(87,885)
Amount due within one year included in current assets	150,319	130,155
Contract liabilities		
– Sale of properties	45,980	36,961
– Infrastructure construction and engineering contracts	34,447	36,837
– Amount due to contract customers for contract work	19,251	24,471
– Sales of manufacturing products	5,025	4,976
– Design and consulting services	2,363	2,784
– Sales of materials	932	1,392
– Others	2,703	2,949
Total current contract liabilities	110,701	110,370

(a) As at 30 June 2020, a provision of RMB1,981 million was made against the gross amount of contract assets (31 December 2019: RMB1,720 million).

(b) As at 30 June 2020, bank borrowings amounting to RMB21,060 million (31 December 2019: RMB11,281 million) are secured by contract assets with carrying amount of approximately RMB35,890 million (31 December 2019: RMB26,926 million) (Note 28).

22. Other financial assets at amortised cost

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Debt investment		
– Short-term	11,525	10,667
– Long-term	20,056	18,292
	31,581	28,959
Less: Loss allowance for debt investments	(5,463)	(5,400)
Total other financial assets at amortised cost	26,118	23,559
Less: Amount due within one year included in current assets	(10,503)	(9,630)
Amount due after one year	15,615	13,929

The other financial assets at amortised cost amounting to RMB23,619 million carry fixed-rate interests within a range of 3.07% to 24.00% (31 December 2019: 2.91% to 24.00%) per annum.

As at 30 June 2020, other financial assets at amortised cost amounting to RMB6,508 million (31 December 2019: RMB4,938 million) are secured by trade receivables, equity investments, property, plant and equipment, lease prepayments, investment properties and/or guaranteed by a third party.

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

(a) Financial assets at FVPL include the following:

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Non-current assets		
Equity instruments		
Equity securities listed in Mainland China	30	977
Unlisted equity investments	757	725
	787	1,702
Debt instruments		
Unlisted entrusted products	4,438	4,684
Unlisted open-end equity funds	1,390	1,325
Others	174	926
	6,002	6,935
	6,789	8,637
Current assets		
Equity instruments		
Equity securities listed in Mainland China	1,106	138
Debt instruments		
Money-market securities investment funds	2,041	2,219
Unlisted open-end equity funds	1,858	1,617
Unlisted entrusted products	2,935	1,448
Others	941	19
	7,775	5,303
Derivative financial instruments		
– Hedge instrument	8	–
	8,889	5,441
Total	15,678	14,078

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

(b) Financial liabilities at FVPL include the following:

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Current liabilities		
Unlisted open-end equity funds	72	85

24. Share capital

	Number of shares		Nominal value	
	Six months ended 30 June 2020 (thousands)	Year ended 31 December 2019 (thousands)	Six months ended 30 June 2020 RMB million (Unaudited)	Year ended 31 December 2019 RMB million (Audited)
Registered, issued and fully paid A Shares of RMB1.00 each At beginning and end of period/year	20,363,540	20,363,540	20,364	20,364
H Shares of RMB1.00 each At beginning and end of period/year	4,207,390	4,207,390	4,207	4,207
	24,570,930	24,570,930	24,571	24,571

As at 30 June 2020, the A Shares (20,363,540 thousands shares) and H Shares (4,207,390 thousands shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

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

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

25. Statutory Reserves

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

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

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

26. Perpetual notes

	Year ended 31 December 2019 RMB million (Audited)	Additions RMB million	Redemption/ Declaration RMB million	Six months ended 30 June 2020 RMB million (Unaudited)
Public medium notes (a)	18,447	–	(6,958)	11,489
Private perpetual notes (b)	2,000	–	(2,000)	–
Public renewable corporate bonds (c)	10,997	7,097	–	18,094
Dividends	91	1,255	(1,346)	–
Total	31,535	8,352	(10,304)	29,583

- (a) On 21 January 2015 and 11 June 2015, the Company issued two tranches of public medium notes ("Medium Notes") with an aggregate principal amount of RMB4 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 5.65% and 5.20% per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Medium Notes, and the Medium Notes should be classified as equity. In January and June 2020, the Company redeemed the Medium Notes issued on 21 January 2015 and 11 June 2015 in cash consider of RMB4 billion and RMB3 billion, respectively.

26. Perpetual notes (Continued)

(a) (Continued)

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

From 21 November 2019 to 22 November 2019, the Company issued two tranches of Medium Notes with an aggregate principal amount of RMB2.5 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.11% per annum (category one), respectively and 4.41% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

- (b) On 3 April 2015, the Company issued the first tranche of private perpetual notes (“Perpetual Notes”) with an aggregate principal amount of RMB2 billion. Pursuant to the terms and conditions of the Perpetual Notes, the Perpetual Notes bear the initial interest rate of 6.50%, per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Perpetual Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Perpetual Notes, and the Perpetual Notes should be classified as equity. In April 2020, the Company redeemed the Perpetual Notes issued on 3 April 2015 in cash consider of RMB2 billion.

26. Perpetual notes (Continued)

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

On 27 May 2020 and 24 June 2020, the Company issued two tranches of Renewable Bonds with an aggregate principal amount of RMB2.6 billion and RMB1 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 3.11% per annum and 3.60% per annum (category one) and has no maturity date. The interest rate will be reset every three years (category one) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years (category one) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

On 16 June 2020, the Company issued one tranche of Renewable Bond with an aggregate principal amount of RMB3.5 billion. The Renewable Bond is unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bond, the Renewable Bond bear the initial interest rate of 3.50% per annum (category one), and 3.99% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bond are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bond, the Renewable Bond should be classified as equity.

27. Trade and other payables

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Trade and bills payables (a)	361,380	353,258
Dividend payables	5,856	530
Other taxes	4,135	4,133
Accrued payroll and welfare	3,089	3,671
Deposits received in advance	1,020	952
Deposits (b)	1,092	1,141
Advance from customers	426	293
Other payables	94,792	89,740
	471,790	453,718
Analysed for reporting purposes as:		
Non-current	6,649	7,681
Current	465,141	446,037
	471,790	453,718

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB9,904 million (31 December 2019: RMB9,697 million). Retention payables are interest-free and payable at the end of the retention period of the respective infrastructure construction and products manufacturing and installation contracts.

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

- (a) The ageing analysis of trade and bills payables (including amounts due to related parties of trading nature) based on invoice date is as follows:

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Less than 1 year	329,558	328,356
1 year to 2 years	19,704	14,270
2 years to 3 years	5,705	5,153
More than 3 years	6,413	5,479
	361,380	353,258

27. Trade and other payables (Continued)

- (b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from related parties and third parties. These deposits were due within one year with average annual interest rate of 1.265%.

28. Borrowings

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Bank borrowings:		
Secured	54,748	40,756
Unsecured	155,301	123,919
	210,049	164,675
Long-term debentures, unsecured	52,456	46,848
Other borrowings:		
Secured	472	688
Unsecured	16,028	19,034
	68,956	66,570
	279,005	231,245
Analysed for reporting purposes:		
Non-current	129,663	118,934
Current	149,342	112,311
	279,005	231,245

- (a) Bank borrowings carry interest at rates ranging from 0.75% to 9.50% (31 December 2019: 0.75% to 9.50%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.14% to 4.50% (31 December 2019: 2.88% to 4.88%) per annum.

Other borrowings carry interest at rates ranging from 4.35% to 7.00% (31 December 2019: 4.35% to 7.00%) per annum.

28. Borrowings (Continued)

(b) Movements in borrowings is analysed as follows:

	RMB million (Unaudited)
Six months ended 30 June 2020	
Opening amount as at 1 January 2020	231,245
Proceeds from borrowings	124,803
Acquisition of subsidiaries	3,567
Repayments of borrowings and interests	(86,106)
Net foreign exchange losses on borrowings	(7)
Accrued interest on borrowings	5,503
Closing amount as at 30 June 2020	279,005

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

(c) As at 30 June 2020, the Group has undrawn borrowing facilities of RMB826,423 million (31 December 2019: RMB960,220 million).

28. Borrowings (Continued)

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

	30 June 2020		As at 31 December 2019	
	Secured borrowings RMB million (Unaudited)	Carrying amount of pledged assets and contract value of certain rights RMB million (Unaudited)	Secured borrowings RMB million (Audited)	Carrying amount of pledged assets and contract value of certain rights RMB million (Audited)
Property, plant and equipment (Note 16)	81	403	7	3
Intangible assets (Note 17)	15,241	19,357	12,238	21,802
Properties under development for sale (Note 18)	15,759	37,673	14,346	33,637
Trade and bills receivables (Note 20)	2,972	4,590	2,911	4,491
Trade receivables from subsidiaries of the Group	107	142	661	1,357
Contract assets (Note 21)	21,060	35,890	11,281	26,926
	55,220	98,055	41,444	88,216

29. Business combinations

Acquisition of Yinchuan China Railway Water Group Co., Ltd.

Yinchuan China Railway Water Group Co., Ltd. ("Yinchuan Water") was a then associate of the Group, in which the Group indirectly held 49% equity interests. In June 2019, the Group entered into the share transfer agreement with the third party investor, Yinchuan Tonglian Capital Investment Operation Co., Ltd., in which the Group would acquire additional 30.97% of equity interests in Yinchuan Water at a cash consideration of approximately RMB383 million, and increase the capital by cash injection of RMB1,240 million in Yinchuan Water. As at 31 December 2019, the capital injection was not completed and Yinchuan Water was still accounted for as an associate of the Group. In 2020, the Group continued the capital injection and obtained the control over Yinchuan Water on 28 April 2020, being the completion date of the acquisition. Upon completion of the acquisition, Yinchuan Water became a subsidiary of the Group.

Yinchuan Water was incorporated in Ningxia Province, PRC, and is mainly engaged in water supplies in Yinchuan.

29. Business combinations (Continued)

Acquisition of Yinchuan China Railway Water Group Co., Ltd. (Continued)

The following table summarises the consideration paid or payable for Yinchuan Water and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 28 April 2020 RMB million
Purchase consideration	
— Fair value of 90% equity interests held at the acquisition date	2,359
Amounts of identifiable assets acquired and liabilities assumed:	
Yinchuan Water	
Cash and cash equivalents	369
Inventory	20
Contract assets	65
Trade and other receivables	1,131
Lease prepayment	30
Property, plant and equipment	1,187
Intangible assets	4,419
Deferred tax assets	4
Borrowings	(3,431)
Trade and other payables	(1,083)
Deferred tax liabilities	(90)
Non-controlling interests	(262)
Net assets acquired by the Group	2,359
Goodwill	—
Net cash inflow in respect of the acquisition of Yinchuan Water is analysed as follows:	
Purchase consideration	
— cash paid by the Group during the six months ended 30 June 2020	100
Less: cash and cash equivalents in acquired subsidiary	369
Net cash inflow on acquisition	269

Yinchuan Water contributed revenue of RMB251 million and net profit of RMB17 million to the Group for the period from the acquisition date to 30 June 2020. If the acquisition had occurred on 1 January 2020, unaudited revenue and net profit for the six months ended 30 June 2020 would have been RMB363 million and RMB11 million, respectively.

30. Contingencies liabilities

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Pending lawsuits (a) – arising in the ordinary course of business	3,206	3,446

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

31. Commitments

(a) **Capital expenditure**

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Property, plant and equipment	4,250	4,886

31. Commitments (Continued)

(b) Investment commitment

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

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Investment commitment to a subsidiary, associates, joint ventures and others	16,071	23,700

- (i) It includes the Group's investment in certain mining projects (including development and construction expenditures) of an associate in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.
- (ii) As resolved by the Board of Directors meeting of the Company held on 25 May 2019, it was approved to acquire the controlling shareholdings of China Railway Prefabricated Construction Co., Ltd ("CRPCC", previously named as Beijing Hengtong Innovation Luxwood Technology Co., Ltd.), an A share listed company on the ChiNext Market of Shenzhen Stock Exchange. CRPCC provides a full-chain services of producing prefabricated building components, modular design and automated production. The Company will acquire the controlling shareholdings by way of share transfer and waiver of voting rights by the then controlling shareholder. As at 30 June 2020, the acquisition is still in progress.

32. Related-party transactions

The Company is controlled by the following entity:

Name	Relationship	Place of incorporation and operation	Ownership interest	
			As at 30 June 2020	31 December 2019
CREC	Parent and ultimate holding company	PRC	47.21%	47.21%

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

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

32. Related-party transactions (Continued)

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

(a) Significant related party transactions

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

	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Transactions with the CREC Group		
– Revenue from construction contracts	–	1
– Service expenses paid	–	11
– Rental expense	8	8
– Interest income	4	51
– Interest expense	4	2
Transactions with joint ventures		
– Revenue from construction contracts	11,563	11,906
– Revenue from sales of goods	254	63
– Rental income	2	–
– Rental expense	17	–
– Interest income	294	98
– Interest expense	3	1
– Purchases	603	607
Transactions with associates		
– Revenue from construction contracts	12,252	10,867
– Revenue from sales of goods	528	326
– Rental income	1	1
– Rental expense	3	5
– Interest income	–	102
– Interest expense	–	1
– Purchases	2,691	2,775

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

(b) Key management compensation

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

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Basic salaries, housing allowances and other allowances	2,393	2,205
Contributions to pension plans	172	357
Others	1,337	1,239
	3,902	3,801

32. Related-party transactions (Continued)

(c) Balances with related parties

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Balances with the CREC Group		
Trade and bills receivables	10	11
Other receivables	2	–
Other financial assets at amortised cost	1,617	147
Trade payables	6	13
Other payables	148	108
Contract liabilities	2	–
Deposits	433	265
Right-of-use assets	2	11
Lease liabilities	5	16
Balances with joint ventures		
Trade and bills receivables	4,538	8,846
Other receivables	377	335
Advance to suppliers	21	52
Other financial assets at amortised cost	5,568	3,888
Contract assets	3,630	3,479
Trade payables	730	1,046
Other payables	814	691
Contract liabilities	3,436	6,183
Deposits	399	626
Balances with associates		
Trade and bills receivables	4,644	3,990
Other receivables	74	73
Other financial assets at amortised cost	304	255
Contract assets	2,666	2,202
Advance to suppliers	56	13
Trade payables	1,191	604
Other payables	519	585
Contract liabilities	3,575	1,261
Advance from customers	10	96
Deposits	3	10
Right-of-use assets	3	6
Lease liabilities	6	6

32. Related-party transactions (Continued)

(d) Guarantees

	As at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Outstanding loan guarantees provided by the Group to		
– Joint ventures	7,724	7,239
– An associates	2,358	2,325
– Government-related entities	528	570
Outstanding debentures guarantees provided by CREC to the Group	6,000	11,000

33. Events occurring after the balance sheet date

Subsequent to 30 June 2020, the following significant events took place:

- (i) In July 2020, the share transfer and registration procedures of CRPCC has been completed. The Company held 65,184,992 shares of CRPCC, representing 26.51% of the total shares issued. Upon the waiver of voting rights by the then controlling shareholder, the Company obtained control over CRPCC. As a result, CRPCC became a subsidiary of the Company.
- (ii) On 24 July 2020 and 19 August 2020, the Company issued two tranches of Renewable Bonds with an aggregate principal amount of RMB3.5 billion and RMB3.5 billion, respectively. Pursuant to the terms and conditions of the Renewable Bonds, these Renewable Bonds bear the initial interest rate of 3.95% per annum (category one) and has no maturity date. The interest rate will be reset every three years (category one).



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