



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

INTERIM REPORT 2022





- 1. Dali-Baoshan Section of Dali-Ruili Railway**
- 2. Taipingchuan Service Area of Shuangliao-Taonan Expressway**
- 3. Qingdao Jiaodong International Airport**
- 4. Fujian Changle Wind Power Area A Project**
- 5. The First Domestically Produced Large-diameter Tunnel Boring Machine for Plateau and Alpine Regions, "Snowy Pioneer"**

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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 34th on the 2022 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 have achieved advanced international standards. While we operate in every province across the PRC, we have also explored extensive global markets.

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

FINANCIAL SUMMARY

The financial data contained in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Unless otherwise specified, the financial data of the Company and its subsidiaries are consolidated and presented in RMB.

Summary of interim condensed consolidated statement of profit or loss

| | For the six months ended 30 June | | | | | Change |
|--|----------------------------------|----------|----------|----------|----------|------------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2022 vs 2021 (%) |
| | <i>RMB million</i> | | | | | <i>(%)</i> |
| Revenue | | | | | | |
| Infrastructure Construction | 495,908 | 459,516 | 385,934 | 324,150 | 276,636 | 7.9 |
| Survey, Design and Consulting Services | 9,232 | 7,701 | 7,967 | 7,978 | 7,553 | 19.9 |
| Engineering Equipment and Component Manufacturing | 16,767 | 16,466 | 13,351 | 11,147 | 9,615 | 1.8 |
| Property Development | 23,709 | 14,122 | 13,001 | 13,898 | 12,411 | 67.9 |
| Other Businesses | 50,314 | 45,039 | 29,418 | 30,741 | 29,237 | 11.7 |
| Inter-segment Eliminations and Adjustments | (35,343) | (44,617) | (33,368) | (26,027) | (19,350) | |
| Total | 560,587 | 498,227 | 416,303 | 361,887 | 316,102 | 12.5 |
| Gross Profit | 46,550 | 41,767 | 36,381 | 34,818 | 31,132 | 11.5 |
| Profit before Income Tax | 21,897 | 18,412 | 16,098 | 14,634 | 12,713 | 18.9 |
| Profit for the Period | 16,825 | 14,350 | 12,398 | 11,263 | 9,412 | 17.2 |
| Profit for the Period Attributable to Owners of the Company | 15,126 | 13,095 | 11,697 | 10,514 | 9,552 | 15.5 |
| Basic Earnings per Share (RMB) | 0.551 | 0.454 | 0.425 | 0.399 | 0.394 | 21.4 |

FINANCIAL SUMMARY

Summary of interim condensed consolidated balance sheet

| | 30 June 2022 | As at 31 December 2021 | 30 June 2021 | Change | |
|-------------------------------------|------------------|------------------------------|-----------------|----------------------------|----------------------------|
| | | | | 30 June 2022 vs 2021 | 30 June 2022 vs 2021 |
| | | | | (%) | (%) |
| | | RMB million | | | |
| Assets | | | | | |
| Current Assets | 904,951 | 801,058 | 802,506 | 13.0 | 12.8 |
| Non-current Assets | 627,615 | 560,522 | 494,582 | 12.0 | 26.9 |
| Total Assets | 1,532,566 | 1,361,580 | 1,297,088 | 12.6 | 18.2 |
| Liabilities | | | | | |
| Current Liabilities | 854,334 | 787,860 | 778,337 | 8.4 | 9.8 |
| Non-current Liabilities | 281,203 | 215,526 | 185,552 | 30.5 | 51.5 |
| Total Liabilities | 1,135,537 | 1,003,386 | 963,889 | 13.2 | 17.8 |
| Total Equity | 397,029 | 358,194 | 333,199 | 10.8 | 19.2 |
| Total Equity and Liabilities | 1,532,566 | 1,361,580 | 1,297,088 | 12.6 | 18.2 |

Differences between financial data prepared in accordance with IAS 34 and Chinese Accounting Standard ("CAS")

| | Net assets as at 30 June 2022 RMB million | Profit for the period for the six months ended 30 June 2022 RMB million |
|--|---|--|
| Amounts attributable to owners of the Company stated in the financial statements prepared in accordance with CAS | 284,191 | 15,126 |
| Adjustments as required by IAS 34: | | |
| – Recognition of loss on shares conversion scheme of a subsidiary | (148) | – |
| Amounts attributable to owners of the Company stated in the interim financial information prepared in accordance with the IAS 34 | 284,043 | 15,126 |

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 Changes in Shares

(1) Changes in shares

Unit: Shares

| | Before the change | | Increase/decrease in the change (+/-) | | | | | After the change | |
|---|-------------------|-----------|---------------------------------------|--------------|-----------------------------------|-------|-------------|------------------|-----------|
| | Number | Ratio (%) | Newly issued shares | Bonus shares | Capitalisation of capital reserve | Other | Sub-total | Number | Ratio (%) |
| I. Shares with selling restrictions | 0 | 0 | 170,724,400 | 0 | 0 | 0 | 170,724,400 | 170,724,400 | 0.69 |
| 1. Shares held by the State | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Shares held by state-owned legal persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Shares held by other domestic investors including: | 0 | 0 | 170,724,400 | 0 | 0 | 0 | 170,724,400 | 170,724,400 | 0.69 |
| shares held by domestic non-state-owned legal persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| shares held by domestic individuals | 0 | 0 | 170,724,400 | 0 | 0 | 0 | 170,724,400 | 170,724,400 | 0.69 |
| 4. Shares held by foreign investors including: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| shares held by foreign legal persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| shares held by foreign individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. Tradable shares without selling restrictions | 24,570,929,283 | 100 | 0 | 0 | 0 | 0 | 0 | 24,570,929,283 | 99.31 |
| 1. RMB-denominated ordinary shares | 20,363,539,283 | 82.88 | 0 | 0 | 0 | 0 | 0 | 20,363,539,283 | 82.30 |
| 2. PRC-listed foreign shares | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | |
| 3. Overseas listed foreign shares | 4,207,390,000 | 17.12 | 0 | 0 | 0 | 0 | 0 | 4,207,390,000 | 17.01 |
| 4. Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. Total number of shares | 24,570,929,283 | 100 | 170,724,400 | 0 | 0 | 0 | 170,724,400 | 24,741,653,683 | 100 |

(2) Explanation to the changes in shares

In order to further promote the establishment and improvement of the long-term incentive mechanism of the Company, attract and retain talents, fully incentivize the directors, senior management personnel, middle management personnel and core personnel of the Group, effectively align the interests of the Shareholders, the Company with the individual interests of the operators to focus on and work collectively for the long-term development of the Company, the 2021 restricted share incentive scheme was formulated. On 23 February 2022, the Company completed the first granting under the 2021 restricted share incentive scheme. The registered number of the initially granted restricted shares is 170,724,400 ordinary A Shares pursuant to a specific mandate and the total share capital increases from 24,570,929,283 to 24,741,653,683. (Announcement of China Railway Group Limited on the Results of the First Grant of the 2021 Restricted Share Incentive Scheme (Lin 2022-010)). The grant price was RMB3.55 per A share and the number of participants was 697 individuals, being the senior management of the Company and employees of the Group. The grant price of RMB3.55 per A share represents a discount of approximately 31.86% to the closing price of RMB5.21 per A share, as quoted on the Shanghai Stock Exchange on 22 November 2021, when the Board approved the relevant resolution in relation to the proposed adoption of the 2021 restricted share scheme. The par value of each A share is RMB1.00.

For more details on the 2021 restricted share incentive scheme, please refer to the Company's circular (published on 13 December 2021) and related announcements published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(3) 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 (if any)

Not applicable

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

Not applicable

(5) Changes in shares with selling restrictions

Unit: Share

| Name of Shareholder | Number of shares with selling restrictions at the beginning of the period | Number of shares released from selling restrictions during the reporting period | Number of shares with selling restrictions | | Reason of selling restrictions | Duration of restrictions releasing period |
|---|---|---|--|---|-----------------------------------|---|
| | | | increased during the reporting period | Number of shares with selling restrictions at the end of the period | | |
| 697 share incentive scheme participants | 0 | 0 | 170,724,400 | 170,724,400 | Restricted share incentive scheme | 24 months, 36 months and 48 months |
| Total | 0 | 0 | 170,724,400 | 170,724,400 | / | / |

Note: On 23 February 2022, the Company completed the first granting under the 2021 restricted share incentive scheme. The registered number of the initially granted restricted shares is 170,724,400 and the total share capital increased from 24,570,929,283 to 24,741,653,683. The restricted shares granted by the 2021 restricted share incentive scheme are released in three batches. The lock-up period of each batch is 24 months, 36 months and 48 months from the date of completing the corresponding granted share registration respectively. (Announcement of China Railway Group Limited on the Results of the First Grant of the 2021 Restricted Share Incentive Scheme (Lin 2022-010)).

| Restrictions releasing period | Restrictions releasing time | Restriction release proportion |
|-------------------------------------|---|--------------------------------|
| First restriction releasing period | From the first trading day after 24 months from the date of the completion of the registration of the corresponding restricted shares to the last trading day within 36 months from the date of the completion of the registration of corresponding restricted shares | 1/3 |
| Second restriction releasing period | From the first trading day after 36 months from the date of the completion of the registration of the corresponding restricted shares to the last trading day within 48 months from the date of the completion of the registration of corresponding restricted shares | 1/3 |
| Third restriction releasing period | From the first trading day after 48 months from the date of the completion of the registration of the corresponding restricted shares to the last trading day within 60 months from the date of the completion of the registration of corresponding restricted shares | 1/3 |

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 Information on Shareholders

(1) Number of shareholders

| | |
|--|---------|
| Total number of holders of ordinary shares as at the end of the reporting period | 511,606 |
| Total number of holders of preference shares with reinstated voting rights as at the end of the reporting period | 0 |

(2) Shareholdings of the top ten shareholders

Unit: Shares

| Shareholdings of the top ten shareholders | | | | | | | |
|---|---|--|-----------------------------|--|------------------------------------|----------------------|--------------------------|
| Name of No. 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 | Nature of shareholder |
| 1 CREC (Note 1) | 11,600,000 | 11,610,364,390 | 46.93 | 0 | N/A | 0 | State-owned legal person |
| 2 HKSCC Nominees Limited (Note 2) | 582,332 | 4,009,744,962 | 16.21 | 0 | N/A | 0 | Other |
| 3 Hong Kong Securities Clearing Company Limited (Note 3) | 298,057,179 | 653,208,107 | 2.64 | 0 | N/A | 0 | Other |
| 4 China Securities Finance Corporation Limited | 0 | 619,264,325 | 2.50 | 0 | N/A | 0 | State-owned legal person |
| 5 China Reform Holdings Corporation Ltd. | 0 | 387,050,131 | 1.56 | 0 | N/A | 0 | State-owned legal person |
| 6 Central Huijin Asset Management Ltd. | 0 | 230,435,700 | 0.93 | 0 | N/A | 0 | State-owned legal person |
| 7 China Great Wall Asset Management Co., Ltd. | -195,388,472 | 176,804,035 | 0.71 | 0 | N/A | 0 | State-owned legal person |
| 8 Bank of Communications Co., Ltd. – GF CSF Infrastructure Engineering Traded Open-ended Index Securities Investment Fund | 74,870,600 | 174,183,300 | 0.70 | 0 | N/A | 0 | Other |
| 9 China Orient Asset Management Co., Ltd. | -51,551,620 | 171,720,124 | 0.69 | 0 | N/A | 0 | State-owned legal person |
| 10 Bosera Fund-Agricultural Bank of China-Bosera CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 E Fund-Agricultural Bank of China-E Fund CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

| Shareholdings of the top ten shareholders | | | | | | | | |
|--|---|---|--|---|--|------------------------------------|----------------------|-----------------------|
| No. | Name of Shareholder | Increase/decrease during the reporting period | Total number of shares held at the end of the reporting period | Shareholding percentage (%) | Number of shares with selling restrictions | Number of pledged or frozen shares | Conditions of shares | Nature of shareholder |
| 10 | Dacheng Fund-Agricultural Bank of China-Dacheng CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | Harvest Fund-Agricultural Bank of China-Harvest CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | GF Fund-Agricultural Bank of China-GF CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | Zhong Ou AMC-Agricultural Bank of China-Zhong Ou CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | Huaxia Fund-Agricultural Bank of China-Huaxia CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | Yinhua Fund-Agricultural Bank of China-Yinhua CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| 10 | Southern Fund – Agricultural Bank of China – Southern CSF Financial Asset Management Plan | 0 | 131,135,600 | 0.53 | 0 | N/A | 0 | Other |
| Statement on the related relations and acting-in-concert relationship among the shareholders above | | | | CREC, the largest shareholder, does not have related relations or acting-in-concert relationship with the other above shareholders. The Company is not aware of any related relationships or acting-in-concert relationship among the other above shareholders. | | | | |

Note 1: CREC held 11,610,364,390 shares of the Company, including 11,445,970,390 A shares and 164,394,000 H shares of the Company. CREC planned to increase its shareholding of A shares of the Company via the call auction trading system on the Shanghai Stock Exchange within 6 months starting from 31 March 2022. The cumulative increased amount would be not lower than RMB150,000,000 and not more than RMB300,000,000 (Announcement of China Railway Group Limited Regarding the Proposal on Increase in Shareholding by the Controlling Shareholder (Lin 2022-019)).

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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 its various clients.

Note 4: The numbers shown in the table are based on the register of members of the Company as at 30 June 2022.

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

| Shareholdings of the top ten shareholders without selling restrictions | | | | |
|--|--|--|---------------------------------|----------------|
| No. | Name of Shareholder | Number of shares held without selling restrictions | Type and number of shares | |
| | | | Type | Quantity |
| 1 | CREC (Note 1) | 11,445,970,390 | RMB-denominated ordinary shares | 11,445,970,390 |
| | | | Overseas listed foreign shares | 164,394,000 |
| 2 | HKSCC Nominees Limited (Note 2) | 4,009,744,962 | Overseas listed foreign shares | 4,009,744,962 |
| 3 | Hong Kong Securities Clearing Company Limited (Note 3) | 653,208,107 | RMB-denominated ordinary shares | 653,208,107 |
| 4 | China Securities Finance Corporation Limited | 619,264,325 | RMB-denominated ordinary shares | 619,264,325 |
| 5 | China Reform Holdings Corporation Ltd. | 387,050,131 | RMB-denominated ordinary shares | 387,050,131 |
| 6 | Central Huijin Asset Management Ltd. | 230,435,700 | RMB-denominated ordinary shares | 230,435,700 |
| 7 | China Great Wall Asset Management Co., Ltd. | 176,804,035 | RMB-denominated ordinary shares | 176,804,035 |
| 8 | Bank of Communications Co., Ltd.– GF CSF Infrastructure Engineering Traded Open-ended Index Securities Investment Fund | 174,183,300 | RMB-denominated ordinary shares | 174,183,300 |
| 9 | China Orient Asset Management Co., Ltd. | 171,720,124 | RMB-denominated ordinary shares | 171,720,124 |
| 10 | Bosera Fund-Agricultural Bank of China-Bosera CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | E Fund-Agricultural Bank of China-E Fund CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Dacheng Fund-Agricultural Bank of China-Dacheng CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Harvest Fund-Agricultural Bank of China-Harvest CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

| Shareholdings of the top ten shareholders without selling restrictions | | | | |
|--|---|---|---------------------------------|-------------|
| No. | Name of Shareholder | Number of shares held without selling restrictions | Type and number of shares | |
| | | | Type | Quantity |
| 10 | GF Fund-Agricultural Bank of China-GF CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Zhong Ou AMC-Agricultural Bank of China-Zhong Ou CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Huaxia Fund-Agricultural Bank of China-Huaxia CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Yinhua Fund-Agricultural Bank of China-Yinhua CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| 10 | Southern Fund-Agricultural Bank of China-Southern CSF Financial Asset Management Plan | 131,135,600 | RMB-denominated ordinary shares | 131,135,600 |
| Statement on the related relations and acting-in-concert relationship among the shareholders above | | CREC, the largest shareholder, does not have related relations or acting-in-concert relationship with the other above shareholders. The Company is not aware of any related relationships or acting-in-concert relationship among the other above shareholders. | | |

Note 1: CREC held 11,610,364,390 shares of the Company, including 11,445,970,390 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 its various clients.

Note 4: The numbers shown in the table are based on the register of members of the Company as at 30 June 2022.

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

Not applicable

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 Information on Directors, Supervisors and Senior Management

(1) Changes in shareholdings of the incumbent directors, supervisors and senior management and those departed during the reporting period

Unit: Shares

| Name | Position | Shareholdings at the beginning of the reporting period | Shareholdings at the end of the reporting period | Increase/decrease in shareholdings during the reporting period | Reasons for increase/decrease |
|--------------|-------------------|--|--|--|-----------------------------------|
| YU Tengqun | Senior management | 50,069 | 50,069 | 0 | / |
| KONG Dun | Senior management | 0 | 400,000 | 400,000 | Restricted share incentive scheme |
| MA Jiangqian | Senior management | 0 | 400,000 | 400,000 | Restricted share incentive scheme |
| LI Xinsheng | Senior management | 0 | 400,000 | 400,000 | Restricted share incentive scheme |
| HE Wen | Senior management | 0 | 400,000 | 400,000 | Restricted share incentive scheme |
| ZHAO Bin | Senior management | 0 | 223,200 | 223,200 | Restricted share incentive scheme |
| GENG Shubiao | Senior management | 0 | 223,200 | 223,200 | Restricted share incentive scheme |
| Total | | 50,069 | 2,096,469 | 2,046,400 | |

(2) Share incentives granted to the directors, supervisors and senior management during the reporting period

(i) Share option incentive

Not applicable

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(ii) Restricted share incentive

Unit: Shares

| Name | Position | Number of restricted stocks held at the beginning of the reporting period | New restricted stocks granted during the reporting period | Vested shares | Unvested shares | Number of restricted stocks held at the end of the reporting period |
|--------------|-------------------|---|---|---------------|------------------|---|
| KONG Dun | Senior management | 0 | 400,000 | 0 | 400,000 | 400,000 |
| MA Jiangqian | Senior management | 0 | 400,000 | 0 | 400,000 | 400,000 |
| LI Xinsheng | Senior management | 0 | 400,000 | 0 | 400,000 | 400,000 |
| HE Wen | Senior management | 0 | 400,000 | 0 | 400,000 | 400,000 |
| ZHAO Bin | Senior management | 0 | 223,200 | 0 | 223,200 | 223,200 |
| GENG Shubiao | Senior management | 0 | 223,200 | 0 | 223,200 | 223,200 |
| Total | | 0 | 2,046,400 | 0 | 2,046,400 | 2,046,400 |

4 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2022, none of the directors, supervisors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

As at 30 June 2022, 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 | 11,445,970,390 | Long position | 55.7 | 46.26 |

Holders of H Shares

| Name of substantial shareholder | Capacity | Number of H shares held (shares) | Nature of interest | Approximate percentage of issued H shares (%) | Approximate percentage of total issued shares (%) |
|----------------------------------|------------------------------------|-------------------------------------|--------------------|--|--|
| BlackRock, Inc. | Interest of controlled corporation | 259,009,309 | Long position | 6.16 | 1.05 |
| | | 16,243,000 | Short position | 0.39 | 0.07 |
| Deutsche Bank Aktiengesellschaft | (Note 1) | 229,803,271 | Long position | 5.46 | 0.93 |
| | | 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 | 0.85 |
| | | 94,560,550 | Short position | 2.25 | 0.38 |

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

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

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

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

| Name of substantial shareholder | 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. | – | – | – | 2,040,000 | – | – | – | 228,000 |
| 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 2022, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 Directors

The directors of the Company during the six months ended 30 June 2022 are as follows:

| Name | Age | Position |
|-------------------------|-----|------------------------------------|
| CHEN Yun | 59 | Chairman and Executive Director |
| CHEN Wenjian | 49 | Executive Director and President |
| WANG Shiqi | 56 | Executive Director |
| WEN Limin | 56 | Non-executive Director |
| CHUNG Shui Ming Timpson | 70 | Independent Non-executive Director |
| ZHANG Cheng | 64 | Independent Non-executive Director |
| XIU Long | 65 | Independent Non-executive Director |

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2022 are as follows:

| Name | Age | Position |
|--------------|-----|---|
| JIA Huiping | 57 | Chairman of the Supervisory Committee, Shareholder Representative Supervisor |
| YUAN Baoyin | 58 | Employee Representative Supervisor |
| LI Xiaosheng | 50 | Employee Representative Supervisor |
| WANG Xinhua | 51 | Employee Representative Supervisor |
| WAN Ming | 51 | Employee Representative Supervisor |

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3 Senior Management

The senior management of the Company during the six months ended 30 June 2022 are as follows:

| Name | Age | Position |
|--|-----|---|
| CHEN Wenjian | 49 | Executive Director and President |
| SUN Cui | 56 | Vice President and Chief Accountant |
| YU Tengqun (ceased to act on 30 August 2022) | 52 | Vice President and General Legal Advisor |
| LIU Baolong | 58 | Vice President |
| REN Hongpeng | 48 | Vice President |
| KONG Dun | 56 | Vice President and Chief Engineer |
| MA Jiangqian | 53 | Vice President and Chief Economist (ceased to act on 22 June 2022) |
| LI Xinsheng | 42 | Vice President |
| HE Wen | 58 | Secretary to the Board and Joint Company Secretary |
| ZHAO Bin (appointed on 22 June 2022) | 53 | Chief Economist |
| GENG Shubiao (appointed on 22 June 2022) | 44 | Assistant to President |
| TAM Chun Chung | 49 | Joint Company Secretary and Qualified Accountant |
| LI Fengchao (ceased to act on 1 February 2022) | 61 | Safety Production Director |

4 Change of Directors, Supervisors and Senior Management

On 1 February 2022, LI Fengchao, the Safety Production Director and the Head (Supervisor) of the safety, quality and environmental protection supervision department (office of emergency management) of the Company retired due to age.

On 22 June 2022, on the 17th meeting of the fifth session of the board of directors of the Company, Mr. MA Jiangqian was removed from the position of Chief Economist and continued acting as Vice President; Mr. ZHAO Bin was appointed as Chief Economist and Mr. GENG Shubiao was appointed as Assistant to President, whose terms of office commenced from the date on which the appointment was passed by the board of directors and will end on the expiry of the fifth session of the board of directors.

On 30 August 2022, the Company held the 19th meeting of the fifth session of the board of directors and approved to release Mr. YU Tengqun from the position of Vice President and General Legal Advisor due to job transfer.

5 Human Resources and Emolument Policy

The Company 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 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 Company carefully implemented the Opinions on Reforming the Salary Determination Mechanism of State-owned Enterprises and has, based on the general principle of “linking salary with economic benefits, adjusting efficiency benchmark and regulating salary level”, established and improved a salary determination and normal growth mechanism which is suitable for the labour market and linked with economic benefits of enterprise and labour productivity as well as the labour cost input-output efficiency index, strengthened the alignment between salary level and economic benefits, continued improving the labour cost input-output efficiency and created a positive incentive atmosphere.

Employee remuneration of the Company comprises basic salary, performance-based bonus and allowances and subsidies. In accordance with PRC laws, the Company entered into an employment contract with each of its employees. Such contracts include provisions on wages, employee vacation, benefits, training programs, health and safety, confidentiality obligations and grounds for termination. In accordance with state policies, the Company makes contributions in full to the employee aged-care insurance, medical insurance, unemployment insurance, maternity insurance and work injury compensation insurance as well as employee housing provident fund. In addition to statutory contributions, the Company also provides voluntary benefits to employees which include enterprise annuities for employees.

The remuneration of executive directors of the Company is on an annual basis and consists of base annual salary and performance-based annual 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.

During the reporting period, the total number and structure of the Company’s employees did not have significant change compared to the end of last year.

6 Dealings of securities by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the “**Model Code**”) 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 2022 to 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the largest multi-functional integrated construction groups in the world, which enables us to offer a full range of construction and industrial products and related services to our customers. The Group holds an industrial leading position in fields such as infrastructure construction, survey, design and consulting services, and engineering equipment and component manufacturing. The Group also diversifies its business and expands its value-added services by exploiting into other businesses such as property development, merchandise trading, investment and operation of infrastructure, mining development and finance. After years of practice and development, the Group's businesses have established a close upstream-downstream relationship among themselves, with the infrastructure construction business supporting the engineering equipment and component manufacturing, survey, design and consulting service, merchandise trading, infrastructure investment, property development and mining development businesses supporting the survey, design and consulting services and infrastructure construction business; survey, design and consulting services supporting the infrastructure construction business; engineering equipment and component manufacturing business providing construction equipment (such as bridge girder erection machine and shield) and the necessary components (such as turnout, bridge steel structure and rail transit electrification equipment) for infrastructure construction; merchandise trading business supplying materials (such as steel and cement) for infrastructure construction; and finance business offering financing services for the main businesses. All these have gradually formed a vertically integrated construction industry chain with outstanding principal business supplemented by diversified relevant business horizontally. The Group ranked 34th (up 1 place from the previous year) in the latest Fortune Global 500 list, and 5th in the Fortune China 500 list; ranked 2nd among the top 250 global contractors by Engineering News – Record (“ENR”); was awarded Grade A in the business performance assessment and evaluation of State-owned Assets Supervision and Administration Commission (SASAC) for 9 consecutive years, Grade A in the business performance assessment of 2019-2021, as well as the title of excellent performance enterprise and enterprise with outstanding contribution to scientific and technological innovation during 2019-2021; and obtained Grade A evaluation for information disclosure from Shanghai Stock Exchange for 9 consecutive years. The three top international rating agencies (Moody's, Fitch and Standard & Poor's) rated China Railway as A3/A-/BBB+, and maintained the outlook of “stable”.

1 Industry Development Overview

Infrastructure construction business

Domestically, since 2022, faced with increasing new downward pressures, the CPC Central Committee and The State Council have made scientific decisions, implemented timely and decisive policies, refrained from adopting indiscriminate policies, proactively implemented the policies and measures of the Central Economic Work Conference and the Government Work Report, and rolled out a package of policies and measures to stabilize the economy in accordance with the overall thinking and policy orientation. Moreover, issuance of instruments including special bonds has given full play to the leverage of government investment. As of the end of June, new special bonds issued nationwide amounted to RMB3.41 trillion in total, supporting more than 23.8 thousand projects. More than RMB240 billion of proceeds from special bonds were used as capital of major projects. According to the data released by the National Bureau of Statistics, in the first half of the year, the fixed assets investments nationwide (excluding rural households) amounted to RMB27,143 billion, representing a year-on-year increase of 6.1%. The national fixed asset investment in transportation increased by 6.7% year-on-year to approximately RMB1,675.8 billion, maintaining a high level. In particular, the fixed asset investment in railways decreased by 4.6% year-on-year to RMB285.3 billion, the fixed asset investment in highways increased by 9.7% year-on-year to RMB1,270.4 billion, and the fixed asset investment in waterways increased by 4.7% year-on-year to RMB73.9 billion. With regard to the urban rail transit, in the first half of the year, urban rail lines were put into service in Nanping, increasing the number of cities operating urban rail lines to 51, and the length of urban rail transit lines in service to 9,573.65km. The new operating mileage amounted to 366.87 km. On the whole, infrastructure was still an important support for the economic and social development, China's infrastructure was still insufficient to meet the need of national development and security. At present and for some time to come, moderately advanced, scientifically planned, multi-wheel driven and stratified infrastructure development is of great significance to ensuring national security, smoothening domestic circulation, promoting both domestic and international circulation, expanding domestic demand and promoting high-quality development. There is still large room in the markets for new and existing infrastructure constructions.

MANAGEMENT DISCUSSION AND ANALYSIS

Internationally, since 2022, the repeated outbreaks of COVID-19, the conflict between Russia and Ukraine, and the USD tightening have restrained the market performance in terms of economic recovery, mass inflation and market liquidity, and the global economic structure, industrial structure and energy structure have experienced intensified adjustments. According to the forecast of IMF, the global economy growth rate will be 3.2% this year, 0.4 percentage points lower than its April forecast. In addition, with the increasing economic downward risks, recession fears and cross-border investment pressures, Chinese enterprises will face many challenges in their “going global”. In recent years, China has continued to actively promote high-quality Belt and Road cooperation, and investment cooperation between China and countries along the Belt and Road remain active. In addition, under the RCEP framework, the investment among the member countries is also expected to drive the outbound direct investment of Chinese enterprises to Southeast Asia and countries along the Belt and Road. According to statistics from the Ministry of Commerce, the value of China’s new contracts for overseas contracted projects in the first half of this year was RMB671.56 billion, representing a year-on-year decrease of 6.1%, and the turnover was RMB458 billion, representing a year-on-year increase of 4.2%, with the value of new contracts and turnover from countries along the Belt and Road accounting for 50.4% and 54.4% of the total respectively. Judging from the trend of international infrastructure cooperation, green development is the inevitable demand of the time. China will work with other countries to implement the new concept of green development, create more green, low-carbon and sustainable infrastructure projects, and promote the steady, sound and sustainable development of international infrastructure investment cooperation, making a positive contribution to realizing regional infrastructure connectivity, promoting economic development and transform, deepening multilateral and bilateral economic and trade relations, and promoting the economic recovery and growth of the host country and the world.

Survey, design and consulting services business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business is in the front of the engineering construction projects of various industries, including construction, transportation, electricity and water conservancy, serves the whole lifecycle of the construction projects and offers technical and management services throughout the decision-making and implementation process of the projects. It 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 present, the state actively promotes the construction of high-speed railways, urban rail transit, water conservancy and hydropower, underground utility tunnels and sponge cities. In particular, with the mutual progress, promotion, integration and connectivity of the major regional strategies, such as the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the construction of Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta, and the ecological protection and high-quality development of the Yellow River basin, the construction of new economic belts will continue to pick up. The next few years will be a critical period for our infrastructure construction and development, providing more market opportunities for enterprises. As the soul and forerunner of engineering construction, the survey, design and consulting service market will still have room for growth at home, and room for improvement overseas. The “14th Five-year Plan” period is the first five-year period for China to start a new journey of comprehensively building a modern socialist nation and march toward the second centenary goal. The survey, design and consulting services are faced with a complex situation in which opportunities and challenges coexist and hopes and difficulties coexist, which is mainly reflected in that the leading role of survey, design and consultation industry in engineering construction has not been fully played, the horizontal competition, cross-industry competition, the industry chain competition, and international competition are increasingly fierce, and the market has stricter requirements on the innovation ability, technical strength, quality level, business scope and service price of enterprises.

Engineering equipment and component manufacturing business

In 2022, the State Council issued the 14th Five-Year Plan for the Development of a Modern and Integrated Transport System, proposing to construct a high-quality comprehensive transportation network according to the main skeleton layout of “6 axes, 7 corridors and 8 channels” of the national comprehensive transportation network, increase the length of railway service mileage by 19,000 kilometers, achieve more advanced technology and equipment, accelerate the application of the self-developed advanced technology and equipment, and significantly increase the standardization rate of transport equipment. As pointed out at the executive meeting of State Council, industry and the service sector play a key supporting role in economic development and stable employment. We should strengthen and complement the manufacturing industry chain and rebuild the industrial base, speed up the construction of new types of infrastructure, upgrade energy conservation and carbon reduction technologies in key areas, and increase effective investment. The Ministry of Housing and Urban-Rural Development issued the “14th Five-Year Plan” for the Development of the Construction Industry, pointing out that the level of industrialization, digitalization and intelligence of the construction industry should be greatly improved, and the transformation of the construction industry from big to strong should be accelerated. The National Development and Reform Commission issued the National Highway Network Plan, proposing to complete a modern, high-quality national highway network with extensive coverage, complete functions, intensive and high efficiency, green intelligence, safety and reliability by 2035. The Ministry of Finance issued the Opinions on Financial Support for Carbon Peaking and Carbon Neutrality, proposing to support the development of renewable energy such as photovoltaic, wind power and biomass, replace fossil energy by new energy with stable output, and encourage regions where conditions permit to take the lead in developing new types of energy storage and pumped storage according to local conditions. In the first half of this year, investment in traditional infrastructure, such as railways, highways, urban rails and water conservancy, continued to recover in China, promoting the increase of overall demand of the equipment manufacturing industry, and boosting the development of emerging fields, such as new energy storage, pumped storage, and green energy substitution. In the first half of this year, the added value of large-scale industries recorded a year-on-year increase of 3.4%. In particular, the added value of special equipment manufacturing industry increased by 6.0% in June. During the 14th Five-Year Plan period, the equipment manufacturing industry will have a good development prospect, but it will also face challenges such as intensifying industry competition and declining average yield, high level of homogeneous competition, complex and diversified customer demands, etc. On one hand, the abundant demand has been created in the market: market space for updating and upgrading existing projects has been created by the traditional infrastructure market, while new and expanded application areas have been created by the new infrastructure market. On the other hand, the market demands for innovation. The equipment manufacturing industry faces increasing pressure in fulfilling scenario-specific needs and exploring business model innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

Property development business

Since 2022, based on the long-term mechanism that “houses are for living in and not for speculation” and that “real estate should not be used as a means and a tool to stimulate the economy in the short term”, the CPC Central Committee and The State Council have further strengthened the continuity and stability of our regulatory policies, enhanced the guidance of expectations, stabilized the land prices, housing prices, and expectations, and actively promoted the virtuous cycle and healthy development of the real estate industry by implementing specific policies according to local conditions. In the first half of this year, more than 150 cities across the country released policies to relax the regulation on the property market, which covered various aspects, in order to bail out the enterprises, strengthen prevention and defuse the risk of corporate debt repayment. On the whole, the third- and fourth-tier cities were much more relaxed than the first- and second-tier cities in terms of degree and coverage scope. The second-tier cities mainly adopted marginal relaxation policies targeted at specific groups and with specific conditions, and made dynamic adjustment according to the regulatory effects. They remained cautious in the adjustment of the core purchase restriction policy, focusing on the introduction of talent and the release of more home purchase qualifications. However, the policy effects have not shown at the market end, mainly because the underlying demand of the market is low, and the negative effect of the market has not dissipated, leading to little effect of marginal adjustment. According to the data released by the National Bureau of Statistics, in the first half of the year, the property development investments nationwide amounted to RMB6,831.4 billion, representing a year-on-year decline of 5.4%. The investments in residential housing amounted to RMB5,180.4 billion, representing a year-on-year decline of 4.5%. The housing construction area of real estate development enterprises amounted to 8,488.12 million square meters, representing a year-on-year decrease of 2.8%. The construction area of residential housing amounted to 5,994.29 million square meters, representing a year-on-year decrease of 2.9%. The housing construction starts amounted to 664.23 million square meters, representing a year-on-year decrease of 34.4%. The construction starts for residence reached 488 million square meters, representing a year-on-year decrease of 35.4%. The housing completion area amounted to 286.36 million square meters, representing a year-on-year decrease of 21.5%. The completion area of residential housing amounted to 208.58 million square meters, representing a year-on-year decrease of 20.6%. The commercial housing sales area amounted to 689.23 million square meters, representing a year-on-year decrease of 22.2%. The sales area of residential housing decreased by 26.6% year-on-year. The commercial housing sales amount amounted to RMB6,607.2 billion, representing a year-on-year decrease of 28.9%. The sales amount of residential housing decreased by 31.8% year-on-year. In the second half of the year, the policy of “promoting the steady and sound development of the real estate market by taking measures according to local conditions, ensuring the rigid demand for housing, and reasonably supporting the demand for improvement” will be further implemented, which, together with the lowering of medium- and long-term loan interest rate for the property market and the reduction of housing burden of residents will be conducive to the stability of the real estate market. Meanwhile, due to the gradual enhancement of the industry and population aggregation effect in the economic circle, the economic development modes of different economic circles and cities of different levels will continue to differentiate, and the differentiation of the real estate market will become normal.

Other businesses

Mining business

Since 2022, the stability of the global supply chain and industrial chain has been affected to certain extent by many factors, such as the Russia-Ukraine conflict, the sharp interest rate hikes by the Federal Reserve and the European Central Bank, and repeated outbreaks of COVID-19 in some countries and regions. The volatility of commodity prices has been further aggravated. In particular, since the second quarter, the copper-oil ratio, which reflects the changes in prosperity of the manufacturing sector, and the copper-gold ratio, which is a cyclical indicator of changes in prosperity of the service sector, have both dropped. The "copper oil ratio" has fallen into a historic low level, indicating the increased uncertainty of the market's expectation on future economy. Looking forward to the second half of the year, with the accelerated tightening of the overseas central banks (represented by the FED) and their approach to the recession cycle, the demand for copper and other commodities is likely to fall sharply. In contrast, there are inconsistency between China and overseas countries in the economic repair cycle and China's economy may enter a recovery cycle in the second half of the year. With clear target and demand for stable growth, and enhanced supports from fiscal and monetary policies, the industrial production is expected to bottom out. In particular, driven by the "dual carbon" and new energy industries, domestic demand for non-ferrous metals such as copper is expected to further improve. However, under the influence of the market's expectation of global economic recession, it is expected that the price of non-ferrous metal commodities represented by copper and iron may show a trend of gradually moving down for some time to come.

Financial business

Since 2022, the monetary policy shift of major developed economies has accelerated, the international financial market has experienced greater volatility, the epidemic has spread in many places in China, the macroeconomic downward pressure has been increased, and market entities have faced greater difficulties. Facing the complicated economic and financial situation at home and abroad, China has continued to balance epidemic prevention and control with economic and social development, effectively implemented macro policies, and stabilized the economic and social development to the maximum extent. China has adopted a prudent monetary policy that is flexible and appropriate, maintained continuity, stability, and sustainability, and properly managed the market expectations, with an aim to serve the real economy, and effectively prevent and control financial risks. The State Council issued a Package of Policies and Measures for Stabilizing the Economy, including 33 measures in six areas, covering five monetary and financial policies. While refraining from adopting indiscriminate policies and issuing excessive money, China enhanced the financing support for major projects through policy-based and development-oriented financial instruments to give a better play of the guiding role, and improve the transmission mechanism of monetary policy. China better matched the size and structure of bank deposits and loans to achieve the combined effect of expanding effective investment, creating jobs and boosting consumption. The legal system and basic institutions of the capital market have been enhanced, the investor protection system and mechanism have been improved, the "zero tolerance" law enforcement has been further highlighted, and the market ecosystem has been continuously purified. On the whole, the RMB exchange rate is basically stable at an appropriate and balanced level, and the real lending interest rate has stabilized and declined, with medium- and long-term funds of RMB530 billion released through cuts to required reserve ratios, and the net MLF release of RMB200 billion. China has increased the credit line of policy banks by RMB800 billion, promoted the establishment of policy-based development financial instruments of RMB300 billion, and supported the release of medium- and long-term infrastructure loans. The scope of pilot REITs has been steadily expanded, regular issuance has been accelerated, and multi-level market interaction continues to contribute to economic restructuring, which have laid the foundation for achieving steady and high-quality economic performance and consolidating the upward trend.

MANAGEMENT DISCUSSION AND ANALYSIS

Merchandise trading business

With the rapid development of world economic integration and the comprehensive application of information technology, global cooperation in merchandise trading has been further promoted. Due to high variety of products, frequent price changes, high degree of homogeneity, relatively low entry threshold, fierce market competition and other factors, the overall profit margin of the merchandise trading industry is low. The trade price gap of traditional merchandise traders is gradually narrowing, which leads to the increasing demand for cost saving through supply chain management. More and more merchandise traders have begun to integrate the industrial chain, extending upstream and downstream. While obtaining upstream and downstream resources, they gradually penetrate into all links of the industrial chain and start to play the role of industrial chain manager and provide end-users with diversified, whole chain, and one-stop supply chain management services, in order to expand profit space and create value-added opportunities.

Infrastructure investment and operation

Since 2022, there have been increasing risks and challenges in the international and domestic economic environments. The complexity, severity and uncertainty of China's economic development environment have increased, and China faces new challenges to stabilize growth, employment and prices. Infrastructure investment, as an important starting point for stabilizing investment, has played an important role in stimulating the vitality of private investment and facilitating the implementation of major national strategies. According to the 2022 Semi-Annual Report of the National PPP Comprehensive Information Platform Management Database Project released by the PPP Center of the Ministry of Finance, as of 30 June 2022, there were 10,354 projects in database in the PPP comprehensive information platform, with a total investment of RMB16.5 trillion. The size of the projects in the database increases steadily, representing a huge market. In the first half of this year, 279 new projects were included in the database, with the investment of RMB458.6 billion, representing a year-on-year decrease of RMB114 billion; a total of 7,934 projects were signed, with an investment of RMB13.1 trillion, representing a year-on-year increase of RMB1 trillion; a total of 5,280 construction projects were started, with an investment of RMB8.7 trillion, representing a year-on-year increase of RMB1.7 trillion. In terms of statistical fields and criteria, the majority of the new PPP projects were in the fields of transportation and municipal engineering, and the investment in the "new infrastructure and new urbanization initiatives and major projects" fields accounted for more than 70%. In the first half of this year, 210 new projects of "new infrastructure and new urbanization initiatives and major projects" were included in the database, with an investment of RMB353.4 billion, accounting for 77% of the new projects included in the database. As of the end of June, there were a total of 8,764 projects of "new infrastructure and new urbanization initiatives and major projects" in the database, with an investment of RMB14.2 trillion; among them, a total of 6,804 projects were signed, with an investment of RMB11.4 trillion; a total of 4,586 projects were commenced construction, with an investment of RMB7.6 trillion. 123 new pollution prevention and control and green low-carbon projects were included in the database, with an investment of RMB126.3 billion. As of the end of June, there were a total of 5,943 projects in the database, with an investment of RMB5.7 trillion, accounting for 57.4% and 34.9% respectively of the total in the management database. These projects were highly consistent with the Company's main business, and laid a good market foundation for the Company to open up the "second curve" business. In addition, among the 2,763 administrative regions with PPP projects in the database, 2,729 administrative regions have annual financial affordability indexes below the 10% red line, accounting for 98.8% of the total. The PPP fiscal expenditure responsibility is generally within a safe range, and the foundation of the Company's infrastructure investment business is stable, so there is still room for further development.

2 Business Development Overview

In the first half of 2022, facing the increasingly complex and severe international environment, frequent outbreaks of COVID-19 in China and shocks from unexpected factors, the Group fully implemented the decision and deployment of the CPC Central Committee on “ensuring epidemic prevention and control, economic stability and safe development”, and earnestly implemented the SASAC’s requirements on further ensuring stable growth of central enterprises. Based on the general principle of “ensuring stability and seeking progress while maintaining stability”, we anchored our work objectives for “Four Increases, Two Controls and Four Improvements”, and focused on the two main lines of improving quality and efficiency and preventing and defusing major risks. We actively built the big business management system, promoted the improvement of project management benefits, maintained the stable running of production and operation, and achieved good results in stabilizing growth.

First, making solid progress in enterprise reform and development. The Group has always maintained strategic focus and implemented new development concepts in a complete, accurate and comprehensive manner. In accordance with the “14th Five-Year Plan” and the “123456” work strategy, we integrated the concept of high-quality development into the whole process of basic management, reform and innovation, process reengineering, performance assessment, risk prevention and control. We deeply carried out the Three-year Action of State-owned Enterprise Reform, constantly improved the modern enterprise system with Chinese characteristics, pressed ahead with the reform of the “three systems”, systematically optimized the performance evaluation index system, deepened the reform of regional headquarters and investment companies, optimized the industrial deployment based on the market-oriented principle, vigorously carried out cutting-edge and original technology breakthroughs, accelerated practical and catch-up technology research, and enhanced competitive strength and profitability through reform and innovation. The Company won 1 first prize and 9 second prizes of national enterprise management modernization innovation achievements in 2021. China Railway was awarded “Model Enterprise of Corporate Governance for State-owned Enterprises”. China Railway No. 4 Engineering, China Railway Major Bridge Engineering and China Railway Shanghai were elected as “Benchmark Enterprise for Management Improvement”. The cash flow self-balance project of China Railway was elected as “Benchmark Project for Management Improvement”. CREG and China Railway Major Bridge Engineering were awarded as “Benchmark” and “Excellent” in the Special Evaluation of “Science and Technology Reform Demonstration Action”. China Railway No. 9 Engineering and China Railway No. 2 Engineering were awarded as “Excellent” and “Good” in the special evaluation of “Double Hundred Enterprises” and CREG was included in the “key propaganda scope of outstanding enterprises in SOE reform” by the SASAC.

MANAGEMENT DISCUSSION AND ANALYSIS

Second, making steady improvement in operation and development quality. Centering on serving the major national strategy, the Group has constantly optimized and adjusted the operating management system and mechanism, rationally allocated operating resources, and continuously promoted the optimization of business structure. While consolidating traditional areas of strength such as railways, highways and urban rail transit, we have, based on the national macro policies, further expanded to new areas such as water conservancy and hydropower, and urban renewal, in order to enhance the overall competitiveness, increase the business scale, and steadily improve the business quality. In the first half of this year, the value of new contracts of the Group was RMB1,211.94 billion, representing a year-on-year increase of 17.2%. In the traditional infrastructure market, we obtained new contracts of RMB99.28 billion in the railway market, maintaining our leading position; obtained new contracts of RMB145.85 billion in the highway market, representing a year-on-year increase of 28.4%, maintaining our dominant market position; and obtained new contracts of RMB789.66 billion in municipal works and other businesses, representing a year-on-year increase of 16.7%, ensuring stable and orderly development. In the “second curve” market, the Group has taken multiple measures to actively promote development, and achieved remarkable improvement in water conservancy and hydropower, airport engineering and other business operations. We obtained new contracts of over RMB200 billion. In particular, we obtained new contracts of RMB74.22 billion in water conservancy and hydropower business, representing a year-on-year increase of 819.7%. With regard to the undertaking tasks, we have won bids for a number of clean energy, new infrastructure and major projects, such as the wind farm project of Guizhou Jidian New Energy, 800WM PV project of Zhengzhou Yingtai Energy, Huaibei – Suzhou – Bengbu intercity Railway, Qingdao Metro Line 9 Phase I, River-crossing channel of Pearl Bay Area in Nansha, Guangzhou and comprehensive improvement of central urban environment in Wulong District, Nanyang.

Third, ensuring robust growth of operation benefits and quality. The Group has carried out in-depth management improvement based on the world class standards, adhering to the principle of “ensuring down to earth works for each project”, and firmly promoted the construction of the big business management system. Taking big business management as an important step to improve our ability to create and deliver results, we have introduced a series of measures to strengthen the management of all aspects of operation and development, project performance, cost control, and right confirmation and settlement, strengthen cash flow management, increase the weight of assessment and revealed that effective project management increased work effectiveness. In the first half of this year, with the outstanding contribution of output value of major projects undertaken by the Group, such as Shenzhen Metro Line 14 and Menglv Expressway, a number of key and difficult projects, such as Sichuan-Tibet Railway, Darui Railway, Yunnan Dianzhong Water Diversion, Beijing-Xiong’an Expressway, Shenzhen-Zhongshan Passage, and Yawan-Bandung high-speed Railway, have been smoothly promoted, effectively releasing the production capacity. The Group achieved revenue of RMB560.587 billion, representing a year-on-year increase of 12.5%; profit for the period of RMB16.825 billion, representing a year-on-year increase of 17.2%; profit for the period attributable to the owners of the Company of RMB15.126 billion, representing a year-on-year increase of 15.5%, increase of liquidity ratio from 1.02 at the beginning of the period to 1.06, and gearing ratio of 74.1%, within the annual budget target range.

Fourth, enhancing mutual complementation of corporate responsibility and brand. The Group has always fulfilled its commitment to benefit the society and return to shareholders, demonstrating its responsibility as a major central enterprise. Since 2022, we actively engaged in the prevention and control of the epidemic on a regular basis, organizing support for the prevention and control of the epidemic in Jilin, Shanghai and other places, and participating in the construction of local isolation medical facilities and anti-epidemic housing, with a total input of more than 13,000 people. We actively participated in the relief of flood disaster caused by heavy rainfall in Fujian, Jiangxi, Sichuan, Guangdong and other places, striving to protect the safety of people's lives and property. We actively implemented the national construction plans for major projects, and completed a large number of livelihood projects, such as the Zheng-Yu High-speed Railway, Darui Railway, Heluo Railway, Xiaoxiangling Tunnel, and the fourth phase of Nansha Port Area. We actively implemented the national requirements of "ensuring stability and expansion of employment", steadily expanded the recruitment scale of college and technical secondary school graduates, and provided a lot of opportunities for labor workers to obtain employment and income. We actively participated in the preservation, restoration and protection of Donghuamen Site in Chengdu, Zhouyuan Site, Qianfo Rock Grottoes in Tongjiang County and many other national cultural relics and world cultural heritage, contributing our wisdom and strength to retain the cultural roots and defend the soul of the nation. We earnestly learned the spirit of the important instructions of General Secretary Xi Jinping on consolidating and expanding the effective connection between the achievements of poverty alleviation and rural revitalization, strictly implemented the requirements of "eliminating poverty without evading responsibilities, policies, assistance or supervision", ensuring that every one has access to food and clothing, secure housing, compulsory education and basic medical care. Focusing on the five revitalization measures, ensuring the continuity of the measures, funds and forces of assistance, we actively engaged in the construction of photovoltaic power station in Shenshan Village of Baode County, dormitory building of No. 11 Primary School of Baode County, and the construction of white wool tea production base of Rucheng County, and strove to build the service brands of "Good Driver" and "Good Property Manager" of Baode. We carried out the training project of "Everyone has skills" in Rucheng County, bought agricultural products of RMB3.564 million and helped sell agricultural products of RMB213,000. We strengthened the assistance and dispatched two outstanding temporary cadres to Karuo District in Changdo City, Tibet, which was newly added as a target for poverty alleviation. The Group ranked 107th in the "Top 500 Global Brands by Value in 2022" published by Brand Finance, 15 places higher than 2021 ranking. The social image and brand value of the Group were further consolidated and improved.

During the first half of 2022, the value of new contracts of the Group was RMB1,211.94 billion, representing a year-on-year increase of 17.2%. In particular, the value of new contracts of domestic business was RMB1,132.11 billion, representing a year-on-year increase of 14.1%; the value of new contracts of overseas business was RMB79.83 billion, representing a year-on-year increase of 90.7%. As at the end of the reporting period, the value of contract backlog of the Company was RMB5,116.66 billion, with an increase of 12.57% as compared with the end of 2021. The details are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Value of New Contracts

Unit: 100 million Currency: RMB

| Business type | The first half of 2022 | The first half of 2021 | Year-on-year increase/decrease |
|---|------------------------|------------------------|--------------------------------|
| Infrastructure construction | 10,347.9 | 9,101.1 | 13.7% |
| Including: Railways | 992.8 | 1,197.2 | -17.1% |
| Highways | 1,458.5 | 1,135.7 | 28.4% |
| Municipal works and others | 7,896.6 | 6,768.2 | 16.7% |
| Survey, design and consulting services | 209.6 | 95.7 | 119.0% |
| Engineering equipment and component manufacturing | 347.9 | 281.8 | 23.5% |
| Property development | 216.4 | 312.7 | -30.8% |
| Other businesses | 997.6 | 545.4 | 82.9% |
| Total | 12,119.4 | 10,336.7 | 17.2% |
| Including: Onshore | 11,321.1 | 9,918.1 | 14.1% |
| Offshore | 798.3 | 418.6 | 90.7% |

Infrastructure construction business

Engineering construction is the core segment of China Railway, the foundation for consolidating the leading position of China Railway in the infrastructure construction industry and enhancing brand strength, an important pillar for enlarging the market scale and improving the market influence, and a key field for improving the economic benefits and promoting the high-quality development of the Company. The engineering construction business of the Group involves railway, highway, municipal works, housing construction, urban rail transit, water conservancy and hydropower, port channel, airport wharf and other engineering fields, covering more than 90 countries and regions in the world. The Group has special grade qualification for general contracting of a variety of projects, such as railway engineering, highway engineering, municipal public engineering, and construction engineering. The basic operation mode is to obtain orders through market competition at home and abroad, complete the tasks of survey, design, procurement, construction and operation of projects by means of general engineering contracting, general construction contracting, BOT or PPP according to the contract, and be responsible for the quality, safety and construction period of the contracted project. The infrastructure investment business is the extension of the industrial chain of the traditional core business of infrastructure construction. Based on the principle of centering on main business, serving main business, driving main business and promoting main business, the infrastructure investment business of the Group keeps innovating the investment and construction modes in railway, highway, urban rail transit, underground utility tunnels, water and environmental protection and other areas of infrastructure, creating a more comprehensive industrial chain, and helping the Group maintain its advantages in construction contracting in the field of infrastructure construction.

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The Group has always been a leader in infrastructure construction in China and is one of the largest construction contractors in the world. As of the end of the reporting period, the Company had 18 special grade general contracts for railway engineering construction, accounting for more than 50% of the total number of special grade general contracts for railway engineering construction in China; as well as 32 special grade general contracts for highway engineering construction, 19 special grade general contracts for building construction and 10 special grade general contracts for municipal public works construction. The Group is the largest construction group in the railway infrastructure field and urban rail transit infrastructure field in China. It has three national key laboratories: National Engineering Research Centre of High Speed Railway Construction Technology, National Key Laboratory of Bridge Structural Stability and Safety, and National Key Laboratory of Shield Tunneling and Drilling Technology, representing the most advanced technology level in railway, bridge, underground space development and utilization and rail transit construction in China. In addition, the Company is one of the major infrastructure construction forces in the construction of the Belt and Road Initiative. It is the main contractor of the representative projects in the Belt and Road Initiative including China-Laos Railway, the Indonesian Jakarta-Bandung High-speed Railway, Budapest-Belgrade Railway and Padma Bridge in Bangladesh.

During the first half of 2022, the value of the Group's new contracts of infrastructure construction business was RMB1,034.79 billion, representing a year-on-year increase of 13.7%; the value of the contract backlog was RMB4,684.25 billion as at the end of the reporting period, representing an increase of 11.23% from the end of 2021. From a business segment perspective: ① **In respect of railway construction business**, due to the reduction of railway fixed assets investment in the first half of this year, the value of new contracts of railway construction business amounted to RMB99.28 billion, representing a year-on-year decrease of 17.1%; the value of the contract backlog as at the end of the reporting period was RMB696.26 billion, representing a decrease of 3.91% from the end of 2021. The Group's market share in domestic large and medium-sized railway construction reached 51.2% in the first half of 2022, maintaining the first place in China. ② **In respect of highway construction business**, the value of new contracts of highway construction business amounted to RMB145.85 billion, representing a year-on-year growth of 28.4%; the value of the contract backlog as at the end of the reporting period was RMB743.45 billion, representing an increase of 7.51% from the end of 2021. ③ **In respect of municipal works and other businesses**, benefiting from the promotion of the construction of city clusters, metropolitan circle, and new towns and the acceleration of urban renewal, the Group has further strengthened the market development of urban construction. The value of new contracts signed for municipal works and other businesses reached RMB789.66 billion, representing a year-on-year increase of 16.7%. The contract backlogs as at the end of the reporting period amounted to RMB3,244.54 billion, representing an increase of 16.08% from the end of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Survey, design and consulting services business

Design consulting is the core segment of China Railway, an important engine for leading the upgrading of technology and industry of China Railway and driving the development of other businesses, an important basis for enhancing the brand influence of China Railway, and an important support for promoting industrial coordination and improving the innovation ability of the whole industrial chain. Our design consulting business covers the whole process of basic construction services such as research, planning, consulting, cost, survey and design, supervision, general engineering contracting, and product industrialization, mainly involving industries such as railways, urban rail transit, highways, municipal works, housing construction, water conservancy and hydropower, water transport survey and design. The Group constantly expands into new industries and new fields such as modern tramcars, medium and low speed maglev, intelligent transportation, civil airports, ports and wharfs, power, energy conservation and environmental protection. The basic operation mode is to obtain survey and design orders through market competition at home and abroad, and complete the survey, design and other relevant services of the engineering projects according to the contract. At the same time, the Group constantly innovates the operation mode of design consulting business, makes full use of the advantages of urban transport infrastructure planning, strives to obtain design projects and general contracting projects, and promotes the development of the entire industrial chain. As a backbone enterprise in China's survey and design and consulting service industry, the Company 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. The Group has won 154 National Excellent Engineering Survey and Design Awards, 101 National Excellent Engineering Consulting Achievement Awards, and 35 International Engineering Consulting (FIDIC) and Engineering Design Awards. In ENR's 2022 ranking of the world's 150 largest design companies and 225 largest international design companies, China railway ranked 15th and 118th respectively.

In the first half of 2022, the value of new contracts of the Group regarding the survey, design and consulting service business amounted to RMB20.96 billion, representing a year-on-year increase of 119.0%. As a backbone enterprise in China's survey and design and consulting service industry, the Company has played an important leading role in the field of engineering construction. As at the end of the reporting period, the Group's contract backlog of survey, design and consulting services business was RMB60.6 billion, representing an increase of 21.69% from the end of 2021.

Engineering equipment and component manufacturing business

Equipment manufacturing is the core segment of China Railway, an important carrier for practicing the “three transformations” and promoting the high-end brand of China Railway, an important force to boost the transformation and upgrading of the Company, and an important support for making up the shortcomings and reinforcing the advantages as well as improving the core competitiveness. The Group’s equipment manufacturing business mainly serves the infrastructure construction at home and abroad, and its products cover turnouts, tunnel construction equipment, bridge construction steel structure, engineering construction machinery, fabricated building components and rail transit electrification equipment, etc. The basic operation mode is mainly to obtain orders through market competition at home and abroad, and provide relevant products and services with guaranteed quality and quantity on schedule according to the contract. In terms of turnout products, the Group has the core competitive advantages of the whole industry chain from design, research and development to manufacturing, and has the annual production capacity of 20,000 turnouts of various types. The products are widely used in railways, subways, tramcars and other fields. In terms of tunnel construction equipment and services, the Group provides relevant products and supporting services covering various series of TBM such as the composite shield machine, hard rock TBM and supporting equipment, and tunnel construction machinery, and has established the whole industrial chain layout of design, R&D, manufacturing and supporting services of spare parts and supporting equipment. In terms of steel structure manufacturing and installation, the manufacturing and installation business of the Group’s bridge steel structure mainly focuses on manufacturing and installing various large-scale bridge steel structures, which has obvious advantages in the steel structure market of bridges crossing rivers. The bridge steel structures and steel-pylons manufactured have reached the international advanced standard. In terms of construction machinery, the Group is a large-sized scientific and technological enterprise specialized in manufacturing and R&D of special construction machinery for railways, highways, urban rail transits, etc. in China and even in the world. Its products include railway construction equipment such as the rail laying machine, bridge erecting machine, girder carrier and handling machine, and other large-scale engineering machinery such as the lifting machinery. In terms of electrification equipment for railways and urban rail transits, the Group’s rail transit electrification equipment mainly includes complete set of catenary equipment for the regular railway, acceleration railway, and high-speed railway, and complete set of power supply equipment of all power supply forms of urban rail transit. Among them, the catenary equipment for railway passenger lines and high-speed railways are at the international advanced level. In terms of prefabricated buildings, the Group is a supplier with rich product structures and a complete set of solutions for prefabricated buildings in the domestic prefabricated building component industry, devoting itself to creating a high-tech and innovative prefabricated building business platform.

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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 machine/TBM R&D manufacturer in terms of sales volume, the world's largest steel structure manufacturer of turnouts and bridges, the largest railway specialized construction equipment manufacturer in China, and a global leading infrastructure construction service equipment manufacturer. For the domestic market, the Group maintained a market share of more than 50% in the high-speed turnout market that requires high techniques (speed over 250km/h), and in the acceleration turnout, regular turnout, and heavy-haul turnout market; a market share of more than 60% in the turnout market of urban rail transit business; a market share of more than 60% in the large steel structure bridge market, a market share of more than 60% in the catenary parts market of high-speed railway; and a market share of approximately 50% in the power supply products market of urban rail transit sector. In addition, the Group successfully developed the 600km/h high-speed maglev traction transformer, and 600km/h high-speed maglev turnout system, providing a strong technical support for the completion of 600km/h high-speed maglev traffic system in China. CRHIC (stock code: 600528.SH), a majority-owned subsidiary of the Company, has the most complete spectrum of products in the field of railway infrastructure equipment in China and is the only industrial enterprise in A share market that mainly engages in rail transit and underground excavation of high-end equipment. CRHEEC (stock code: 688285.SH) 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. CRPCC (stock code: 300374.SZ), a supplier with rich product structure portfolios and integrated service capability of prefabricated building in domestic housing prefabricated building parts and components industry, can provide a full set of prefabricated building solutions.

In the first half of 2022, the value of new contracts of the engineering equipment and component manufacturing business of the Group was RMB34.79 billion, representing a year-on-year increase of 23.5%. As at the end of the reporting period, the value of contract backlog of the engineering equipment and component manufacturing business of the Group was RMB122.07 billion, representing an increase of 25.06% from the end of 2021.

Property development business

The Group is one of the central enterprises that the SASAC has identified as a key player in the real estate development field. Featured real estate is the development priority of China Railway, an important carrier for diversified brands of China Railway, an important platform for the transformation from the urban construction market to urban comprehensive development operators, and the transformation to “real estate + infrastructure” and “real estate + industry” relying on its main business advantages, and an important support for optimizing the business layout and expanding market coverage. In the first half of the year, the Group’s real estate development business conformed to the national policy guidance, adhered to the new development concept, and gave play to the advantages of industrial chain integration to meet the market demand. The Group focused on urban clusters and metropolitan areas, sought for projects and development around the main business of infrastructure construction, steadily expanded to the fields of culture, tourism, health care, TOD, convention and exhibition, accelerated the transformation from traditional commercial real estate development to the comprehensive multi-industry and multi-function development mode, so as to continuously enhance the core competitiveness of China Railway’s featured real estate development. In combination with macro-environment changes, the Group continuously strengthened the construction of risk management and control system and enhanced the risk prevention and control ability. The Group improved the capital turnover rate, sped up destocking, reduced financing costs, activated deposited assets, prudently carried out investment under the premise of controllable risks, and controlled and improved the asset quality of real estate sector.

The Group’s featured real estate business includes primary land development and secondary real estate development. The operation mode of primary land development refers to that the local government or its authorized department and platform company entrust the Company to legally expropriate the land in a certain area, construct urban infrastructures and social public facilities according to the planning requirements by means of competition, so as to make the land within the area meet the specified supply conditions, and the government or its authorized department obtains the land transfer income by transferring the land with compensation, and pays the Company’s investment and income according to the agreement. The secondary development is to obtain the authorization of real estate development through market competition at home and abroad and sell or lease the newly built commercial housing.

In the first half of 2022, due to the repeated outbreaks of COVID-19 in China and the downturn of real estate market, the Group’s property business achieved a sales amount of RMB21.64 billion, representing a year-on-year decrease of 30.8%, and its sales area was 1.497 million square meters, representing a year-on-year decrease of 27.5%. The area that we have commenced construction was 1.65 million square meters, representing a year-on-year decrease of 25.9%; the area that we have completed construction was 1.58 million square meters, representing a year-on-year decrease of 20.8%; and the newly acquired land reserve was 0.561 million square meters, representing a year-on-year decrease of 66.7%. As of the end of the reporting period, the Group’s land reserve to be developed covered 18.745 million square meters.

MANAGEMENT DISCUSSION AND ANALYSIS

Other businesses

Mining business

In the process of infrastructure construction at home and abroad, the Group has obtained a number of mineral resources projects through acquisitions and mergers based on “fiscalization of resources” and “exchange of resources for projects”. China Railway Resources Group Co., Ltd., the Company’s wholly-owned subsidiary, is responsible for the development business of mineral resources. The Group’s mining business is mainly based on the management and development of self-owned mineral resources. 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 Yichun, Heilongjiang, Luishia Copper-Cobalt Mine, MKM Copper-Cobalt Mine and SICOMINES Copper-Cobalt Mine in Congo, and Wulan Lead and Zinc Mine in Mongolia, all of which are in good conditions. The main mineral products produced and sold by the Company include concentrates of copper, cobalt, molybdenum, lead and zinc, and copper cathode and cobalt hydroxide. As of the end of the reporting period, the retained resources/reserves of the aforesaid mines mainly include copper of approximately 8.05 million tons, cobalt of approximately 0.60 million tons, and molybdenum of approximately 0.65 million tons. In particular, it maintains the leading position in the same industry in China in terms of the retained reserves of copper, cobalt and molybdenum, and its mines’ production capacity for copper and molybdenum has been at the forefront in the same industry in China.

In the first half of 2022, the cumulative output of resources from the mines controlled and invested by the Group were as follows: the copper metal production was 0.161 million tons, representing a year-on-year increase of 46.9%; cobalt metal production was 2,652.09 tons, representing a year-on-year increase of 89.7%; molybdenum metal production was 7,801.62 tons, representing a year-on-year increase of 0.07%; lead metal production was 4,488.79 tons, representing a year-on-year decrease of 29.68%; zinc metal production was 10,852.23 tons, representing a year-on-year increase of 1.08%; silver metal production was 23.15 tons, representing a year-on-year increase of 9.35%. The basic information of specific mine projects is shown in the table below.

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: 100 million Currency: RMB

| No. | Project name | Type | Mineral resources | | | Equity ratio (%) | Planned total investment (RMB100 million) | Accumulated investment (RMB100 million) | Investment in the reporting period (RMB100 million) | Product output in the reporting period | Planned completion date | Project progress | |
|-----|--|------------|-------------------|--------------------------------------|-----------|---------------------|--|--|--|--|-------------------------|----------------------|-----------|
| | | | Grade | Resource/Reserve (available) Unit | Quantity | | | | | | | | |
| 1 | Luming Molybdenum Mine, Yichun City of Heilongjiang | Molybdenum | 0.086% | Ton | 646,430 | 83 | 60.17 | 60.26 | 0 | 7,801.62 | Completed | In normal production | |
| | | Copper | / | Ton | / | | | | | | | | 546.55 |
| 2 | SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo | Copper | 3.205% | Ton | 7,528,646 | 41.72 | 45.86 | 32.86 | 0 | 134,861.69 | Completed | In normal production | |
| | | Cobalt | 0.248% | Ton | 583,538 | | | | | | | | 1,644.97 |
| 3 | Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S, Congo | Copper | 2.244% | Ton | 485,391 | 72 | 21.38 | 21.6 | 0 | 15,701.91 | Completed | In normal production | |
| | | Cobalt | 0.071% | Ton | 15,451 | | | | | | | | 534.66 |
| 4 | MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl, Congo | Copper | 2.078% | Ton | 31,049 | 80.2 | 11.95 | 12.35 | 0 | 9,916.18 | Completed | In normal production | |
| | | Cobalt | 0.211% | Ton | 3,159 | | | | | | | | 472.46 |
| 5 | Wulan Lead and Zinc Mine, Xinxin Company, Mongolia | Lead | 1.127% | Ton | 191,279 | 100 | 15.4 | 15.4 | 0 | 4,488.79 | Completed | In normal production | |
| | | Zinc | 2.666% | Ton | 452,676 | | | | | | | | 10,852.23 |
| | | Silver | 52.564g/t | Ton | 892 | | | | | | | | 23.15 |
| 6 | Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia | Lead | 0.63% | Ton | 41,141 | 100 | / | / | 0 | / | / | Not yet exploited | |
| | | Zinc | 2.37% | Ton | 154,709 | | | | | | | | / |
| | | Silver | 118.17g/t | Ton | 770 | | | | | | | | / |
| 7 | Wurle Ovoo and Zhanggai Tolgoi Gold Mine, Xinxin 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 | 7% | Ton | 89,693 | 100 | 3.3 | 3.3 | 0 | / | / | Ceased production | |
| | | Zinc | 5.09% | Ton | 65,190 | | | | | | | | / |
| | | Silver | 200.39g/t | Ton | 257 | | | | | | | | / |

MANAGEMENT DISCUSSION AND ANALYSIS

Financial business

When carrying out financial business, the Group has always strictly implemented the regulatory policies of the “Financial Stability and Development Commission of the State Council, the People’s Bank of China, the CSRC and the CBIRC” and adhered to the overall guidelines of integration of industry and finance. Centering on the target of serving internal financial needs, promoting the development of principal construction business and creating value and adhering to the principle of giving priority to benefits in the allocation of financial resources, our financial business segment has effectively promoted the flow of financial resources to efficient assets, while firmly holding the bottom line of avoiding financial risks. The Group holds the financial licenses for trust, finance company, and public fund, and is approved to engage in such financial businesses such as assets management, private equity fund, insurance brokerage, finance lease, and commercial factoring, which are the financial businesses that SASAC allows to be conducted in a prudent and regulated manner. We have built a multi-level, wide-covered and differentiated “finance, quasi-finance” institutional service system represented by China Railway Trust Co., Ltd. (“**CRTC**”), China Railway Finance Co., Ltd. (“**CRFC**”), and China Railway Capital Co., Ltd. (“**CRCC**”). These companies actively explore new ways for integrating industry and finance to serve internal financial needs. CRTC has enhanced the initiative of serving principal businesses through the service trust, project equity investment, asset securitization and the “three-in-one” mode of industry, finance and investment. It has established a regular risk monitoring, early warning and quick response mechanism for counterparties and projects, and issued the “Guidelines on Normalized Risk Investigation”, in order to minimize the potential risks and achieve the process management of “early discovery, early warning and early handling”. CRFC is responsible for strengthening internal capital concentration, establishing capital pool and controlling financing scale. It has played an important role in reducing financing costs, “deleveraging and controlling liabilities” by utilizing its own financial resources and talent resources and giving full play to the advantages of the platform of financial integration. CRCC has developed diversified businesses such as industrial fund, asset securitization, supply chain finance, commercial factoring, financial leasing, insurance brokerage, innovative venture and international investment and financing, and enhanced the efforts for obtaining equity financing for investment projects.

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, significantly improving the Group’s resources acquisition ability, supply security, procurement and bargaining power. During the fluctuation period of commodity prices, it provided reliable material supply guarantee for the Group’s production and operation and helped the Group effectively address the price fluctuation risks by making appropriate reserve and locking price in good time.

Infrastructure operation business

Asset operation is the development priority of China Railway, an important carrier for optimizing industrial layout and strengthening the brand of the whole industry chain, and a key link for strengthening operational asset management, guaranteeing investment income and enhancing capital circulation capacity. As a leading domestic construction enterprise, the Group has a complete industrial chain, extensive investment business layout, sound investment and operation management and control system, and strong development capability integrating investment, construction and operation. The business scope of PPP (BOT) of the Group mainly covers operation, maintenance and management of infrastructure investment projects and asset operation, covering three modes of independent operation, joint operation and entrusted operation. At present, the Group operates such infrastructure projects as rail transit, expressway, water and environmental protection, municipal roads, industrial parks, underground pipe corridors, etc., with the operation period ranging from 8 to 40 years. As the infrastructure investment projects undertaken by the Group have been successively completed and entered into the operation period, the Group's infrastructure operation revenue and profit generally show a rising trend. On the whole, with the dual effect of the national policy of maintaining stable growth and the development concept of "centering on the main business, and promoting the integration of industrial chain resources development" of the Group's investment business, in the first half of the year, the investment business continued to expand into new fields while consolidating its presence in the traditional market, and optimized the investment industry structure, contributing to the upgrade and transformation of the Group.

3 Scientific Research Investment and Technological Achievements

As one of the country's first "innovation-oriented enterprises" awarded by the Ministry of Science and Technology, the State-owned Assets Supervision and Administration Commission of the State Council and the All-china Federation of Trade Unions, the Group has 3 national laboratories (National Engineering Research Centre of High Speed Railway Construction Technology, National Key Laboratory of Shield Tunneling and Drilling Technology and National Key Laboratory of Bridge Structural Stability and Safety), 10 postdoctoral workstations, 1 national local joint research center (National and Local Joint Engineering Research Center for Research and Application of Digital Rail Transit Technology), 44 provincial research and development centers (laboratories), 19 nationally recognized technology centers and 120 provincially recognized technology centers. It has also set up 20 professional R&D centers and invested in the national technology innovation center for Sichuan-Tibet railway.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group made scientific and technological breakthroughs in major projects, and implemented research projects focusing on Sichuan-Tibet railway construction technology, high-speed railway construction technology, long bridge construction, operation and maintenance and disaster prevention technology, tunnel and underground project construction technology, communications engineering, signal engineering, electrical engineering and electrification engineering technology, construction equipment and industrial product manufacturing technology, building construction technology, energy conservation and emissions reduction, intelligent manufacturing and information technology and other key areas. Based on the actual needs for the operation and engineering construction and relying on such key and difficult bridge projects as the Ningbo-Zhoushan Railway Xihoumen Highway-Railway Dual-use Bridge, the Qiongzhou Strait Sea-crossing Project, and the Fourth Sea-crossing Bridge of Aoshen and Ruba Cross-sea Bridge in Malaysia, the Group conducted technical research on bridge survey and design theories and methods, new bridge structures and materials, and bridge intelligent construction technologies and equipment. Based on a number of Sichuan-Tibet railway projects such as the Dadu River Bridge on the Sichuan-Tibet Railway, the Group carried out research on key technologies for railway suspension bridges spanning plateau canyons for a kilometer or above, drilling and blasting construction technology for high-altitude and deep-buried complex geological and environmental tunnels. Based on projects such as Sichuan-Tibet Railway, Chengdu-Chongqing Middle Line Ultra-High-speed Railway, Shenzhou-Huizhou Intercity Railway and major equipment such as “Caiyun” and “Longyan” TBMs, “Chunfeng” mud-water balance shield machine, “Yongning” and “Xueyu Xianfeng” hard rock roadheaders, the Group conducted research on key technologies for intelligent monitoring and maintenance in operating tunnel structures, quality improvement and intelligent construction of tunnel engineering. Based on Yinlan high-speed railway, Xilai high-speed railway, Chaoma intercity express line, Phoenix maglev sightseeing express line and other projects, the Group carried out research on intelligent construction technology of communications engineering, signal engineering, electrical engineering and electrification engineering.

4 Consolidated Results of Operations

For the six months ended 30 June 2022, the Group’s revenue increased by 12.5% from the corresponding period of 2021 to RMB560.587 billion. The Group realized profit for the period of RMB16.825 billion, representing an increase of 17.2% from the same period of last year. For the six months ended 30 June 2022, profit for the period attributable to owners of the Company was 15.126 billion, representing an increase of 15.5% from the same period of last year while the basic earnings per share of the Company were RMB0.551, representing an increase of 21.4% from the same period of last year.

A comparison of the financial results for the six months ended 30 June 2022 and the corresponding period of 2021 is set forth below.

Revenue

In the first half of 2022, the Group’s revenue increased year-on-year by 12.5% to RMB560.587 billion, mainly due to the increase in revenue from infrastructure construction business and property development business. Among which, the revenue generated from overseas region was RMB27.729 billion, representing a year-on-year increase of 10.4%.

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 cost), employee compensation and benefits and depreciation and amortization expenses. For the six months ended 30 June 2022, the Group's cost of sales and services increased year-on-year by 12.6% to RMB514.037 billion. In the first half of 2022, gross profit of the Group increased year-on-year by 11.5% to RMB46.550 billion. The gross profit margin for the first half of 2022 was 8.3%, basically remained the same as 8.4% for the same period of last year.

Other income

The Group's other income primarily consists of dividend income and subsidies from government. For the six months ended 30 June 2022, the Group's other income was RMB1.173 billion, representing a decrease of 23.4% from the same period of last year. It was mainly due to the decrease in dividend income.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. For the six months ended 30 June 2022, other expenses increased by 22.3% to RMB8.980 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 includes impairment losses on trade and other receivables, other financial assets at amortised cost and contract assets. For the six months ended 30 June 2022, the Group's net impairment losses on financial assets and contract assets was RMB1.413 billion, representing a year-on-year increase of 2.2%. It was mainly due to the increase in impairment losses on trade and other receivables.

Other gains, net

The Group's net other gains mainly include gains and losses on disposal/write-off of property, plant and equipment, lease prepayment, associates and subsidiaries, foreign exchange gains/losses, impairment losses on property, plant and equipment and other assets and changes in the fair value of financial assets/liabilities through profit and loss. The net other gains for the first half of 2022 was RMB735 million (first half of 2021: RMB6 million), which mainly includes deemed disposal gains of interest in associates of RMB504 million and foreign exchange gains of RMB454 million.

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 and bills receivables which were transferred in accordance with asset-backed notes ("ABN") and asset-backed securities ("ABS") issuance, non-recourse factoring agreements and bills receivables discounting arrangements. In the first half of 2022, the Group's losses from derecognition of financial assets at amortised cost was RMB1.592 billion, representing a year-on-year increase of 7.1%. For the six months ended 30 June 2022, the Group transferred trade receivables of RMB23.643 billion and RMB3.937 billion under the issuance of ABN and ABS and non-recourse factoring agreements, respectively (first half of 2021: RMB21.678 billion and RMB6.925 billion, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, and advertising costs. For the six months ended 30 June 2022, the Group's selling and marketing expenses was RMB2.706 billion, representing an increase of 14.1% from the same period of last year. It was mainly due to the increase in selling and commission expense of property development business and the increase of investment in marketing resulting from the Group's strengthened effort in business development. Selling and marketing expenses as a percentage of total revenue was 0.5% for the first half of 2022, basically remained the same as that for the same period of last year.

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 2022, the Group's administrative expenses was RMB12.512 billion, basically remained the same as that for the same period of last year. Administrative expenses as a percentage of total revenue for the first half of 2022 was 2.2%, representing a decrease from 2.5% for the first half of 2021.

Finance costs, net

For the six months ended 30 June 2022, the Group's net finance costs (finance costs less finance income) was RMB845 million, representing an increase of 12.4% from the same period of last year. It was mainly due to the increase in interest expense brought by the increase in balance of interest-bearing liabilities as compared to the same period of last year.

Profit before income tax

As a result of the foregoing factors, the Group's profit before income tax for the six months ended 30 June 2022 increased by 18.9% to RMB21.897 billion from RMB18.412 billion for the corresponding period of 2021.

Income tax expense

For the six months ended 30 June 2022, the Group's income tax expense was RMB5.072 billion, representing an increase of 24.9% from the same period of last year. By excluding the effect of land appreciation tax, the effective income tax rate of the Group was 19.2% for the first half of 2022, increasing 0.9 percentage point from 18.3% for the same period of last year.

Profit for the period attributable to owners of the Company

The profit for the period attributable to owners of the Company for the six months ended 30 June 2022 increased by 15.5% to RMB15.126 billion from RMB13.095 billion for the same period of 2021. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2022 was 2.7%, increasing 0.1 percentage point from 2.6% for the same period of 2021.

5 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2022 are set forth in the table below.

| Business segment | Revenue <i>RMB million</i> | Growth rate <i>(%)</i> | Profit/(loss) before income tax <i>RMB million</i> | Growth rate <i>(%)</i> | Profit/(loss) before income tax margin ¹ <i>(%)</i> | Revenue as a percentage of total <i>(%)</i> | Profit/(loss) before income tax as a percentage of total <i>(%)</i> |
|--|-------------------------------|---------------------------|---|---------------------------|--|--|--|
| Infrastructure Construction | 495,908 | 7.9 | 19,517 | 16.3 | 3.9 | 83.3 | 83.9 |
| Survey, Design and Consulting Services | 9,232 | 19.9 | 937 | 34.0 | 10.1 | 1.5 | 4.0 |
| Engineering Equipment and Component Manufacturing | 16,767 | 1.8 | 1,110 | (3.6) | 6.6 | 2.8 | 4.8 |
| Property Development | 23,709 | 67.9 | (2,296) | 346.7 | (9.7) | 4.0 | (9.9) |
| Other Businesses | 50,314 | 11.7 | 4,014 | 71.5 | 8.0 | 8.4 | 17.2 |
| Inter-segment Eliminations and Adjustments | (35,343) | | (1,385) | | | | |
| Total | 560,587 | 12.5 | 21,897 | 18.9 | 3.9 | 100.0 | 100.0 |

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

Infrastructure construction

Revenue from the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In the first half of 2022, the revenue from the infrastructure construction business accounted for 83.3% of the total revenue of the Group (first half of 2021: 84.7%). In the first half of 2022, the Group coordinated and promoted various tasks of production and operation, accelerated the progress of production and operation, and proceeded steadily and orderly. Revenue of the infrastructure construction business for the six months ended 30 June 2022 was RMB495.908 billion, an increase of 7.9% as compared to the same period of last year. Gross profit margin and profit before income tax margin of the infrastructure construction segment for the first half of 2021 was 7.3% and 3.9% respectively (first half of 2021: 7.0% and 3.7% respectively). Such increase was mainly due to the increase in proportion of revenue from highway and municipal works business with higher profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Survey, design and consulting services

Revenue from 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 2022, the Group's survey, design and consulting services business developed continuously and steadily and its revenue recorded RMB9.232 billion, increased by 19.9% as compared to the same period of last year. For the first half of 2022, gross profit margin and profit before income tax margin for the segment was 27.4% and 10.1% respectively (first half of 2021: 26.5% and 9.1% respectively). Such decrease was mainly due to the decrease in scale of projects with lower profitability.

Engineering equipment and component manufacturing

Revenue from 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 2022, the Group seized the dividends of the "stable growth" policy and the development opportunities of the equipment manufacturing industry, and continued to strengthen efforts in market development. Revenue of the engineering equipment and component manufacturing business of the Group increased by 1.8% year-on-year to RMB16.767 billion for the first half of 2022. Gross profit margin and profit before income tax margin for the first half of 2022 was 19.3% and 6.6% respectively, basically remained the same as 19.5% and 7.0% for the first half of 2021, respectively.

Property development

In the first half of 2022, the Group paid close attention to changes in policies and market conditions, accelerated the delivery of houses and destocking. For the first half of 2022, revenue of property development business increased by 67.9% year-on-year to RMB23.709 billion. Gross profit margin and profit before income tax margin for the first half of 2022 was 4.7% and -9.7% respectively (first half of 2021: 16.0% and -3.6% respectively). Such decrease was mainly due to ① selling price of certain projects were adjusted as a result of market downturn. ② profitability of the current period was affected by the changes in revenue mix in the reporting period.

Other businesses

In the first half of 2022, the Group has progressively implemented the "limited and interrelated" diversification strategy. Revenue of other businesses increased year-on-year by 11.7% to RMB50.314 billion for first half of 2022. In the first half of 2022, gross profit margin and profit before income tax margin were 16.6% and 8.0% respectively (first half of 2021: 19.5% and 5.2% respectively). Details are as follows: ① revenue from infrastructure operation business increased year-on-year by 89.2% to RMB1.741 billion with gross profit margin increased year-on-year by 8.9 percentage points to 18.2%; ② revenue from mining business increased year-on-year by 56.0% to RMB4.298 billion with gross profit margin increased year-on-year by 1.9 percentage points to 55.3%; ③ revenue from merchandise trading business increased year-on-year by 7.7% to RMB35.459 billion with gross profit margin decreased year-on-year by 4.0 percentage points to 2.4%; ④ revenue from financial business decreased year-on-year by 10.1% to RMB2.044 billion.

6 Cash Flow

For the six months ended 30 June 2022, the net cash outflow from operating activities of the Group amounted to RMB37.716 billion, a decrease of net cash outflow from operating activities of RMB58.879 billion for the first half of 2021. It was mainly because the Group actively utilized the “steady growth” measures introduced by the State to speed up the recovery of funds, and at the same time strengthened cash flow control and strived to improve the funding position. For the six months ended 30 June 2022, the net cash outflow from investing activities of the Group amounted to RMB31.601 billion, an increase of net cash outflow from investing activities of RMB26.095 billion for the first half of 2021. It was mainly due to the increase of investment in infrastructure investment projects. For the six months ended 30 June 2022, the net cash inflow from financing activities of the Group amounted to RMB76.022 billion, an increase in the net cash inflow from financing activities of RMB64.419 billion for first half of 2021. It was primarily due to the increase in external financing.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment, upgrading of the Group’s production facilities and investments in PPP projects under the intangible asset mode. The Group’s capital expenditure for the first half of 2022 was RMB54.802 billion (among which, RMB18.590 billion is for purchase of intangible assets, RMB2.940 billion is for purchase of fixed assets, and RMB32.359 billion is for construction in progress), representing an increase of 181.09% as compared to RMB19.496 billion for the same period of last year. Such increase was mainly due to the increase of construction in progress of RMB28.53 billion arising from the acquisition of the equity interest in Yunnan Dianzhong Water Diversion Engineering Co., Ltd. during the reporting period.

Working capital

| | As at | |
|---|--------------------------------|------------------------------------|
| | 30 June 2022 RMB million | 31 December 2021 RMB million |
| Inventories | 65,969 | 45,371 |
| Trade and bills receivables | 192,156 | 157,025 |
| Trade and bills payables | 441,890 | 405,520 |
| Turnover of inventory (<i>days</i>) | 19 | 16 |
| Turnover of trade and bills receivables (<i>days</i>) | 56 | 50 |
| Turnover of trade and bills payables (<i>days</i>) | 148 | 147 |

As at 30 June 2022, the Group’s inventories was RMB65.969 billion, increased by 45.4% as compared to the end of 2021. Such increase was mainly due to the increase in reserve of construction materials for ensuring the production progress of the project and coping with the rising price of raw materials. The inventory turnover days for the first half of 2022 increased to 19 days from 16 days for the year of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and bills receivables

As at 30 June 2022, trade and bills receivables was RMB192.156 billion, an increase of 22.4% from RMB157.025 billion as at the end of 2021. Such increase was mainly due to ① the normal increase in balance of trade and bills receivable resulting from the increase in operating scale; ② slow down in repayment from certain project owners. The turnover days of trade and bills receivables increased from 50 days for 2021 to 56 days for the first half of 2022. 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 21.5% (31 December 2021: 24.5%) of the total amount, reflecting the sound receivables management capability of the Group.

The following table sets forth the ageing analysis of the Group's trade and bills receivables as at 30 June 2022 and 31 December 2021, based on invoice date.

| | As at | |
|--------------------|--------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Less than 1 year | 150,927 | 118,517 |
| 1 year to 2 years | 16,586 | 14,919 |
| 2 years to 3 years | 9,417 | 10,297 |
| 3 years to 4 years | 5,753 | 4,562 |
| 4 years to 5 years | 2,155 | 1,407 |
| More than 5 years | 7,318 | 7,323 |
| Total | 192,156 | 157,025 |

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 2022, the Group's trade and bills payables was RMB441.890 billion, an increase of 9.0% from the end of 2021. The main reason is the expansion of business scale led to a normal increase in trade payables. The turnover days of trade and bills payables for the first half of 2022 was 148 days, basically remained the same as 147 days for 2021. 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 9.4% (31 December 2021: 8.6%) of the total amount.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 30 June 2022 and 31 December 2021, based on invoice date.

| | As at | |
|--------------------|---------------------------------------|---|
| | 30 June 2022 <i>RMB million</i> | 31 December 2021 <i>RMB million</i> |
| Less than 1 year | 400,411 | 370,538 |
| 1 year to 2 years | 22,799 | 19,622 |
| 2 years to 3 years | 9,133 | 9,274 |
| More than 3 years | 9,547 | 6,086 |
| Total | 441,890 | 405,520 |

7 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2022 and 31 December 2021.

| | As at | |
|---------------------------------|---------------------------------------|---|
| | 30 June 2022 <i>RMB million</i> | 31 December 2021 <i>RMB million</i> |
| Bank borrowings | | |
| Secured | 96,572 | 81,976 |
| Unsecured | 214,195 | 152,824 |
| | 310,767 | 234,800 |
| Long-term debentures, unsecured | 50,512 | 55,007 |
| Other borrowings | | |
| Secured | 3,320 | 1,992 |
| Unsecured | 22,297 | 20,128 |
| Total | 386,896 | 311,927 |
| | | |
| Long-term borrowings | 252,915 | 198,503 |
| Short-term borrowings | 133,981 | 113,424 |
| Total | 386,896 | 311,927 |

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's long-term borrowings was RMB252.915 billion, representing an increase of 27.4% from the end of 2021. It was mainly due to the increase in loans for infrastructure investment projects as construction progressed. As at 30 June 2022, the Group's short-term borrowings was RMB133.981 billion, representing an increase of 18.1% from the end of 2021, mainly due to the fulfillment of liquidity needs. The Group is generally capable of making timely repayments.

Bank borrowings carry interest rates ranging from 0.75% to 6.90% per annum (31 December 2021: 0.75% to 9.50%). Long-term debentures carry fixed interest rates ranging from 2.28% to 4.80% per annum (31 December 2021: 2.14% to 4.50%). Other borrowings carry interest rates ranging from 3.00% to 6.90% per annum (31 December 2021: 2.35%). For the first half of 2022, the average cost of financing was 3.85%, representing a year-on-year decrease of 0.29 percentage point.

The following table sets forth the maturity of the Group's borrowings as at 30 June 2022 and 31 December 2021.

| | As at | |
|--------------------|---------------------------------------|---|
| | 30 June 2022 <i>RMB million</i> | 31 December 2021 <i>RMB million</i> |
| Less than 1 year | 133,981 | 113,424 |
| 1 year to 2 years | 38,363 | 31,351 |
| 2 years to 5 years | 77,465 | 64,552 |
| More than 5 years | 137,087 | 102,600 |
| Total | 386,896 | 311,927 |

As at 30 June 2022 and 31 December 2021, the Group's bank borrowings comprised floating-rate bank borrowings amounting to RMB201.954 billion and RMB156.440 billion, respectively. The Group's borrowings are primarily denominated in Renminbi and foreign currency borrowings are primarily denominated in U.S. dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the details of the Group's secured borrowings as at 30 June 2022 and 31 December 2021.

| | As at 30 June 2022 | | As at 31 December 2021 | |
|---|--------------------|----------------------------------|------------------------|----------------------------------|
| | Secured borrowings | Carrying value of pledged assets | Secured borrowings | Carrying value of pledged assets |
| | | RMB million | | RMB million |
| Property, plant and equipment | 1,837 | 4,695 | 295 | 1,715 |
| Intangible assets | 54,171 | 82,614 | 45,894 | 64,728 |
| Properties under development for sale | 6,885 | 17,436 | 7,699 | 30,698 |
| Trade and bills receivables | 19 | 19 | 221 | 221 |
| Trade receivables from fellow subsidiaries of the Group | 24 | 375 | 34 | 375 |
| Contract assets | 34,515 | 60,444 | 29,825 | 48,320 |
| Total | 97,451 | 165,583 | 83,968 | 146,057 |

Besides, the Group has secured borrowings, with amount of RMB2,441 million, were secured by the future collection right of the subsidiaries of the Group.

As at 30 June 2022, the Group's unused credit line facilities from banks amounted to approximately RMB1,304.973 billion (31 December 2021: RMB1,201.491 billion).

As at 30 June 2022, the Group's gearing ratio (total liabilities/total assets) was 74.1%, an increase of 0.4 percentage point from 73.7% as at 31 December 2021.

8 Contingent Liabilities

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

| | As at | |
|--|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| | RMB million | RMB million |
| Pending lawsuits ^(Note 1) | | |
| – arising in the ordinary course of business | 5,388 | 5,256 |

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.

9 Business Risks

The risks faced by the Group include investment and operation risks, international operation risks, cash flow risks, health, safety and environmental protection risks, and major pandemic prevention and control risks in the ordinary course of business.

- (1) **Investment and operation risk:** It refers to the risk that due to the uncertainty of investment results arising from uncontrollable external factors, insufficient feasibility analysis and argument 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, and the scale risk brought about by the increase in the Group's investment projects; among which, the overseas investment risk refers to the risk that overseas investment is affected by factors including local society, politics, economy, culture, policies and regulations, as well as relevant domestic policies and the corporate internationalization talent pool, which may lead to investment failure, lower-than-expected investment return, lower personnel security, damage to the reputation of the enterprise, etc.
- (2) **International operation risk:** It refers to the risk that due to the influence of international political situation, foreign policy changes, administrative intervention from government, economic, social, environmental or technological changes and other factors, which may lead to the failure to normally carry out the Group's overseas construction projects.
- (3) **Cash flow risk:** It refers to the possibility that the Group may incur economic losses or damage of reputation in the event of failure to meet the requirements of timely payment, investment expenses or timely repayment of the Group's debts in its operations due to improper management of cash flow.
- (4) **Health, safety and environmental protection risk:** The health, safety and environmental protection risks faced by the Group are mainly concentrated in the construction safety risks of construction engineering projects, which mainly refer to the risk that due to the lack of effective management in management system implementation, measure implementation, technical management, subcontract management, equipment management and accident management of the Group, which may lead to major production safety accidents and safety hazards in the enterprise.

- (5) **Major pandemic prevention and control risk:** Due to the impact of a major uncontrollable pandemic, some national and local governments have issued policies that regard the major pandemic 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 carries out monitoring and early warning of relevant major risks, makes various types of risks correspond to the various business processes through the establishment and operation of the risk management and internal control systems, 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 develops strategies and contingency plans to deal with risks, which guarantees the overall controllability of the Group's various types of risks.

Foreign exchange risk

The business operations of the Group are mainly in China with most of its transactions settled in RMB. Nevertheless, the Group continually monitors its exposure to foreign exchange and will take appropriate actions to mitigate the foreign exchange risk when necessary.

SIGNIFICANT EVENTS

1 Overview of General Meeting

| Session of meeting | Date of meeting | References of designated websites for the publication of resolutions | Date of publication of the resolutions |
|----------------------------------|-----------------|---|--|
| 2021 First H Share Class Meeting | 12 January 2022 | China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange | 13 January 2022 |
| | | The website of the Hong Kong Stock Exchange | 12 January 2022 |
| 2021 Annual General Meeting | 22 June 2022 | China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange | 23 June 2022 |
| | | The website of the Hong Kong Stock Exchange | 22 June 2022 |

Description of the general meeting:

1. On 12 January 2022, the Company held the 2021 First H Share Class Meeting with onsite voting. During the meeting, "Proposal on the 2021 Restricted Share Incentive Scheme of China Railway Group Limited (Draft) and its Summary" and other proposals were reviewed and approved and resolutions were formed. 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 13 January 2022 and on the website of Hong Kong Stock Exchange on 12 January 2022.
2. The 2021 annual general meeting of the Company was held on 22 June 2022 with a combination of onsite meeting and online voting. During the meeting, "Proposal on the Report of the Board of Directors of the Company for the Year Ended 31 December 2021", "Proposal on Amendments to the Articles of Association of the Company" and other proposals were reviewed and approved and resolutions were formed. 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 23 June 2022 and on the website of Hong Kong Stock Exchange on 22 June 2022.

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 (RMB) (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 2021. Pursuant to the profit distribution plan considered and passed at the 2021 annual general meeting convened on 22 June 2022, a cash dividend of RMB1.96 (tax inclusive) per 10 shares based on the total share capital of 24,741,653,683 shares of the Company as at 30 March 2022 was declared by the Company, totaling RMB4,849,364,121.87 (tax inclusive) and representing approximately 17.5% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the year of 2021 of the Company. The announcement on the profit distribution of H shares was published on 7 July 2022 on the website of Hong Kong Stock Exchange and the website of the Company. The announcement on the profit distribution of A shares was published on 22 July 2022 in China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and on the website of Shanghai Stock Exchange (www.sse.com.cn). As at 9 August 2022, the implementation of the profit distribution plan of the Company for 2021 has been completed.

SIGNIFICANT EVENTS

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

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

| Matter overview | Query index |
|-----------------|-------------|
|-----------------|-------------|

At the 2021 first H share class meeting, the Proposal on the 2021 Restricted Share Incentive Scheme (Draft) and its Summary of China Railway Group Limited, the Proposal on the Appraisal Management Measures for Implementation of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited, the Proposal on the Management Measures of the 2021 Restricted Share Incentive Scheme of China Railway Group Limited and the Proposal on Requesting the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Relating to the Company's Restricted Share Incentive Scheme were considered and approved.

The thirteenth meeting of the fifth session of the Board of Directors and the tenth meeting of the fifth session of the Supervisory Committee of the Company considered and approved the Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 Restricted Share Incentive Scheme, and independent directors expressed their independent opinion on the proposal.

For details, please refer to the Announcement on Resolutions of 2021 First H Share Class Meeting of China Railway Group Limited disclosed on 13 January 2022.

For details, please refer to the Announcement on Resolutions of the Thirteenth Meeting of the Fifth Session of the Board of Directors of China Railway Group Limited, the Announcement on Resolutions of the Tenth Meeting of the Fifth Session of the Supervisory Committee of China Railway Group Limited, and the Independent Opinion of Independent Directors of China Railway Group Limited on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 Restricted Share Incentive Scheme disclosed on 18 January 2022.

Matter overview

Query index

The conditions for the grant of restricted shares under the 2021 Restricted Share Incentive Scheme (Draft) of China Railway Group Limited were fulfilled. According to the authorization of the 2021 second extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting of China Railway Group Limited, the thirteenth meeting of the fifth session of the Board of Directors held by the Company on 17 January 2022 considered and approved the Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 Restricted Share Incentive Scheme, determining the first grant date of restricted shares as 17 January 2022. Number of initial grant: 180.0000 million shares. Initial grant price: RMB3.55/share. The Supervisory Committee of the Company verified the matters such as the incentive recipients, grant date and first grant arrangement determined for the first time in the incentive scheme. Jia Yuan Law Offices issued a legal opinion on the grant.

For details, please refer to the Announcement of China Railway Group Limited on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 Restricted Share Incentive Scheme, the Verification Opinion of the Supervisory Committee of China Railway Group Limited on the List of Incentive Recipients on the Grant Date of the Company's 2021 Restricted Share Incentive Scheme and the Legal Opinion issued by Jia Yuan Law Offices on Matters related to the Grant of Restricted Shares of 2021 Restricted Share Incentive Scheme of China Railway Group Limited which were disclosed on 18 January 2022.

According to the provisions of the Measures for the Administration of Share Incentives of Listed Companies and as required by Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited ("CSDC") Shanghai Branch, the Company completed the registration of the first grant of the Company's 2021 Restricted Share Incentive Scheme at the CSDC Shanghai Branch on 23 February 2022.

For details, please refer to the Announcement on Results of the First Grant of the 2021 Restricted Share Incentive Scheme of China Railway, which was disclosed on 25 February 2022.

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

Not applicable.

SIGNIFICANT EVENTS

4 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 | Content of The undertaking | Timing and duration of undertaking | Whether there is a deadline for performance | Whether duly performed | If not duly performed, describe the specific reasons | If not duly performed, 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. | None | No | Yes | / | / |
| Undertakings related to refinancing | Others | CREC | If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, CREC shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities. | Long-term | No | Yes | / | / |

Note:

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 CRHIC 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 (<http://www.sse.com.cn>) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.
2. The Company issued the Letter on Modifying the Undertakings on Certain Contingencies to CRHIC on 25 November 2020, pursuant to which, the performance term of the undertaking in relation to apply for ownership certificates for defective real estate was changed to long term, which was considered and approved by the first extraordinary general meeting for 2020 of CRHIC on 25 December 2020. For details of the relevant undertakings, please refer to the Announcement of CRHIC on Modifying the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of CRHIC published at the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 8 December 2020. The Company is currently duly complying with all the undertakings.
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. When acquiring the control of CRPCC, the Company and CREC respectively issued the Undertakings on Avoiding Horizontal Competition with Beijing Hengtong Innovation Luxwood Technology Co Ltd., the Undertakings on Regulating the Related Party Transactions with Beijing Hengtong Innovation Luxwood Technology Co Ltd., and the Undertakings on Ensuring the Independence of Beijing Hengtong Innovation Luxwood Technology Co Ltd. The Company and CREC are currently duly complying with all the undertakings.
5. When spinning off and listing CRHEEC on the STAR Market, the Company and CREC respectively issued the Undertakings on Avoiding Horizontal Competition, the Undertakings on Reducing and Regulating the Related Party Transactions, and the Undertakings on Covering the Diluted Immediate Return. For details of the relevant undertakings, please refer to the Plan for China Railway Group Limited on the Spin-off of Its Subsidiary China Railway Highspeed Electrification Equipment Corporation Limited to Go Listing on the STAR Market (Revised) published on the website of the Shanghai Stock Exchange on 30 September 2020. The Company and CREC are currently duly complying with all the undertakings.

5 Non-operating Appropriation of Funds by the Controlling Shareholder and Other Related Parties during the Reporting Period

Not applicable

6 Illegal Guarantee

Not applicable

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7 Auditors

(1) Appointment and removal of auditors

Resolutions including the Resolution on the Appointment of Auditors for 2022 and Resolution on the Appointment of Internal Control Auditors for 2022 were considered and passed at the fourteenth meeting of the fifth session of the Board of Directors held on 29 and 30 March 2022. For details of the appointment of auditors, please see the Announcement of China Railway Group Limited on Reappointment of Auditors published on the website of the Shanghai Stock Exchange on 31 March 2022. These resolutions were then considered and passed at the 2021 annual general meeting of the Company on 22 June 2022. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2022 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditor for 2022. For details, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2021 disclosed by the Company on the website of the Shanghai Stock Exchange on 23 June 2022.

(2) Explanation of the company on the “Modified Audit Report” from auditors

Not applicable

8 Changes in and handling of the matters related to the qualified auditing opinions in the annual report for the previous year

Not applicable

9 Matters Relating to Insolvency or Restructuring

Not applicable

10 Material Litigation and Arbitration

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

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

Not applicable

12 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.

13 Significant Related Party Transactions

(1) Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

| Related Party | Related relationship | Type of related party transaction | Particulars of 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 subsidiaries of the parent company | Leasing service | Lease of office premises, etc. | Contract price | 3,278 | 3,278 | Less than 1% |
| China Railway State Assets Management Co., Ltd. | Wholly-owned subsidiaries of the parent company | Receipt of labor services | Receipt of comprehensive services | Contract price | 9,671 | 9,671 | Less than 1% |
| Total | | | | | <u>12,949</u> | <u>12,949</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 30 December 2021. The terms of both agreements are three years. The total transaction amount involved was within the decision-making authority of the Board and was considered and approved at the 12th meeting of the fifth 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 minimise exemption under the Hong Kong Listing Rules.

(iii) Matters undisclosed in announcement

Not applicable

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

- (i) **Matters which were disclosed in an announcement without subsequent progress or changes**
Not applicable
- (ii) **Matters which were disclosed in an announcement with subsequent progress or changes**
Not applicable
- (iii) **Matters undisclosed in announcement**
Not applicable
- (iv) **Discloseable performance for the reporting period of related party transactions with agreed-upon performance targets**
Not applicable

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

- (i) **Matters which were disclosed in an announcement without subsequent progress or changes**
Not applicable
- (ii) **Matters which were disclosed in an announcement with subsequent progress or changes**
Not applicable
- (iii) **Matters undisclosed in announcement**
Not applicable

(4) Amounts due from/to related parties

- (i) **Matters which were disclosed in an announcement without subsequent progress or changes**
Not applicable
- (ii) **Matters which were disclosed in an announcement with subsequent progress or changes**
Not applicable
- (iii) **Matters undisclosed in announcement**
Not applicable

(5) Financial business between the Company and the finance company with a related relationship, and between the Company's controlling finance company and related parties

China Railway Finance Co., Ltd. provides financial services to the Company's controlling shareholder, CREC and its subsidiaries, which enables the Company to use part of its financing funds to improve the efficiency of capital utilization and increase the benefits through the net interest and service fees earned by China Railway Finance Co., Ltd.. The Proposal on the Related Party Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and adopted at the 12th meeting of the fifth session of the Board convened by the Company on 22 December 2021, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement (the agreement would expire on 31 December 2024) 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 refer to the relevant announcement of the Company dated 31 December 2021 disclosed on the website of the Shanghai Stock Exchange. During the reporting period, the daily deposit balance (including interest accrued) of CREC and its subsidiaries with China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; the maximum daily loan balance (including interest accrued) obtained by CREC and its subsidiaries from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the service fee collected by China Railway Finance Co., Ltd. from CREC and its subsidiaries for other financial services did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

(i) Deposit business

Unit: Thousand Currency: RMB

| Related Party | Related relationship | Maximum daily deposit limit | Range of deposit interest rate | Opening balance | Amount for the current period | | Closing balance |
|---|---|-----------------------------|--------------------------------|-----------------|---------------------------------------|--|-----------------|
| | | | | | Total deposits for the current period | Total withdrawals for the current period | |
| CREC | Parent company | | 1.265% | 127,147 | 1,690,462 | 1,360,264 | 457,345 |
| China Railway State Assets Management Co., Ltd. | Wholly-owned subsidiaries of the parent company | 20,000,000 | 1.265% | 591,196 | 439,047 | 980,293 | 49,950 |
| Party school of China Railway Engineering Group Co., Ltd. | Wholly-owned subsidiaries of the parent company | | 1.265% | 29,972 | 15,132 | 27,543 | 17,561 |
| Total | | | | 748,315 | 2,144,641 | 2,368,100 | 524,856 |

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(ii) Loan business

Unit: Thousand Currency: RMB

| Related Party | Related relationship | Line of credit | Range of loan interest rate | Opening balance | Amount for the current period | | Closing balance |
|---------------|----------------------|----------------|-----------------------------|-----------------|------------------------------------|---|-----------------|
| | | | | | Total loans for the current period | Total repayments for the current period | |
| CREC | Parent company | 5,000,000 | 3.3%-3.45% | 980,000 | 1,100,000 | 750,000 | 1,330,000 |
| Total | | | | 980,000 | 1,100,000 | 750,000 | 1,330,000 |

(iii) Credit granting business or other financial business

Unit: Thousand Currency: RMB

| Related Party | Related relationship | Business type | Total | Amount incurred |
|---------------|----------------------|-------------------------------|-----------|-----------------|
| CREC | Parent company | Comprehensive credit granting | 5,000,000 | 1,330,000 |
| Total | | | 5,000,000 | 1,330,000 |

(iv) Others

Unit: Thousand Currency: RMB

| Item | Related Party | Amount for the current period | Amount of the corresponding period last year |
|-------------------|---|-------------------------------|--|
| Interest income | CREC | 22,785 | 34,515 |
| Interest expenses | CREC | 3,581 | 6,384 |
| Interest expenses | China Railway State Assets Management Co., Ltd. | 822 | 1,097 |
| Interest expenses | Party school of China Railway Engineering Group Co., Ltd. | 98 | 2 |

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

(6) Other significant related party transactions

Unit: Thousand Currency: RMB

| Guarantor | Secured party | Guarantee amount | Guarantee start date | Guarantee expiration date | Whether the guarantee has been fulfilled |
|-----------|---------------|------------------|----------------------|---------------------------|--|
| CREC | China Railway | 3,500,000 | October 2010 | April 2026 | No |

Note: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 15-year 2010 Corporate Bonds (Tranche 2) issued by the Company in October 2010. In accordance with the agreement on the guarantee period in the Company's "Prospectus for Public Offering of Corporate Bonds", the guarantor shall assume the guarantee liability during the period from the first day of issuance of the bonds to six months after the maturity date of the bonds. As of 30 June 2022, the guarantee liability undertaken by CREC as the guarantor of the 15-year 2010 Corporate Bonds (Tranche 2) has not expired. As at 30 June 2022, the remaining payable amount of the above-mentioned bonds was RMB3,603,363 thousand (31 December 2021: RMB3,524,444 thousand). For details, please refer to the financial statements.

14 Material Contracts and Their Performance

(1) Trusteeship, contracting and leasing

Not applicable

(2) Material guarantees performed and not performed during the reporting period

Unit: 0'000 Currency: RMB

| Guarantees provided by the Company (excluding the guarantees to subsidiaries) | | | | | | | | | | | | | | | |
|---|---|---|------------------|-----------------------|-------------------|--------------------------|---------------------------------------|---------------------|---------------------|-----------------|-------------------|----------------|-----------------------------|--------------------|----------------------|
| Guarantor | Relationship between guarantor and the listed company | Secured party | Guarantee amount | Commencement | | | Type of guarantee | Main debt condition | Collateral (if any) | Guarantee | | | Guarantee | | |
| | | | | date of the agreement | date of guarantee | Expiry date of guarantee | | | | fully performed | Guarantee overdue | Overdue amount | Counter guarantee available | to related parties | Related relationship |
| China Railway | The Company | Linha Railway Co., Ltd. | 41,789.00 | 30 June 2008 | 30 June 2008 | 20 June 2027 | Joint and several liability guarantee | Normal performance | None | No | No | / | Yes | No | / |
| China Railway No.4 Engineering Group Co., Ltd. | Wholly-owned subsidiary | Xuzhou Yingbin Expressway Construction Co., Ltd. | 119,000.00 | 22 October 2018 | 30 October 2018 | 29 October 2028 | Joint and several liability guarantee | Normal performance | Equity pledge | No | No | / | None | No | / |
| China Railway No.5 Engineering Group Co., Ltd. | Wholly-owned subsidiary | Qinghai Minmetals China Railway Highway Construction Management Co., Ltd. | 14,850.00 | 14 January 2020 | 14 January 2020 | 30 December 2045 | Joint and several liability guarantee | Normal performance | Equity pledge | No | No | - | None | No | / |
| China Railway No.5 Engineering Group Co., Ltd. | Wholly-owned subsidiary | Jiangxi Chengke Yunchuang Real Estate Co., Ltd. | 3,900.00 | 22 September 2021 | 22 September 2021 | 21 September 2029 | Joint and several liability guarantee | Normal performance | None | No | No | - | None | No | / |
| China Railway No.10 Engineering Group Co., Ltd. | Wholly-owned subsidiary | Chongqing CREC Renzhi Pension Industry Co., Ltd. | 50,000.00 | 12 January 2017 | 12 January 2017 | 30 November 2024 | Joint and several liability guarantee | Normal performance | None | No | No | - | None | No | / |
| China Railway Major Bridge Engineering Group Co., Ltd. | Wholly-owned subsidiary | Wuhan Yangsigang Bridge Co., Ltd. | 156,604.33 | 24 December 2015 | 24 December 2015 | 27 June 2023 | Joint and several liability guarantee | Normal performance | None | No | No | / | None | No | / |

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| Guarantees provided by the Company (excluding the guarantees to subsidiaries) | | | | | | | | | | | | | | | | |
|--|---|---|---------------|------------------|--------------------------------|--------------------------------|---------------------------------------|--------------------|---------------------|---------------------|-----------------|-------------------|----------------|-----------------------------|---------------------------------------|----------------------|
| Guarantor | Relationship between guarantor and the listed company | | Secured party | Guarantee amount | Commencement date of guarantee | | | Type of guarantee | Main debt condition | Collateral (if any) | Guarantee | | | Counter guarantee available | Guarantee provided to related parties | |
| | Relationship between guarantor and the listed company | Secured party | | | Commencement date of guarantee | Commencement date of guarantee | Expiry date of guarantee | | | | fully performed | Guarantee overdue | Overdue amount | | to related parties | Related relationship |
| China Railway Major Bridge Engineering Group Co., Ltd. | Wholly-owned subsidiary | Shantou Niutianyang Expressway Investment Development Co., Ltd. | 6,325.93 | 14 November 2019 | 14 November 2019 | 23 August 2039 | Joint and several liability guarantee | Normal performance | Equity pledge | No | No | / | None | No | / | |
| China Railway Tunnel Group Co., Ltd. | Wholly-owned subsidiary | China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation | 5,691.75 | 29 December 2012 | 29 December 2012 | 30 June 2023 | Joint and several liability guarantee | Normal performance | None | No | No | / | None | No | / | |
| China Railway Shanghai Engineering Group Co. Ltd. | Wholly-owned subsidiary | Fangchenggang China Railway Diluyuan Investment Development Co., Ltd. | 500.00 | 8 May 2019 | 8 May 2019 | 31 December 2030 | Joint and several liability guarantee | Normal performance | Equity pledge | No | No | / | None | No | / | |
| China Railway International Group Co., Ltd. | Wholly-owned subsidiary | MontagProp Proprietary Limited | 6,195.00 | 3 July 2015 | 3 July 2015 | 3 November 2023 | Joint and several liability guarantee | Normal performance | None | No | No | / | None | No | / | |
| China Southern Investment Group Co., Ltd. | Wholly-owned subsidiary | Shantou Niutianyang Expressway Investment Development Co., Ltd. | 301,934.26 | 30 August 2019 | 30 August 2019 | 23 August 2039 | Joint and several liability guarantee | Normal performance | Equity pledge | No | No | / | None | No | / | |
| Total amount of guarantees incurred during the reporting period (excluding the guarantees provided to subsidiaries) | | | | | | | | | | | | | | | -111,158.05 | |
| Total balance of guarantees as at the end of the reporting period (A) (excluding the guarantees provided to subsidiaries) | | | | | | | | | | | | | | | 706,790.27 | |
| Guarantees provided by the Company to its subsidiaries | | | | | | | | | | | | | | | | |
| Total amount of guarantees provided to subsidiaries during the reporting period | | | | | | | | | | | | | | | 439,994.72 | |
| Total balance of guarantees provided to subsidiaries at the end of the reporting period (B) | | | | | | | | | | | | | | | 15,547,203.22 | |
| Total amount of guarantees provided by the Company (including the guarantees for subsidiaries) | | | | | | | | | | | | | | | | |
| Total amount of guarantees (A+B) | | | | | | | | | | | | | | | 16,253,993.49 | |
| Percentage of total guarantees over the net assets of the Group (%) | | | | | | | | | | | | | | | 40.92 | |
| Of which: | | | | | | | | | | | | | | | | |
| Amount of guarantees provided to shareholders, de facto controller and their related parties (C) | | | | | | | | | | | | | | | 0.00 | |
| Amount of debt guarantees directly or indirectly provided to the parties with the gearing ratio exceeding 70% (D) | | | | | | | | | | | | | | | 13,554,991.35 | |
| Total amount of guarantees exceeding 50% of net assets (E) | | | | | | | | | | | | | | | 0.00 | |
| Total amount of the above three types of guarantees (C+D+E) | | | | | | | | | | | | | | | 13,554,991.35 | |
| Statement on the contingent joint and several liability in connection with unexpired guarantee | | | | | | | | | | | | | | | Not applicable | |
| Explanations on guarantees | | | | | | | | | | | | | | | | |
| 1. The total amount of guarantee included the shortfall payments given to the senior tranches in respect of the issuance of ABN&ABS of RMB99,794.6370 million. | | | | | | | | | | | | | | | | |
| 2. As at 30 June 2022, the balance of guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB48,666.6994 million. | | | | | | | | | | | | | | | | |

(3) Other material contracts

(i) Infrastructure construction business

| No. | Signatory | Name of Contract | Date of signature | Contract sum (RMB'0,000) | Construction period |
|-----------------------------------|---|--|-------------------|-----------------------------|--|
| Railway business | | | | | |
| 1 | China Railway Shanghai, China Railway No. 1 Engineering, China Railway No. 4 Engineering | Construction for bid 2, bid 3 and bid 4 of Huaibei - Suzhou - Bengbu Intercity Railway station in Huaibei - Suzhou - Bengbu Intercity Railway Project | March 2022 | 746,938 | 1,461 days |
| 2 | China Railway Construction, China Railway No. 8 Engineering | Bids CQDZZF-2 and CQDZZF-3 of New Chongqing East Railway station building and supporting comprehensive transportation hub project for Chongqing - Guizhou Railway | May 2022 | 636,634 | 1,096 calendar days |
| 3 | China Railway Beijing, China Railway No. 10 Engineering | Unit cost contracting for construction of bids BYZQ- 06 and BYZQ-09 of new station and building construction for Linhe to the provincial boundary section of Baotou - Yinchuan high-speed railway | March 2022 | 530,663 | 1,401 calendar days |
| Highways business | | | | | |
| 1 | China Railway No. 4 Engineering, China Railway Tunnel | Franchising project tenders for social investors for Laoying - Banqiao section rerouting project of Yunnan Dabao Expressway, Changning to Lianzi Bridge Expressway, and Midu to Changning Expressway (Baoshan section) | June 2022 | 735,000 | Implemented by 3 sections, 3-5 years for each section |
| 2 | China Railway No. 7 Engineering | General contracting for construction of Da Wulan - Leng Kou (Qintang Boundary) Highway | June 2022 | 281,090 | 24 months |
| 3 | China Railway No. 1 Engineering | General contracting for design and construction of Qiantun bend to old Cheyenne Line construction project for Tonghua to Wuhan Highway of National Road G230 | May 2022 | 213,877 | 21 months |
| Municipal works and others | | | | | |
| 1 | China Railway No. 7 Engineering | Xinyang Times Square - Beihu Spring Project | March 2022 | 720,000 | By three phases, 720 days for each phase |
| 2 | China Railway No. 1 Engineering | Warehouses No. 1 and 2 of Qingdao cold chain, Qihe International Cold Chain Logistics Park construction project | March 2022 | 527,700 | 913 days |
| 3 | China Railway Beijing | Contracting of development, design, installation and construction of 800WM household PV projects of Zhengzhou Yingtai Energy Development | May 2022 | 315,200 | 7 months |

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(ii) Survey, design and consulting services business

| No. | Signatory | Name of Contract | Date of signature | Contract sum (RMB'0,000) | Construction period |
|-----|----------------------------------|---|-------------------|-----------------------------|--|
| 1 | China Railway Eryuan Engineering | General contracting for survey and design of Urban (suburban) railway Chengdu to Deyang line project | March 2022 | 48,590 | Till the project is completed and accepted |
| 2 | China Railway Eryuan Engineering | General contracting for survey and design of Urban (suburban) railway Chengdu to Meishan line project | March 2022 | 36,739 | Till the project is completed and accepted |
| 3 | China Railway Consulting | Survey and design of Zhengzhou hub Longhaiwai routing and Xiaolizhuang station project | May 2022 | 25,139 | Till the project is completed and accepted |

(iii) Engineering equipment and component manufacturing business

| No. | Signatory | Name of Contract | Date of signature | Contract sum (RMB'0,000) |
|---|-----------|---|-------------------|-----------------------------|
| Tunnel Construction Equipment | | | | |
| 1 | CRHIC | TBM Purchase and Sales Contract for Pumped Storage Power Station | February 2022 | 7,389 |
| 2 | CRHIC | Purchase and sales of shield machine equipment | April 2022 | 10,260 |
| Turnout Products | | | | |
| 1 | CRHIC | Railway turnout distribution contract | May 2022 | 4,893 |
| 2 | CRHIC | Railway high-speed turnout purchase and supply | June 2022 | 21,916 |
| Manufacturing and installation of steel structures | | | | |
| 1 | CRHIC | Manufacturing and installation of steel anchor beam, steel truss beam and auxiliary structure for section HHDQ-3 for the construction of Jinan Yellow River Highway Bridge Extension Project (approach bridge and main bridge section) of G104 JingLan Line | May 2022 | 50,022 |
| 2 | CRHIC | Yellow River super high speed bridge steel structure project | June 2022 | 119,213 |

(iv) Property development business*(1) Acquisition of land*

| No. | Project name | Location | Project type | Planned area (sq.m.) |
|-----|---|-----------|--------------|----------------------|
| 1 | Plot D, Shilihetan Phase II, Huaxi District, Guiyang | Guiyang | Residential | 294,700 |
| 2 | Plot 8, Unit Portfolio 105, Lingang New Area, Shanghai | Shanghai | Residential | 199,498 |
| 3 | Plots No. DG1503020 and DG1503021, Nansha District, Guangzhou | Guangzhou | Residential | 181,669 |

*(2) Properties held for development**Unit: 10,000 sqm*

| Name of building or project | Specific address | Current land use | Site area | Floor area | State of completion | Expected completion date | Interests of the Company and its subsidiaries |
|--|--|-------------------------|-----------|------------|---------------------|--------------------------|---|
| Sichuan Heilongtan International Ecotourism 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 | 2024 | 100% |
| Guiyang Qingzhen Project | Xiangzhou Residential Quarters, Vocational Education Area, Qingzhen, Guiyang City, Guizhou | Commercial, residential | 45.47 | 104.8 | Under construction | 2027 | 90% |

SIGNIFICANT EVENTS

(3) Properties held for investment

| Name | Location | Use | Holding Tenure | 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 | November 2054 | 100% |
| Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities | No. 50 Lvwei Road, Hebei District, Tianjin | Commercial | January 2054 | 100% |
| Chengdu Nuode No. 1 | Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu City, Sichuan Province | Commercial | January 2065 | 100% |
| Guangzhou Nuode Center | No. 477 East Hanxi Avenue, Nancun Town, Panyu District, Guangzhou City, Guangdong | Commercial | May 2053 | 100% |
| Shanghai Nuode International Plaza | 3/5 Block, 219 Lane, Xinzhuang Town, Minhang District, Shanghai | Commercial | March 2064 | 100% |
| China Railway Real Estate Qingdao Center | No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong | Commercial | July 2046 | 100% |
| Plot No.AT090904, starting area of International Financial City, Tianhe District | Plot No.AT090904, starting area of International Financial City, Huangpu Avenue, Tianhe District, Guangzhou City, Guangdong | Commercial | December 2068 | 100% |
| Reeda Plaza | No. 46 South Shengli Street, Heping District, Shenyang, Liaoning | Commercial | April 2051 | 100% |
| China Railway South Headquarters Building | No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong | Commercial | December 2046 | 100% |
| Victoria Nuode Center | Street 45B, Kinondoni District, Dar es Salaam, Tanzania | Commercial | June 2114 | 100% |

(v) Material infrastructure investment projects (BOT and PPP projects) signed during the reporting period

| No. | Name of Contract | Signatory | Contract sum (RMB100 million) | Shareholding of the project company | Signing date | Construction period | Concession period |
|-----|--|---|-------------------------------|--|--------------|------------------------------|-------------------|
| 1 | Investment Agreement for PPP Project of Longsheng-Dongzhong Port Highway (Yizhou to Shanglin Section) | Transportation Department of Guangxi Zhuang Autonomous Region, China Railway Group Limited and other member enterprises of China Railway | 166.56 | 100% held by China Railway and its member enterprises | January 2022 | Construction period: 3 years | 30 years |
| 2 | Investment Agreement for PPP Project of CenXi (Guangdong-Guangxi Boundary) to Daxin Highway (Nanning to Daxin section) | Transportation Department of Guangxi Zhuang Autonomous Region, China Railway Communications Investment Group Co., Ltd. and other member enterprises of China Railway | 144.56 | 100% held by member enterprises of China Railway | April 2022 | Construction period: 3 years | 30 years |
| 3 | Franchise Agreement for Chongqing – Chishui – Xuyong Highway (Chongqing section) | China Railway Group Limited and other member enterprises of China Railway, Chongqing Transportation Bureau, Sichuan Road & Bridge (Group) Corporation Ltd., China 19th Metallurgical Corporation, Chongqing Zhonghuan Construction Co., Ltd., Chongqing Tongli Expressway Maintenance Engineering Co., Ltd., Chongqing Shouxun Technology Co., Ltd. | 108.90 | 43.1% held by member enterprises of China Railway, 45.92% by Chongqing Expressway, 10.98% by other investors | June 2022 | Construction period: 4 years | 29.5 years |

SIGNIFICANT EVENTS

(vi) Investment projects (BOT and PPP projects) that were operating during the reporting period

| No. | Name of Contract | Signatory | Contract sum (RMB 100 million) | Signing date | Time of entering the operation period | Operation period |
|-----|---|---|--------------------------------|----------------|---------------------------------------|------------------|
| 1 | Yinchuan tap water equity transfer project (merged with the west line water supply project) | China Railway No. 1 Engineering and other parties | 73.8 | August 2010 | May 2011 | 30 years |
| 2 | PPP project of Phase I of Hohhot Metro Line 1 | China Railway and other parties | 146.79 | September 2016 | December 2019 | 25 years |
| 3 | Government and social capital cooperation project of the Xundian-Zhanyi Expressway (Kunming section) | China Railway and other parties | 61.1 | August 2018 | January 2020 | 30 years |
| 4 | PPP project of the Dongchuan-Gele section of the S25 Kunming-Qiaojia Expressway | China Railway and other parties | 56.9 | April 2017 | January 2020 | 30 years |
| 5 | Section 2 of the PPP project of Shijiazhuang Hutuo River ecological restoration (Zhonghua Street to east Gaocheng city) | China Railway and other parties | 23.9 | February 2019 | June 2020 | 13 years |
| 6 | Phase I (section B) of Taiyuan Metro Line 2 | China Railway Electrification Engineering Group Co., Ltd. and other parties | 60.9 | September 2019 | December 2020 | 25 years |
| 7 | PPP project of phase I of Xi'an Subway Lintong Line (Line 9) | China Railway and other parties | 138.9 | September 2017 | January 2021 | 26 years |
| 8 | PPP project of Weng'an to Kaiyang section of Jiangkou to Duge Highway, Guizhou | China Railway and other parties | 78.1 | June 2018 | January 2021 | 30 years |
| 9 | PPP project of phase I of Chengdu Metro Line 9 | China Railway and other parties | 193.9 | June 2018 | January 2021 | 22 years |
| 10 | PPP project of Zunyi to Yuqing Highway, Guizhou | China Railway and other parties | 147.2 | September 2017 | July 2021 | 30 years |

(vii) Strategic framework agreements signed during the reporting period

| No. | Signing date | Agreement name | Main contents of the Agreement |
|-----|--------------|---|---|
| 1 | March 2022 | Strategic Cooperation Agreement between the People's Government of Shandong Province and China Railway Group Limited | <ol style="list-style-type: none"> 1.To establish strategic partnership 2.To cooperate in such key areas as high-speed railways, municipal railways, urban rail transit, ordinary speed railways, highways, airports, ecological governance, water conservancy and hydropower, water supplies and transport, urban construction, new infrastructure and new energy 3.To support China Railway to establish direct subsidiaries in Shandong |
| 2 | March 2022 | Strategic Cooperation Agreement between Guanghua School of Management of Peking University and China Railway Group Limited | <ol style="list-style-type: none"> 1.To support the development of China Railway 2.To support Guanghua School of Management of Peking University to promote the policy transformation and economic practice of theoretical achievements 3.To carry out scientific cooperation and achievement transformation 4.To carry out talent training and integration of production and education |
| 3 | May 2022 | Strategic Cooperation Agreement between the People's Government of Tangshan City and China Railway Group Limited | <ol style="list-style-type: none"> 1.To establish long-term strategic partnership 2.To cooperate in such areas as expressway, municipal engineering, rail transit, intercity railway, local railway, water conservancy, environmental protection, urban renewal, comprehensive development of key areas, and new infrastructure |
| 4 | April 2022 | Strategic Cooperation Agreement between CITIC Group and China Railway Group Limited | <ol style="list-style-type: none"> 1.Cooperation in comprehensive financial field 2.Cooperation in infrastructure field 3.Cooperation in equipment and material manufacturing field 4.Cooperation in ecological and environmental protection field 5.Cooperation in knowledge services, red education, information communication and document management outsourcing fields |
| 5 | June 2022 | Strategic Cooperation Agreement between China United Network Communications Corporation Limited and China Railway Group Limited | <ol style="list-style-type: none"> 1.IT service and digital transformation field 2.Infrastructure business cooperation field 3.New infrastructure construction field |

SIGNIFICANT EVENTS

| No. | Signing date | Agreement name | Main contents of the Agreement |
|-----|--------------|---|--|
| 6 | April 2022 | Strategic Cooperation Agreement between China Academy of Building Research and China Railway Group Limited | <ol style="list-style-type: none"> 1.To jointly serve the key development strategies of the state 2.To jointly lead the industry technology development 3.To jointly enhance the in-depth culture exchange 4.Key cooperation projects implemented in priority <ol style="list-style-type: none"> (1) Internationalization of standards (2) Greening (3) BIM field (4) Intelligent manufacturing and construction (5) Achievement transformation and promotion (6) Urban renewal |
| 7 | March 2022 | Strategic Cooperation Agreement between China National Pharmaceutical Group Corporation and China Railway Group Limited | <ol style="list-style-type: none"> 1.Health and retirement cooperation 2.Investment, construction and operation management of medical institutions cooperation 3.Pharmaceutical manufacturing and industrial park development cooperation 4.International business development cooperation 5.Duty free business development cooperation 6.Other innovative businesses cooperation 7.Staff welfare cooperation |
| 8 | April 2022 | Strategic Cooperation Agreement between People's Insurance Company (Group) of China Limited and China Railway Group Limited | <ol style="list-style-type: none"> 1.Resources sharing 2.Construction business cooperation 3.Insurance and annuity business cooperation 4.Investment and financing cooperation |
| 9 | June 2022 | Strategic Cooperation Agreement between State Power Investment Corporation Limited and China Railway Group Limited | <ol style="list-style-type: none"> 1.To cooperate in market development, green energy and scientific research and innovation fields 2.To promote the cooperation in equipment manufacturing, highway and multi-scene, water conservancy and environmental protection and joint market development fields |

15 Compliance with Corporate Governance Code

During the six months ended 30 June 2022, the Company had complied with all code provisions set out in Part II, Appendix 14 to the Hong Kong Listing Rules.

16 Review of Interim Financial Report

The 2022 interim financial statements for the six months ended 30 June 2022 of the Company prepared in accordance with CAS and the 2022 interim financial information prepared in accordance with IAS 34 (collectively referred as “**2022 Interim Financial Report**”) have not been audited. The 2022 Interim Financial Report has been reviewed by the Board of Directors and the Audit and Risk Management Committee under the Board of Directors of the Company.

17 Event after the Reporting Period

On 6 July 2022, China Railway Xunjie Co., Limited, a subsidiary of the Company, has issued the corporate bond in a principal amount of USD0.5 billion with the maturity date of 6 July 2027. The interest rate is 4% per annum, payable semi-annually.

On 2 August 2022, the Company has issued the first tranche of the medium-term notes in 2022 in a principal amount of RMB3 billion, with a maturity date of 3 August 2025. The interest rate is 2.58% per annum, payable annually.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

1 Environmental and Social Responsibilities

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

Not applicable

- (2) **Description of environmental protection efforts of companies other than highly polluting companies**

- (i) **Administrative penalties due to environmental issues**

In the first half of the year, due to the failure to strictly implement measures to control the dust, sewage discharge and construction environment noise generated in certain construction projects during construction, the Company's subsidiaries were subject to administrative penalties by local environmental protection regulatory authorities. The penalty totaled approximately RMB1.1617 million and involved 26 construction project departments. At present, all the penalties have been rectified and accepted by local regulatory authorities. The Company will further strengthen the Company's ecological and environmental protection. By identifying and evaluating the environmental factors of projects under construction and workplaces, the Company will strengthen the control over the risk sources and emissions of ecological and environmental pollution during production, to effectively protect the ecological environment around the projects.

- (ii) **Disclosure of other environmental information with reference to highly polluting companies**

Not applicable

- (iii) **Reasons for not disclosing other environmental information**

Not applicable

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

Not applicable

(4) Information on ecological protection, pollution prevention and fulfillment of environmental responsibilities

The Company strictly abode by the Environmental Protection Law of the People's Republic of China, the Law on Energy Conservation of the People's Republic of China, the Regulations on the Administration of Construction Project Environmental Protection and other laws and regulations. The Company thoroughly implemented thoughts on ecological civilization, established the concept of green development, and implemented the polices of the Party Central Committee and the State Council on the construction of ecological civilization and environmental protection. Guided by "Ecological Priority and Green Development", the Company continued to improve the environmental management system and clarified the environmental protection management mode. With regards to environmental management, the Company upheld the principle of "Territorial Management", "Prevention First, Combined with Prevention and Control" and "Who Pollutes, Who Controls". As for the management mode, the Company implemented unified leadership while subsidiaries and branches at each level are responsible, to ensure the orderly and controllable environmental protection. 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 targets, 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.

Continuing to strengthen the identification and evaluation of the environmental factors of projects under construction and workplaces during the reporting period, the Company has formulated and implemented the plan for project environment management, and established a system for monitoring ecological and environmental protection. The Company also strengthened the control over the risk sources and emissions of ecological and environmental pollution during operation, and made consistent efforts to strengthen the supervision and inspection. To meet the requirements of "scientific planning, technical support, ecological protection, safety and reliability", the Company took the opportunity of national key projects including the Sichuan-Tibet Railway, to ensure ecological and environmental protection as planned and designed in these projects with a high starting point, high standard and high quality.

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 made solid progress in energy conservation and efficiency improvement. In accordance with the requirements of the Measures for Supervision and Management on Energy Conservation and Emission Reduction, the "14th Five-Year Plan" for Energy Conservation and Emission Reduction and the Quantitative Indicators of Energy Conservation and Ecological Environmental Protection in 2022, the Company has determined that the quantitative assessment index of energy conservation in 2022 is that the comprehensive energy consumption per RMB10,000 of operating revenue (comparable price) shall decrease by 3.2% on the basis of 2021, and the carbon dioxide per RMB10,000 of operating revenue (comparable price) shall decrease by 3.89% on the basis of 2021. In accordance with the latest requirements of SASAC on energy conservation and ecological and environmental protection for central enterprises, the Company has also 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.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Key Performance Indicators for Energy and Resource Consumption

| Type of energy/resource | Indicator | First half of 2022 | First half of 2021 | Increase/Decrease as compared to the same period (%) |
|-------------------------------|--|--------------------|--------------------|--|
| Direct energy consumption | Gasoline (10,000 tons) | 23,435 | 22,936 | 2.18 |
| | Diesel (10,000 tons) | 79,098 | 78,052 | 1.34 |
| | Natural gas (10,000 cubic meters) | 1,550 | 1,487 | 4.24 |
| Indirect energy consumption | Electricity (10,000 kWh) | 515,550 | 483,430 | 6.64 |
| Integrated energy consumption | Integrated energy consumption (10,000 tons of standard coal) | 215.16 | 211.4 | 1.78 |
| | Integrated energy consumption (ton of standard coal/RMB10,000) | 0.0402 | 0.043 | -6.51 |
| | Integrated energy consumption (10,000 kWh) | 515,550 | 483,430 | 6.64 |
| | Integrated energy consumption (kWh/income of RMB10,000) | 96.27 | 100.5 | -4.21 |
| Water | Total new water consumption (10,000 tons) | 13,111.12 | 12,427.6 | 5.50 |

Note: In the first half of 2022, the Company's operating revenue increased, and energy consumption increased accordingly, but the growth rate is lower than that of operating revenue.

(5) Measures taken to reduce carbon emissions during the reporting period and their effects

Climate change is a major global challenge for mankind today. China has put forward the targets of peak carbon dioxide emissions and carbon neutral to respond to the climate change. Since the fourth quarter of 2020, the Central Economic Working Conference, the 5th plenary session of 19th CPC Central Committee and other important meetings have emphasized the carbon neutral task. To implement the national policies on energy conservation and emission reduction, the Company has thoroughly implemented the concept of green development, promoted green planning and design and introduced a full life-cycle green design model. The efforts aim to control energy consumption from the source and integrate the concept of green, low-carbon and ecological design into the entire process of project planning and design. The Company attaches great importance to energy conservation and ecological and environmental protection system construction. **First, the Company has improved the energy conservation and ecological and environmental protection system.** Since 2022, the Company carried out special improvement work of safety, quality and environmental protection, and put forward new requirements for the improvement of the management system of energy conservation and environmental protection. We plan to revise and improve the current management methods for energy conservation and environmental protection, and promote the overall improvement of the management system and management work of energy conservation and environmental protection. **Second, the Company will ensure the effective operation of the statistical monitoring system for energy conservation and ecological and environmental protection.** The Company attaches great importance to energy conservation and ecological and environmental protection system construction. We have developed the energy conservation and ecological environment protection system of China Railway based on the new energy conservation and emission reduction system standards for central enterprises issued by the SACAC. At present, online filling has become the norm. The Company will pay close attention to the subsequent requirements of the SACAC for energy conservation and environmental protection of central enterprises during the 14th Five-Year Plan period, consolidate and improve the statistical monitoring system, and ensure effective statistics of energy conservation and environmental protection data. **Third, the Company has clarified the targets of energy conservation and ecological environment protection during the 14th Five-Year Plan period.** Since 2022, the Company calculated energy conservation and environmental protection indicators according to the requirements of the SASAC, developed the recommended values of energy conservation and emission reduction indicators and reported to SASAC, clarified and released the targets of energy conservation and ecological environment protection during the 14th Five-Year Plan period according to the recommended values of the indicators. The Company will carry out strict assessment, reward and punishment, earnestly implement the energy conservation and environmental protection work for the 14th Five-Year plan, so as to ensure the achievement of the set targets. In the first half of 2022, nearly 80 paperless meetings were held at the headquarters of the Company, with a total attendance of about 2,500 people, 1,500 meeting documents filed, and about 830,000 sheets of paper saved.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Key Performance Indicators for Emissions and Waste

| Indicator | First half of 2022 | First half of 2021 | Increase/Decrease as compared to the same period (%) |
|---|--------------------|--------------------|--|
| Total carbon dioxide emissions (10,000 tons) | 763.7 | 732.3 | 4.29 |
| CO ₂ emission intensity (tons/RMB10,000) | 0.1426 | 0.0675 | 111.26 |
| NO _x emissions (tons) | 0.2 | 0.2 | 0 |
| Smoke (powder) dust emissions (tons) | 3 | 3 | 0 |
| SO ₂ (tons) | 0 | 0 | 0 |
| Total hazardous wastes (tons) | 255 | 260 | -1.92 |
| Discharge of hazardous waste per RMB10,000 (kg/RMB10,000) | 0.0045 | 0.005 | -10 |
| Total non-hazardous waste (10,000 tons) | 235 | 240 | -2.08 |
| Discharge of non-hazardous waste per RMB10,000 (kg/RMB10,000) | 44 | 49.09 | -10.37 |

Note: The Company attaches great importance to the data statistics of "peak carbon dioxide emission and carbon neutrality". In the first half of 2022, the Company investigated the problems of carbon emission data, comprehensively upgraded the statistical monitoring system, and timely corrected the existing data problems according to the requirements of the SASAC. The emissions of nitrogen oxides, sulfur dioxide, smoke (powder) dust and volatile organic compounds are calculated according to the pollutant discharge permit. The emissions were basically flat with the same period of last year. The Company's operating revenue increased, and energy consumption and total CO₂ emissions increased accordingly, but the growth rate is lower than that of operating revenue. CRHIC, subsidiary of the Company, has completed the renovation of boilers and other industrial equipment in an orderly manner and purchased new equipment to collect the smoke dust in the manufacturing process and reduce the risk of air pollution.

(6) Details of consolidating the results of poverty alleviation and rural revitalization

Since 2022, guided by the meeting spirits of the CPC Central Committee, the State Council and the SASAC, China Railway has strictly implemented the decision deployments of consolidating poverty alleviation results and effectively linking poverty alleviation with rural revitalization and promoting the 14th Five-Year Plan for Development. Actively adapting to new situations, new tasks, and new changes, focusing on rural revitalization and development, and adhering to the principle of “ensuring effective implementation of all works”, we made every effort to achieve more achievements in rural revitalization, in order to contribute the force of China Railway to the high-quality development of the target regions for support and assistance.

(i) Enhancing policy learning and making overall planning and deployment. Guided by the spirits of the important instructions of General Secretary Xi Jinping, we organized the leadership team members, affiliated departments and units and the temporary cadres for targeted support and assistance to learn the latest policy documents, such as the Guidelines on the Key Work of Comprehensively Promoting Rural Revitalization in 2022, Implementation Plan for Rural Construction Action, Notice on Providing Targeted Support and Assistance in 2022, and earnestly unified our thinking and actions into the decisions and deployments of the CPC Central Committee. We took initiative to follow the new tasks and requirements of the CPC Central Committee, thoroughly researched the needs of the regions we helped, and accurately understood the responsibilities and key tasks of our work. We developed the Report on Targeted Assistance Work in 2021 and Assistance Work Arrangement in 2022 and the Plan for the Use of Funds for Targeted Assistance and Key Assistance Projects in 2022, in order to ensure that targeted assistance work for the year has rules to follow and is practical and efficient.

(ii) Enhancing the management of temporary cadres and giving full play to their roles as bridges. In accordance with the spirit of the meeting of the CPC Central Committee on the adjustment and collaboration of the relationship between the central enterprises and the partners for targeted assistance to Tibet, in combination with the requirements of the Organization Department of the CPC Central Committee for the selection of cadres to assist Tibet, the Company selected two outstanding temporary cadres to Karuo District of Qamdo City, Tibet, which was newly added as a designated assistance target of the Company. They would serve as deputy district governor and deputy director of the local branch of NDRC respectively. They went to Karuo District in advance to get familiar with the work, and actively connected with the local government and Chinalco Group to prepare for the handover. Finally, on 29 June, a tripartite memorandum was signed for the partnership adjustment and handover of the targeted assistance to Tibet. The Company regularly inspected and examined the duty performance of the 6 designated temporary cadres selected to help the counties in 2021, grasping the progress of their work and difficulties in time, and supervising them to go to the grass-roots level and find out the situation. We constantly improved the multi-party communication mechanism, and continuously enhanced efforts to ensure that the role of talents in revitalizing rural areas is fully realized. In addition, facing the severe outbreak of COVID-19, the temporary cadres fought at the frontline of epidemic prevention and control with a high sense of responsibility and mission according to the local epidemic prevention and control rules. They resolutely blocked the spread of the epidemic in their “responsible fields”, and made every effort to protect the happiness and well-being of the local people, fulfilling the mission of China Railway People.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

- (iii) **Focusing on key tasks, earnestly promoting the rural revitalization work.** We strictly implemented the requirements of “eliminating poverty without evading responsibilities, policies, assistance or supervision”, giving priority to preventing the reoccurrence of poverty, and ensuring that everyone has access to food and clothing, secure housing, compulsory education and basic medical care. Focusing on the five revitalization measures, and ensuring the continuity of the measures, funds and forces of assistance, We carried out special actions to support industries with special features, improve the living environment in rural areas, and create employment opportunities, in order to achieve more tangible results in promoting rural revitalization across the board. **First, we enhanced our efforts to support the development of industries in poverty-stricken areas.** In Baode County, Shanxi Province, we invested RMB20 million to construct a 5MW photovoltaic power plant in Shenshan Village, in order to make full use of the local advantages of abundant solar resources to create sustainable profits. **Second, we continued to carry out poverty alleviation through education.** The construction progress of the dormitory building project of Baode County No. 11 Primary School assisted by the Company is under full control, and will be completed and put into use as soon as possible. We plan to invest RMB8.15 million in Karuo District, Qamdo City, for the reconstruction and expansion of the first phase of the primary school in Naitong Village, Yueba Township, in order to improve the local teaching conditions. **Third, we deepened and expanded the efforts in poverty alleviation through consumption.** In accordance with the principle of no reduction in poverty alleviation through consumption, we organized the trade unions of all affiliated units to prepare special funds and made every effort to realize poverty alleviation through consumption according to laws and regulations and the principle of thrift and practicality. We continued to expand the agricultural product sales channels of the target counties for assistance. In the first half of 2022, we bought agricultural products of RMB3.564 million and helped sell agricultural products of RMB213,000. **Fourth, we continued to ensure the employment.** On the basis of successfully building the “Good Driver” service brand of Baode, we worked with the local government to establish companies and build the “Good Property Manager” service brand of Baode. We provided special labor training for the property industry in the county, opening up a new way for the local people to improve skills and transfer jobs to get rich. We continued to carry out the training project of “Everyone has skills” in Rucheng County, Hunan, planning to train more than 300 persons in the year. **Fifth, we worked hard to build beautiful villages and improve the living environment.** We selected 8 villages in Rucheng County as pilot villages for the implementation of the special project of rural construction and improvement of living environment, including renovation of dilapidated houses, hardening of village (lane) roads, construction of sewage canals, renovation of dry toilets, and construction of people’s activity squares, striving to create a number of rural revitalization model villages. **Sixth, our assistance cases were highly recognized.** The short video “Nest of Happiness” based on Baode County won the “nomination award” in the national rural revitalization case election activity of “Listening to the comments of villagers on well-off”, and was reported in the media such as xuexi.cn and Xinhua Finance. The classic practice of “Baode Good Driver” has been incorporated into the classic cases of the China Foundation for Poverty Alleviation and designated as a typical case for promotion and publicity.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

| | | |
|----|--|--|
| 1 | BOT | “Build-Operate-Transfer” mode |
| 2 | Company, China Railway | China Railway Group Limited |
| 3 | CREC | China Railway Engineering Group Company Limited, formerly known as China Railway Engineering Corporation |
| 4 | CREG | China Railway Engineering Equipment Group Co., Ltd. |
| 5 | CRHEEC | China Railway High-Speed Electrification Equipment Corporation Limited (stock code: 688285.SH) |
| 6 | CRHIC | China Railway Hi-Tech Industry Co., Ltd. (stock code: 600528.SH) |
| 7 | CRPCC | China Railway Prefabricate Construction Co., Ltd. (stock code: 300374.SZ) |
| 8 | Group | the Company and its subsidiaries |
| 9 | New infrastructure and new urbanization initiatives and major projects | New infrastructure construction, new urbanization initiatives and major engineering construction projects including transportation construction and water conservancy construction |
| 10 | PPP | “Public-Private-Partnership” mode |
| 11 | Shield machine | a kind of special construction machinery for tunnel excavation. It is a full-section tunnel boring machine for soft soil or water-rich strata construction |
| 12 | TBM | Tunnel Boring Machine |
| 13 | Three Transformations | the transformation from “made in China” to “created in China”, the transformation from speed-oriented to quality-oriented and the transformation from Chinese product to Chinese brand |
| 14 | Three-year Action of State-owned Enterprise Reform | the “1+N” policy system for the reform of state-owned enterprises and top-level design action |
| 15 | TOD | Transit-Oriented Development |
| 16 | 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 |

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

- | | | |
|----|--|---|
| 17 | Work objectives for “Four Increases, Two Controls and Four Improvements” | “Four Increases” means a positive growth in newly signed contract value, operating revenue, total profit and net profit; “Two Controls” means controlling the asset-liability ratio and controlling the scale of “housing fund and enterprise annuity”; “Four Improvements” means an increase in the operating revenue margin, overall labour productivity, average project profitability, and investment in research and development |
| 18 | “123456” work strategy | Focusing on “one big task”, emphasizing “two principles”, adhering to “three bottom lines”, realising “four strong capabilities and five excellent aspects”, and coordinating “six keys” |

COMPANY INFORMATION

Directors

Executive directors

CHEN Yun (*Chairman*)
CHEN Wenjian
WANG Shiqi

Non-executive director

WEN Limin

Independent non-executive directors

CHUNG Shui Ming Timpson
ZHANG Cheng
XIU Long

Supervisors

JIA Huiping (*Chairman*)
YUAN Baoyin
LI Xiaosheng
WANG Xinhua
WAN Ming

Joint company secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized representatives

WANG Shiqi
TAM Chun Chung *CPA, FCCA*

Audit and risk management committee

CHUNG Shui Ming Timpson (*Chairman*)
WEN Limin
ZHANG Cheng

Remuneration committee

XIU Long (*Chairman*)
WEN Limin
ZHANG Cheng

Strategy and investment committee

CHEN Yun (*Chairman*)
CHEN Wenjian
CHUNG Shui Ming Timpson
ZHANG Cheng
XIU Long

Nomination committee

CHEN Yun (*Chairman*)
CHUNG Shui Ming Timpson
XIU Long

Safety, health and environmental protection committee

CHEN Wenjian (*Chairman*)
WANG Shiqi
WEN Limin
ZHANG Cheng
XIU Long

COMPANY INFORMATION

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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: 390

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 84 to 140, 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 2022 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 notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | Unaudited | |
|--|------|-------------------------|-------------|
| | | Six month ended 30 June | |
| | | 2022 | 2021 |
| | | RMB million | RMB million |
| Revenue | 6 | 560,587 | 498,227 |
| Cost of sales and services | 13 | (514,037) | (456,460) |
| Gross profit | | 46,550 | 41,767 |
| Other income | 7 | 1,173 | 1,532 |
| Other expenses | 7 | (8,980) | (7,344) |
| Net impairment losses on financial assets and contract assets | 8 | (1,413) | (1,382) |
| Other gains, net | 9 | 735 | 6 |
| Losses from derecognition of financial assets at amortised cost | 10 | (1,592) | (1,487) |
| Selling and marketing expenses | 13 | (2,706) | (2,371) |
| Administrative expenses | 13 | (12,512) | (12,516) |
| Operating profit | | 21,255 | 18,205 |
| Finance income | 11 | 3,276 | 2,236 |
| Finance costs | 11 | (4,121) | (2,988) |
| Share of post-tax losses of joint ventures | | (564) | (216) |
| Share of post-tax profits of associates | | 2,051 | 1,175 |
| Profit before income tax | | 21,897 | 18,412 |
| Income tax expense | 12 | (5,072) | (4,062) |
| Profit for the period | | 16,825 | 14,350 |
| Profit attributable to: | | | |
| – Owners of the Company | | 15,126 | 13,095 |
| – Non-controlling interests | | 1,699 | 1,255 |
| | | 16,825 | 14,350 |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| – Basic | 15 | 0.551 | 0.454 |
| – Diluted | 15 | 0.551 | 0.454 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Unaudited | |
|---|------|-------------------------|-------------|
| | | Six month ended 30 June | |
| | | 2022 | 2021 |
| | | RMB million | RMB million |
| Profit for the period | | 16,825 | 14,350 |
| Other comprehensive (expenses)/income, net of income tax | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | (27) | (8) |
| Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income | | 4 | – |
| | | (23) | (8) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 35 | 17 |
| Share of other comprehensive income of associates | | 368 | (34) |
| | | 403 | (17) |
| Other comprehensive income/(expenses) for the period, net of tax | | 380 | (25) |
| Total comprehensive income for the period | | 17,205 | 14,325 |
| Total comprehensive income for the period attributable to: | | | |
| – Owners of the Company | | 15,471 | 13,096 |
| – Non-controlling interests | | 1,734 | 1,229 |
| | | 17,205 | 14,325 |

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | Unaudited 30 June 2022 RMB million | Audited 31 December 2021 RMB million |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 108,200 | 77,368 |
| Right-of-use assets | | 1,747 | 1,659 |
| Lease prepayments | | 14,396 | 14,561 |
| Deposits for investments | | 649 | 441 |
| Investment properties | | 11,816 | 12,065 |
| Intangible assets | 17 | 128,623 | 110,496 |
| Mining assets | | 3,380 | 3,479 |
| Contract assets | 21 | 178,114 | 161,377 |
| Investments in joint ventures | | 50,543 | 49,831 |
| Investments in associates | | 47,035 | 46,181 |
| Goodwill | | 1,771 | 1,568 |
| Financial assets at fair value through other comprehensive income | 19 | 13,310 | 12,164 |
| Other financial assets at amortised cost | 20 | 19,988 | 22,960 |
| Financial assets at fair value through profit or loss | 23 | 15,656 | 12,294 |
| Deferred tax assets | | 11,345 | 10,372 |
| Other prepayments | | 387 | 332 |
| Trade and other receivables | 22 | 20,655 | 23,374 |
| | | 627,615 | 560,522 |
| Current assets | | | |
| Lease prepayments | | 241 | 269 |
| Properties held for sale | | 50,293 | 48,745 |
| Properties under development for sale | 18 | 113,162 | 109,330 |
| Inventories | | 65,969 | 45,371 |
| Financial assets at fair value through other comprehensive income | 19 | 629 | 526 |
| Trade and other receivables | 22 | 294,995 | 249,169 |
| Contract assets | 21 | 175,034 | 149,142 |
| Current income tax recoverable | | 3,919 | 3,736 |
| Other financial assets at amortised cost | 20 | 11,263 | 8,553 |
| Financial assets at fair value through profit or loss | 23 | 6,873 | 7,304 |
| Restricted cash | | 27,090 | 30,797 |
| Cash and cash equivalents | | 155,483 | 148,116 |
| | | 904,951 | 801,058 |
| Total assets | | 1,532,566 | 1,361,580 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | Unaudited 30 June 2022 RMB million | Audited 31 December 2021 RMB million |
|--|------|--|--|
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 24 | 24,742 | 24,571 |
| Shares held for restricted share incentive scheme | 25 | (573) | – |
| Share premium and reserves | | 214,506 | 204,927 |
| Perpetual notes | 27 | 45,368 | 45,624 |
| | | 284,043 | 275,122 |
| Non-controlling interests | | 112,986 | 83,072 |
| Total equity | | 397,029 | 358,194 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Trade and other payables | 28 | 20,684 | 10,263 |
| Borrowings | 29 | 252,915 | 198,503 |
| Lease liabilities | | 1,058 | 972 |
| Retirement and other supplemental benefit obligations | | 2,204 | 2,293 |
| Provisions | | 767 | 761 |
| Deferred government grants and income | | 1,147 | 1,087 |
| Deferred tax liabilities | | 2,428 | 1,647 |
| | | 281,203 | 215,526 |
| Current liabilities | | | |
| Trade and other payables | 28 | 578,592 | 522,411 |
| Contract liabilities | 21 | 134,127 | 144,095 |
| Current income tax liabilities | | 6,928 | 7,100 |
| Borrowings | 29 | 133,981 | 113,424 |
| Lease liabilities | | 303 | 360 |
| Retirement and other supplemental benefit obligations | | 261 | 300 |
| Financial liabilities at fair value through profit or loss | 23 | 104 | 122 |
| Provision | | 38 | 48 |
| | | 854,334 | 787,860 |
| Total liabilities | | 1,135,537 | 1,003,386 |
| Total equity and liabilities | | 1,532,566 | 1,361,580 |

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

The condensed consolidated interim financial information on pages 84 to 140 was approved by the Board of Directors on 30 August 2022 and were signed on its behalf.

CHEN Yun
Director

CHEN Wenjian
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | | | | | | | |
|---|---------------------------------------|---------------|---------------|----------------------------------|-----------------|-------------------|--------------------------------------|--------------------------------|-------------------|-----------------|-------------|-------------|---------------------------|
| | Attributable to owners of the Company | | | | | | | | | | | Total | |
| | Note | Share capital | Share premium | Shares held for restricted share | Capital reserve | Statutory reserve | Foreign currency translation reserve | Investment revaluation reserve | Retained earnings | Perpetual notes | Total | | Non-controlling interests |
| | | | | incentive scheme | | | | | | | | | |
| (Note 25) | | | | | | | | | | | | | |
| (Note 26) | (Note 27) | | | | | | | | | | | | |
| | RMB million | 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 2022 | | 24,571 | 51,930 | - | 3,222 | 16,664 | (935) | (88) | 134,134 | 45,624 | 275,122 | 83,072 | 358,194 |
| Profit for the period | | - | - | - | - | - | - | - | 15,126 | - | 15,126 | 1,699 | 16,825 |
| Other comprehensive (expenses)/ income | | - | - | - | - | - | (10) | 355 | - | - | 345 | 35 | 380 |
| Total comprehensive (expenses)/ income for the period ended 30 June 2022 | | - | - | - | - | - | (10) | 355 | 15,126 | - | 15,471 | 1,734 | 17,205 |
| Total transactions with owners, recognised directly in equity | | | | | | | | | | | | | |
| Issuance of shares for restricted share incentive scheme | 24 | 171 | 435 | (606) | - | - | - | - | - | - | - | - | - |
| Amount recorded in shareholders' equity arising from restricted share incentive scheme | | - | - | 33 | 65 | - | - | - | - | - | 98 | - | 98 |
| Capital contributions from non-controlling shareholders of subsidiaries | | - | - | - | - | - | - | - | - | - | - | 12,532 | 12,532 |
| Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries | | - | - | - | - | - | - | - | - | - | - | (205) | (205) |
| Acquisition of subsidiaries | | - | - | - | - | - | - | - | - | - | - | 17,381 | 17,381 |
| Disposal of subsidiaries | | - | - | - | - | - | - | - | - | - | - | (216) | (216) |
| Dividends declared to shareholders | 14 | - | - | - | - | - | - | - | (4,849) | - | (4,849) | - | (4,849) |
| Dividends declared to non-controlling shareholders of subsidiaries | | - | - | - | - | - | - | - | - | - | - | (699) | (699) |
| Dividends declared to perpetual notes holders | 27 | - | - | - | - | - | - | - | (1,543) | (256) | (1,799) | (613) | (2,412) |
| Transferred to reserves | | - | - | - | - | 20 | - | - | (20) | - | - | - | - |
| Balance at 30 June 2022 | | 24,742 | 52,365 | (573) | 3,287 | 16,684 | (945) | 267 | 142,848 | 45,368 | 284,043 | 112,986 | 397,029 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | | | | | | |
|--|---------------------------------------|---------------|---------------|-----------------|--------------------------------|--------------------------------------|--------------------------------|-------------------|------------------------------|-------------|---------------------------|---------|
| | Attributable to owners of the Company | | | | | | | | | | | Total |
| | Note | Share capital | Share premium | Capital reserve | Statutory reserve (Note 26) | Foreign currency translation reserve | Investment revaluation reserve | Retained earnings | Perpetual notes (Note 27) | Total | Non-controlling interests | |
| | | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | |
| | | | | | | | | | | | | |
| Balance at 1 January 2021 | | 24,571 | 51,936 | 3,128 | 14,562 | (886) | (42) | 115,190 | 46,738 | 255,197 | 57,849 | 313,046 |
| Profit for the period | | - | - | - | - | - | - | 13,095 | - | 13,095 | 1,255 | 14,350 |
| Other comprehensive income/(expenses) | | - | - | - | - | 24 | (23) | - | - | 1 | (26) | (25) |
| Total comprehensive income/(expenses) for the period ended 30 June 2021 | | - | - | - | - | 24 | (23) | 13,095 | - | 13,096 | 1,229 | 14,325 |
| Total transactions with owners, recognised directly in equity | | | | | | | | | | | | |
| Capital contributions from non-controlling shareholders of subsidiaries | | - | - | - | - | - | - | - | - | - | 9,369 | 9,369 |
| Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries | | - | - | (45) | - | - | - | - | - | (45) | 45 | - |
| Share of capital reserve and loss on dilution of equity interests in an associate resulting from capital contributions from its controlling shareholders | | - | - | (73) | - | - | - | - | - | (73) | (76) | (149) |
| Acquisition of subsidiaries | | - | - | - | - | - | - | - | - | - | 132 | 132 |
| Disposal of subsidiaries | | - | - | - | - | - | - | - | - | - | (2,059) | (2,059) |
| Issuance of perpetual notes | | - | - | - | - | - | - | 5,996 | - | 5,996 | - | 5,996 |
| Dividends declared to shareholders | 14 | - | - | - | - | - | - | (4,423) | - | (4,423) | - | (4,423) |
| Dividends declared to non-controlling shareholders of subsidiaries | | - | - | - | - | - | - | - | - | - | (655) | (655) |
| Dividends declared to perpetual notes holders | | - | - | - | - | - | - | (1,930) | (266) | (2,196) | (187) | (2,383) |
| Transferred to reserves | | - | - | - | 22 | - | - | (22) | - | - | - | - |
| Balance at 30 June 2021 | | 24,571 | 51,936 | 3,010 | 14,584 | (862) | (65) | 121,910 | 52,468 | 267,552 | 65,647 | 333,199 |

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 | |
| | 2022 | 2021 |
| | RMB million | RMB million |
| Net cash used in operating activities | (37,716) | (58,879) |
| Cash flows from investing activities | | |
| – Additions of property, plant and equipment | (4,991) | (6,774) |
| – Disposal of property, plant and equipment | 343 | 622 |
| – Additions of lease prepayments | (6) | (38) |
| – Disposal of lease prepayments | 13 | 72 |
| – Additions of intangible assets | (16,342) | (12,814) |
| – Disposal of intangible assets | 54 | 9 |
| – Additions of mining assets | (4) | (2) |
| – Disposal of mining assets | – | 4 |
| – Purchase of investment properties | (245) | (82) |
| – Disposal of investment properties | 1 | 16 |
| – Acquisition of subsidiaries | (1,026) | (151) |
| – Disposal of subsidiaries | – | (780) |
| – Investments in associates | (4,618) | (3,108) |
| – Investments in joint ventures | (1,720) | (3,094) |
| – Disposal of joint ventures | 1 | (1) |
| – Disposal of associates | 393 | 45 |
| – Deposits paid for investments | (196) | (123) |
| – Purchase of financial assets at fair value through other comprehensive income | (1,264) | (837) |
| – Disposal of financial assets at fair value through other comprehensive income | 91 | 79 |
| – Purchase of financial assets at fair value through profit or loss | (9,251) | (5,323) |
| – Disposal of financial assets at fair value through profit or loss | 6,038 | 4,008 |
| – Net flow in/(out) respect of financial assets at amortised cost | 389 | (1,490) |
| – Interests received | 220 | 918 |
| – Dividends received | 511 | 251 |
| – Decrease of term deposits with initial term of over three months | 271 | 3,313 |
| – Increase of term deposits with initial term of over three months | (431) | (815) |
| – Other investing cashflows | 168 | – |
| Net cash used in investing activities | (31,601) | (26,095) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | |
|---|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | RMB million | RMB million |
| Cash flows from financing activities | | |
| – Capital contributions from non-controlling shareholders of subsidiaries | 12,532 | 9,369 |
| – Issuance of shares for restricted share incentive scheme | 606 | – |
| – Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries | (421) | – |
| – Proceeds from debentures | 5,692 | 5,497 |
| – Repayment of debentures | (10,490) | (8,721) |
| – Proceeds from issuance of perpetual notes | – | 5,996 |
| – Proceeds from bank borrowings | 137,245 | 103,440 |
| – Repayments of bank borrowings | (59,037) | (41,517) |
| – Proceeds from other borrowings | 1,342 | 927 |
| – Repayment of other borrowings | (3,645) | (2,896) |
| – Interests paid | (6,123) | (5,994) |
| – Dividends paid to non-controlling shareholders of subsidiaries | (992) | (712) |
| – Dividends paid to holders of perpetual notes | (471) | (247) |
| – Advances from non-controlling shareholders of subsidiaries | 366 | 40 |
| – Repayments of advances from non-controlling shareholders of subsidiaries | (253) | (234) |
| – Repayments of lease liabilities | (329) | (529) |
| Net cash generated from financing activities | 76,022 | 64,419 |
| Net increase/(decrease) in cash and cash equivalents | 6,705 | (20,555) |
| Cash and cash equivalents at beginning of the period | 148,116 | 145,464 |
| Effect of foreign exchange rate changes | 662 | (125) |
| Cash and cash equivalents at end of the period | 155,483 | 124,784 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

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

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

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

The condensed consolidated interim financial information was approved for issue on 30 August 2022.

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 2022 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 2021, 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 2021, 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 2022.

| | Effective for accounting periods beginning on or after |
|--|--|
| 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 IFRS 3 “Update reference to the Conceptual framework” | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41 | 1 January 2022 |

3. Accounting policies (Continued)

(a) Amended standards adopted by the Group (Continued)

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions” from 1 January 2021.

The adoption of above did not have any material impact on the Group’s results for the six months ended 30 June 2022 and the Group’s financial position as at 30 June 2022. 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 2022, 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 IAS 1 “Classification of Liabilities as Current or Non-current” | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies” | 1 January 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | 1 January 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture” | to be determined |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. 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 2021.

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 2021.

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 given to banks or financial institutions in respect of banking facilities and utilised by certain related companies and third parties.

The Company has provided shortfall payments given to the senior tranches in respect of asset-backed notes ("ABN") & asset-backed securitisation ("ABS") issued by the subsidiaries of the Company.

The maximum exposure of these financial guarantees and shortfall payments to the Group is as follows:

| | As at | | | |
|---|----------------------------|---------------|--------------------------|---------------|
| | 30 June 2022 | | 31 December 2021 | |
| | RMB million (Unaudited) | Expiry period | RMB million (Audited) | Expiry period |
| Guarantees given to banks in respect of banking facilities to: | | | | |
| – Joint ventures | 4,777 | 2022-2039 | 2,969 | 2022-2037 |
| – Associates | 1,815 | 2023-2045 | 4,730 | 2023 |
| – Government-related entities | 475 | 2022-2027 | 480 | 2021-2030 |
| – Properties purchasers | 48,667 | 2022-2027 | 51,313 | 2021-2026 |
| Shortfall payments given to the senior tranches in respect of ABN & ABS | 99,795 | 2022-2037 | 93,898 | 2021-2036 |
| | 155,529 | | 153,390 | |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 | | | | | | |
| Trade and other payables (excluding statutory and non-financial liabilities) (Note 28) | 541,009 | 6,265 | 3,347 | 12,827 | 563,448 | 562,803 |
| Borrowings (Note 29) | 143,962 | 48,519 | 99,453 | 194,330 | 486,264 | 386,896 |
| Lease liabilities | 331 | 265 | 429 | 397 | 1,422 | 1,361 |
| Financial guarantee contracts and shortfall payments | 155,529 | – | – | – | 155,529 | – |
| Financial liabilities at FVPL (Note 23) | 104 | – | – | – | 104 | 104 |
| | 840,935 | 55,049 | 103,229 | 207,554 | 1,206,767 | 951,164 |

| | 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 2021 | | | | | | |
| Trade and other payables (excluding statutory and non-financial liabilities) (Note 28) | 487,681 | 6,427 | 3,377 | 1,096 | 498,581 | 497,930 |
| Borrowings (Note 29) | 123,005 | 38,882 | 81,143 | 154,193 | 397,223 | 311,927 |
| Lease liabilities | 421 | 291 | 306 | 390 | 1,408 | 1,332 |
| Financial guarantee contracts and shortfall payments | 153,390 | – | – | – | 153,390 | – |
| Financial liabilities at FVPL (Note 23) | 122 | – | – | – | 122 | 122 |
| | 764,619 | 45,600 | 84,826 | 155,679 | 1,050,724 | 811,311 |

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 2022, there is no bank borrowing that contains a repayment on demand clause.

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.

- (i) **As of the balance sheet date, the maximum exposure of those financial guarantees and shortfall payments provided by the Group are listed below in accordance with the earliest payments period claimed by the counterparties.**

| | 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 2022 | | | | | | |
| Financial guarantees and shortfall payments | 155,529 | - | - | - | 155,529 | - |
| | | | | | | |
| | | | | | | |
| At 31 December 2021 | | | | | | |
| Financial guarantees and shortfall payments | 153,390 | - | - | - | 153,390 | - |

The amounts included above for financial guarantee contracts and shortfall payment agreements are the maximum amounts the Group could be required to settle under these arrangements 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 these arrangements. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee or shortfall payment which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

5. Financial risk management and financial instruments (Continued)

5.3 Liquidity risk (Continued)

(ii) As the lessee, the Group's undiscounted amount of cash flows of the lease contracts signed but not yet executed are shown below at maturity date as follows.

| | 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 2022 | | | | | | |
| Lease contracts | 550 | 36 | 5 | - | 591 | - |

| | 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 2021 | | | | | | |
| Lease contracts | 215 | 1 | - | - | 216 | - |

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: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, unlisted open-end equity funds, unlisted entrusted products, and other financial assets at FVPL.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 (Unaudited) | | 31 December 2021 (Audited) | | | | | | |
| 1) Derivative financial instruments | Assets/Liabilities | Amount | Assets/Liabilities | Amount | | | | | |
| | Assets | <u>149</u> | Assets | <u>149</u> | Level 3 | Option pricing model | Risk-free interest, Volatility | 3.04%, 28.31% | The higher the risk-free interest rate, the higher the option value. The higher the volatility, the higher the option value. |
| 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 | <u>5,854</u> | Finance | 5,791 | | | | | |
| | Manufacturing | <u>60</u> | Manufacturing | 65 | | | | | |
| | Transportation | <u>1</u> | Transportation | 1 | | | | | |
| | Others | <u>-</u> | Others | <u>1</u> | | | | | |
| | | <u>5,915</u> | | <u>5,858</u> | Level 1 | Quoted bid prices in active markets. | N/A | N/A | N/A |
| 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 | <u>504</u> | Finance | <u>522</u> | | | | | |
| | Listed equity securities in Hong Kong: | | Listed equity securities in Hong Kong: | | | | | | |
| | Industry | Amount | Industry | Amount | | | | | |
| | Manufacturing | <u>276</u> | Manufacturing | <u>288</u> | Level 1 | Quoted bid prices in active markets. | N/A | N/A | N/A |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 (Unaudited) | | 31 December 2021 (Audited) | | | | | | |
| | Assets Industry | Amount | Assets Industry | Amount | | | | | |
| 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 Industry | Amount | Assets Industry | Amount | | | | | |
| | Finance | 422 | Finance | 396 | Level 1 | Quoted bid prices in active markets. | N/A | N/A | N/A |
| | Finance | 2,305 | Finance | 1,870 | 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. | 2.57% | The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value. |
| | Total | 2,727 | Total | 2,266 | | | | | |
| | Liabilities Industry | Amount | Liabilities Industry | Amount | | | | | |
| Finance | 36 | Finance | 54 | 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. | 2.57% | 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 | 2,343 | Construction | 846 | | | | | |
| | Real estate | 1,214 | Real estate | 1,662 | | | | | |
| | Finance | 2,517 | Finance | 3,485 | | | | | |
| | Mining | 3 | Mining | 10 | | | | | |
| | Others | 238 | Others | 256 | Level 3 | 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. | 8.19%-10.67% | The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value. |
| | Total | 6,315 | Total | 6,259 | | | | | |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 (Unaudited) | | 31 December 2021 (Audited) | | | | | | |
| 6) Unlisted equity investments at FVOCI | Unlisted equity investment in Mainland China: | | | | Unlisted equity investment in Mainland China: | | | | |
| | Industry | Amount | Industry | Amount | | | | | |
| | Construction | 9,230 | Construction | 8,228 | | | | | |
| | Finance | 132 | Finance | 132 | | | | | |
| | Manufacturing | 1,172 | Manufacturing | 947 | | | | | |
| | Real estate | 13 | Real estate | 13 | | | | | |
| | Mining | 5 | Mining | 5 | | | | | |
| | Others | 1,978 | Others | 2,029 | | | | | |
| | Total | 12,530 | Total | 11,354 | Level 3 | Market valuation method by reference to P/B ratio, P/S ratio, P/E ratio, discount rate that reflects the liquidity level; and cost method by reference to the original investment cost. | P/B ratio, P/S ratio, P/E ratio, Discount rates that reflect the liquidity level, Original investment cost | 0.84-1.37, 2.39, 16.04, 26.52%-33.56%, n/a | 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. The original investment cost is positively correlated with the fair value of unlisted equity instruments. |
| 7) Unlisted equity investments at FVPL | Unlisted equity investment in Mainland China: | | | | Unlisted equity investment in Mainland China: | | | | |
| | Industry | Amount | Industry | Amount | | | | | |
| | Finance | 7,423 | Finance | 5,066 | Level 3 | Market valuation method by reference to P/B ratio, discount rate that reflects the liquidity level; and cost method by reference to the original investment cost. | P/B ratio, Discount rates that reflect the liquidity level, Original investment cost | 0.84-1.37, 26.52%-33.56%, n/a | The higher the P/B ratio, the higher the fair value. The lower discount rate, the higher the fair value. The original investment cost is positively correlated with the fair value of unlisted equity instruments. |
| 8) Bills receivables at FVOCI | Bills receivables in Mainland China: | | | | Bills receivables in Mainland China: | | | | |
| | Industry | Amount | Industry | Amount | | | | | |
| | Construction | 629 | Construction | 526 | Level 3 | Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | Expected future cash flow, Discount rates that correspond to the expected risk level. | 3.85% | 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 2022 | | | | | | |
| Opening balance at 1 January | 3,125 | 1,816 | 16,420 | – | 3,809 | 25,170 |
| Acquisitions | 422 | 556 | 3,593 | – | 563 | 5,134 |
| (Losses)/gains recognised in profit or loss | (30) | (11) | 26 | – | (99) | (114) |
| Gains recognised in other comprehensive income | – | – | 13 | – | – | 13 |
| Disposals | (553) | (92) | (99) | – | (144) | (888) |
| Closing balance at 30 June | 2,964 | 2,269 | 19,953 | – | 4,129 | 29,315 |

| | 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 2021 | | | | | | |
| Opening balance at 1 January | 4,057 | 1,319 | 13,008 | 1,175 | 1,645 | 21,204 |
| Acquisitions | 2,485 | 380 | 1,827 | – | 559 | 5,251 |
| (Losses)/gains recognised in profit or loss | (182) | (24) | (6) | (125) | 120 | (217) |
| Gains recognised in other comprehensive income | – | – | 1 | – | – | 1 |
| Disposals | (1,650) | (261) | (378) | (1,050) | (219) | (3,558) |
| Closing balance at 30 June | 4,710 | 1,414 | 14,452 | – | 2,105 | 22,681 |

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:

| | As at | | | |
|---|-------------------------|-------------------------|-----------------------|-----------------------|
| | 30 June 2022 | | 31 December 2021 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | RMB million (Unaudited) | RMB million (Unaudited) | RMB million (Audited) | RMB million (Audited) |
| Financial assets | | | | |
| Other financial assets at amortised cost – fixed rate | 29,252 | 30,267 | 29,513 | 30,849 |
| Financial liabilities | | | | |
| Long-term bank borrowings – fixed rate | 51,969 | 54,024 | 43,674 | 45,638 |
| Long-term debentures – fixed rate | 50,512 | 51,628 | 55,007 | 55,657 |

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”);
- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information (Continued)

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 2022 (Unaudited) | | | | | | Total RMB million |
|---|---|--|--|--|------------------------------------|----------------------------|----------------------|
| | 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 | |
| External revenue | 483,701 | 8,705 | 12,756 | 23,447 | 28,180 | – | 556,789 |
| Inter-segment revenue | 10,169 | 440 | 3,686 | – | 20,852 | (35,147) | – |
| Other revenue | 1,875 | 87 | 325 | 262 | 1,249 | – | 3,798 |
| Inter-segment other revenue | 163 | – | – | – | 33 | (196) | – |
| Segment revenue | 495,908 | 9,232 | 16,767 | 23,709 | 50,314 | (35,343) | 560,587 |
| Segment results | | | | | | | |
| Profit before tax | 19,517 | 937 | 1,110 | (2,296) | 4,014 | (2,259) | 21,023 |
| Segment results included: | | | | | | | |
| Share of losses of joint ventures | (326) | (8) | (18) | (41) | (171) | – | (564) |
| Share of profits/(losses) of associates | 365 | (3) | 16 | (23) | 1,696 | – | 2,051 |
| Interest income | 719 | 39 | 49 | 65 | 2,445 | (361) | 2,956 |
| Interest expenses | (1,153) | (17) | (44) | (687) | (2,641) | 560 | (3,982) |

| | Six months ended 30 June 2021 (Unaudited) | | | | | | Total RMB million |
|---|---|--|--|--|------------------------------------|----------------------------|----------------------|
| | 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 | |
| External revenue | 442,994 | 7,390 | 11,921 | 13,866 | 19,034 | – | 495,205 |
| Inter-segment revenue | 15,072 | 249 | 4,284 | – | 24,786 | (44,391) | – |
| Other revenue | 1,319 | 62 | 261 | 256 | 1,124 | – | 3,022 |
| Inter-segment other revenue | 131 | – | – | – | 95 | (226) | – |
| Segment revenue | 459,516 | 7,701 | 16,466 | 14,122 | 45,039 | (44,617) | 498,227 |
| Segment results | | | | | | | |
| Profit before tax | 16,775 | 699 | 1,152 | (514) | 2,340 | (2,727) | 17,725 |
| Segment results included: | | | | | | | |
| Share of (losses)/profits of joint ventures | (66) | – | 31 | (27) | (154) | – | (216) |
| Share of profits/(losses) of associates | 293 | 1 | 12 | (11) | 880 | – | 1,175 |
| Interest income | 487 | 62 | 35 | 167 | 1,163 | (506) | 1,408 |
| Interest expenses | (545) | (98) | (33) | (869) | (1,940) | 642 | (2,843) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 | |
|---|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| (i) Segment interest income, before inter-segment elimination | 3,317 | 1,914 |
| Inter-segment elimination | (361) | (506) |
| | 2,956 | 1,408 |
| Reconciling item: | | |
| Reclassification of finance income obtained from other financial assets at amortised cost (Note 11) | 320 | 828 |
| Total consolidated finance income, as reported | 3,276 | 2,236 |
| (ii) Segment interest expenses, before inter-segment elimination | 4,542 | 3,485 |
| Inter-segment elimination | (560) | (642) |
| | 3,982 | 2,843 |
| Reconciling item: | | |
| Imputed interest expenses on retention payables (Note 11) | 139 | 145 |
| Total consolidated finance costs, as reported | 4,121 | 2,988 |
| (iii) Segment results, before inter-segment elimination | 23,282 | 20,452 |
| Inter-segment elimination | (2,259) | (2,727) |
| | 21,023 | 17,725 |
| Reconciling item: | | |
| Land appreciation tax (a) (Note 12) | 874 | 687 |
| Total consolidated profit before tax, as reported | 21,897 | 18,412 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Infrastructure construction | 898,262 | 751,756 |
| Survey, design and consulting services | 30,186 | 27,476 |
| Engineering equipment and component manufacturing | 65,064 | 62,116 |
| Property development | 286,113 | 281,252 |
| Other businesses | 582,391 | 559,696 |
| Inter-segment elimination | (343,417) | (333,527) |
| Total segment assets | 1,518,599 | 1,348,769 |

Segment liabilities

| | As at | |
|---|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Infrastructure construction | 779,797 | 626,780 |
| Survey, design and consulting services | 14,922 | 12,324 |
| Engineering equipment and component manufacturing | 37,630 | 35,318 |
| Property development | 255,943 | 254,905 |
| Other businesses | 381,707 | 392,472 |
| Inter-segment elimination | (340,606) | (324,002) |
| Total segment liabilities | 1,129,393 | 997,797 |

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Segment assets, before inter-segment elimination | 1,862,016 | 1,682,296 |
| Inter-segment elimination | (343,417) | (333,527) |
| | 1,518,599 | 1,348,769 |
| Reconciling items: | | |
| Deferred tax assets | 11,345 | 10,372 |
| Non-tradable shares reform of subsidiaries <i>(Note (a))</i> | (148) | (148) |
| Current income tax recoverable | 3,919 | 3,736 |
| Prepaid land appreciation tax included in current income tax recoverable | (1,149) | (1,149) |
| | 13,967 | 12,811 |
| Total consolidated assets, as reported | 1,532,566 | 1,361,580 |
| Segment liabilities, before inter-segment elimination | 1,469,999 | 1,321,799 |
| Inter-segment elimination | (340,606) | (324,002) |
| | 1,129,393 | 997,797 |
| Reconciling items: | | |
| Deferred tax liabilities | 2,428 | 1,647 |
| Current income tax liabilities | 6,928 | 7,100 |
| Land appreciation tax payable included in current income tax liabilities | (3,212) | (3,158) |
| | 6,144 | 5,589 |
| Total consolidated liabilities, as reported | 1,135,537 | 1,003,386 |

- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information (Continued)

(i) Disaggregation of revenue from contracts with customers

| Type of services and products | Six months ended 30 June 2022 (Unaudited) | | | | | Total RMB million |
|---|---|--|--|--|------------------------------------|----------------------|
| | 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 | |
| Infrastructure construction contracts | 483,701 | - | - | - | - | 483,701 |
| Manufacturing and sales of engineering equipment and component | - | - | 12,756 | - | - | 12,756 |
| Rendering of services | - | 8,705 | - | - | 2,993 | 11,698 |
| Sales of properties | - | - | - | 23,447 | - | 23,447 |
| Sales of goods and others | 1,875 | 87 | 325 | 262 | 26,436 | 28,985 |
| Total | 485,576 | 8,792 | 13,081 | 23,709 | 29,429 | 560,587 |
| Timing of revenue recognition: | | | | | | |
| – At a point of time | 1,875 | 87 | 8,506 | 23,098 | 28,456 | 62,022 |
| – Over time | 483,701 | 8,705 | 4,453 | 611 | - | 497,470 |
| Rental income | - | - | 122 | - | 973 | 1,095 |
| Total revenue from contracts with customers | 485,576 | 8,792 | 13,081 | 23,709 | 29,429 | 560,587 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

| Type of services and products | Six months ended 30 June 2021 (Unaudited) | | | | | Total RMB million |
|---|---|--|--|--|------------------------------------|----------------------|
| | 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 | |
| Infrastructure construction contracts | 442,994 | - | - | - | - | 442,994 |
| Manufacturing and sales of engineering equipment and component | - | - | 11,921 | - | - | 11,921 |
| Rendering of services | - | 7,390 | - | - | 2,538 | 9,928 |
| Sales of properties | - | - | - | 13,866 | - | 13,866 |
| Sales of goods and others | 1,319 | 62 | 261 | 256 | 17,620 | 19,518 |
| Total | 444,313 | 7,452 | 12,182 | 14,122 | 20,158 | 498,227 |
| Timing of revenue recognition: | | | | | | |
| - At a point of time | 1,319 | 62 | 8,882 | 12,294 | 19,258 | 41,815 |
| - Over time | 442,994 | 7,390 | 3,300 | 1,828 | - | 455,512 |
| Rental income | - | - | - | - | 900 | 900 |
| Total revenue from contracts with customers | 444,313 | 7,452 | 12,182 | 14,122 | 20,158 | 498,227 |

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

| | Six months ended 30 June | |
|---|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Mainland China | 532,858 | 473,100 |
| Other regions (including Hong Kong and Macau) | 27,729 | 25,127 |
| | 560,587 | 498,227 |

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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Mainland China | 431,275 | 368,413 |
| Other regions (including Hong Kong and Macau) | 17,159 | 14,492 |
| | 448,434 | 382,905 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Other income and expenses

| | Six months ended 30 June | |
|---|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Other income from: | | |
| Government subsidies (a) | 670 | 664 |
| Dividends from financial assets at FVPL | 245 | 420 |
| Compensation and claims | 181 | 241 |
| Income from the sale of waste and materials | 17 | 56 |
| Dividends from financial assets at FVOCI | 4 | 64 |
| Others | 56 | 87 |
| | 1,173 | 1,532 |
| Other expenses on: | | |
| Research and development expenditures | 8,980 | 7,344 |

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Net impairment losses on financial assets and contract assets

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Trade and other receivables (excluding advance to suppliers) | 659 | 607 |
| Contract assets | 458 | 452 |
| Other financial assets at amortised cost | 296 | 323 |
| | 1,413 | 1,382 |

9. Other gains, net

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Gains on disposal and/or write-off of: | | |
| – Interests in subsidiaries | – | 70 |
| – Interests in associates | 36 | – |
| – Lease prepayments | 13 | 25 |
| – Property, plant and equipment | 10 | 98 |
| Deemed disposal gains of interest in associates | 504 | – |
| Losses arising on change in fair value of financial assets/liabilities at FVPL | (306) | (210) |
| Gains on disposal of financial assets at FVPL | – | 68 |
| Foreign exchange gains/(losses), net | 454 | (104) |
| Gains on debt restructurings | 50 | 59 |
| Impairment losses recognised on: | | |
| – Property, plant and equipment | (17) | – |
| – Advance to suppliers | (9) | – |
| | 735 | 6 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Losses from derecognition of financial assets at amortised cost

| | Six months ended 30 June | |
|---------------------------------------|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| ABN and ABS | 1,301 | 1,337 |
| Factoring expenses | 192 | 150 |
| Bills receivables discounted expenses | 99 | – |
| | 1,592 | 1,487 |

11. Finance income and costs

| | Six months ended 30 June | |
|---|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Finance income from: | | |
| Trade receivables and contract assets | 2,519 | 854 |
| Cash and cash equivalents and restricted cash | 437 | 554 |
| Other financial assets at amortised cost | 320 | 828 |
| Total financial income | 3,276 | 2,236 |
| Interest expenses on: | | |
| Bank borrowings | 5,444 | 4,387 |
| Long-term debentures | 894 | 657 |
| Other long-term borrowings | 193 | 180 |
| Other short-term borrowings | 18 | 194 |
| Total borrowing costs | 6,549 | 5,418 |
| Less: amount capitalised | (2,584) | (2,695) |
| | 3,965 | 2,723 |
| Lease | 3 | 52 |
| Imputed interest expenses on retention payables | 139 | 145 |
| Others | 14 | 68 |
| Total financial costs | 4,121 | 2,988 |

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 RMB2,584 million (six months ended 30 June 2021: RMB2,695 million) were capitalised in the six months period ended 30 June 2022, of which approximately RMB1,259 million was charged to properties under development for sale, approximately RMB197 million was included in cost of construction-in-progress and approximately RMB1,128 million was included in cost of intangible assets (six months ended 30 June 2021: approximately RMB2,053 million was charged to properties under development for sale, approximately RMB8 million was included in cost of construction-in-progress and approximately RMB634 million was included in cost of intangible assets). A general capitalisation rate of 3.50%~5.70% (six months ended 30 June 2021: 3.60%~6.65%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

12. Income tax expense

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2022 | 2021 |
| | RMB million (Unaudited) | RMB million (Unaudited) |
| Current income tax | | |
| – Enterprise income tax (“EIT”) | 4,667 | 4,123 |
| – Land appreciation tax (“LAT”) | 874 | 687 |
| – Under/(over) provision in prior years | 100 | (56) |
| Deferred income tax | (569) | (692) |
| | 5,072 | 4,062 |

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 2021: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 20% or 15% (six months ended 30 June 2021: 20%, 15%) during the current interim period.

Certain of the Group’s overseas entities are located in Republic of Singapore, The Lao People’s Democratic Republic, 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 17%, 24%, 24%, 30%, 20%, 35%, 30% and 30% (six months ended 30 June 2021: 17%, 24%, 24%, 30%, 20%, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Expenses by nature

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Employee benefit expenses & subcontracting costs | 223,087 | 199,072 |
| Raw materials and consumables used | 200,949 | 183,879 |
| Cost of property development | 20,082 | 9,762 |
| Equipment usage costs | 17,183 | 17,077 |
| Cost of production safety | 7,956 | 7,332 |
| Depreciation of property, plant and equipment (Note 16), right-of-use assets and investment properties | 4,913 | 4,621 |
| Amortisation of intangible assets (Note 17) | 451 | 373 |
| Amortisation of lease prepayments | 366 | 365 |
| Amortisation of mining assets | 103 | 25 |

14. Dividends

The final dividend of RMB0.196 per share in respect of the year ended 31 December 2021, amounting to RMB4,849 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 22 June 2022, and subsequently paid off in August 2022.

The final dividend of RMB0.180 per share in respect of the year ended 31 December 2020, amounting to RMB4,423 million in aggregate, was approved by the Company's shareholders in the Annual General Meeting on 23 June 2021, and subsequently paid off in August 2021.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2021: nil).

15. Earnings per share

(a) Basic

Basic earnings per share for the six months ended 30 June 2022 is calculated by dividing the profit attributable to owners of the Company, after deducting the profit attributable to holders of perpetual notes and the impact of 2021 Restricted Share Incentive Scheme (Note 24), of RMB13,549 million (six months ended 30 June 2021: RMB11,165 million) by 24,570,929,283 shares (six months ended 30 June 2021: 24,570,929,283 shares) in issue during the period.

(b) Diluted

Diluted earnings per share was calculated by dividing the adjusted profit attributable to ordinary equity holders of the Company based on the diluted potential ordinary shares by the weighted average number of shares in issue during the period. 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 2022 RMB million (Unaudited) |
|--|--|
| At 30 June 2022 | |
| Opening net book amount | 77,368 |
| Additions (a) | 6,547 |
| Transfer from investment properties | 325 |
| Transfer from properties held for sale | 11 |
| Acquisition of subsidiaries | 28,908 |
| Disposals | (465) |
| Transfer to investment properties | (38) |
| Disposal of subsidiaries | (10) |
| Depreciation | (4,529) |
| Impairment losses recognised | (17) |
| Currency translation differences | 100 |
| Closing net book amount | 108,200 |

| | Six months ended 30 June 2021 RMB million (Unaudited) |
|--|--|
| At 30 June 2021 | |
| Opening net book amount | 74,384 |
| Additions (a) | 4,848 |
| Transfer from properties held for sale | 127 |
| Acquisition of subsidiaries | 346 |
| Disposals | (554) |
| Transfer to investment properties | (126) |
| Depreciation | (4,002) |
| Currency translation differences | (30) |
| Closing net book amount | 74,993 |

16. Property, plant and equipment (Continued)

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

| | Six months ended 30 June | |
|---------------------------------------|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Construction in process | 3,518 | 2,448 |
| Buildings | 19 | 76 |
| Infrastructure construction equipment | 1,484 | 1,225 |
| Transportation equipment | 526 | 465 |
| Manufacturing equipment | 245 | 105 |
| Testing equipment and instruments | 180 | 165 |
| Other equipment | 575 | 364 |
| | 6,547 | 4,848 |

- (b) As at 30 June 2022, bank borrowings amounting to RMB711 million (31 December 2021: RMB295 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB3,795 million (31 December 2021: RMB1,715 million), other borrowings amounting to RMB1,126 million (31 December 2021: nil) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB900 million (31 December 2021: nil) (Note 29).
- (c) As at 30 June 2022, 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 RMB2,708 million (31 December 2021: RMB2,657 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 2022 RMB million (Unaudited) |
|----------------------------------|--|
| At 30 June 2022 | |
| Opening net book amount | 110,496 |
| Acquisition of subsidiaries | 1 |
| Additions (a) | 18,552 |
| Disposals | (2) |
| Amortisation | (451) |
| Currency translation differences | 27 |
| Closing net book amount | 128,623 |

| | Six months ended 30 June 2021 RMB million (Unaudited) |
|----------------------------------|--|
| At 30 June 2021 | |
| Opening net book amount | 62,599 |
| Acquisition of subsidiaries | 1 |
| Additions (a) | 14,643 |
| Disposals | (9) |
| Disposal of subsidiaries | (2,620) |
| Amortisation | (373) |
| Currency translation differences | (6) |
| Closing net book amount | 74,235 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Intangible assets (Continued)

(a) Additions to intangible assets include:

| | Six months ended 30 June | |
|---------------------------------|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Service concession arrangements | 18,472 | 14,530 |
| Patents | 1 | – |
| Computer software | 59 | 102 |
| Others | 20 | 11 |
| Total | 18,552 | 14,643 |

(b) As at 30 June 2022, bank borrowings amounting to RMB54,171 million (31 December 2021: RMB45,894 million) are secured by concession assets with carrying amount of approximately RMB82,614 million (31 December 2021: RMB64,728 million) (Note 29).

18. Properties under development for sale

As at 30 June 2022, properties under development for sale amounting to RMB17,436 million (31 December 2021: RMB30,698 million) have been pledged to secure borrowings amounting to RMB6,885 million (31 December 2021: RMB7,699 million) (Note 29).

19. Financial assets at fair value through other comprehensive income

| | As at | |
|-----------------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Non-current assets | | |
| Unlisted equity investments | 12,530 | 11,354 |
| Listed equity securities | | |
| – Mainland China | 504 | 522 |
| – Hong Kong | 276 | 288 |
| | 13,310 | 12,164 |
| Current assets | | |
| Bills receivables | 629 | 526 |

20. Other financial assets at amortised cost

| | As at | |
|---|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Debt investments | | |
| – Short-term | 12,305 | 9,369 |
| – Long-term | 24,636 | 27,541 |
| | 36,941 | 36,910 |
| Less: credit loss allowance for debt investments | (5,690) | (5,397) |
| Total other financial assets at amortised cost | 31,251 | 31,513 |
| Less: Amount due within one year included in current assets | (11,263) | (8,553) |
| Amount due after one year | 19,988 | 22,960 |

The other financial assets at amortised cost carry fixed-rate interests within a range of 1.25% to 24% (31 December 2021: 1.25 % to 24.00%) per annum.

As at 30 June 2022, other financial assets at amortised cost amounting to RMB5,623 million (31 December 2021: RMB4,881 million) are secured by property, plant and equipment, lease prepayments, investment properties and/or guaranteed by a third party.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. Assets and liabilities related to contracts with customers

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

| | As at | |
|---|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Contract assets | | |
| – Amount due from contract customers for contract work and retentions | 222,321 | 197,140 |
| – Primary land development | 7,097 | 7,024 |
| – Financial assets under concession arrangements (a) | 127,524 | 109,694 |
| | 356,942 | 313,858 |
| Less: credit loss allowance (b) | (3,794) | (3,339) |
| Less: Amount due after one year included in non-current assets | (178,114) | (161,377) |
| Amount due within one year included in current assets | 175,034 | 149,142 |
| Contract liabilities | | |
| – Sale of properties | 48,689 | 56,551 |
| – Infrastructure construction and engineering contracts | 46,351 | 43,668 |
| – Amount due to contract customers for contract work | 19,626 | 27,801 |
| – Sales of manufacturing products | 6,406 | 7,049 |
| – Design and consulting services | 3,609 | 4,253 |
| – Sales of materials | 1,996 | 1,263 |
| – Others | 7,450 | 3,510 |
| Total current contract liabilities | 134,127 | 144,095 |

(a) Financial assets under concession arrangements represent the contract assets recognised when the related projects were under construction or have been put into operations before the Group has an unconditional contractual right to receive cash from or at the direction of the granting authority.

(b) As at 30 June 2022, a provision of RMB3,794 million was made against the gross amount of contract assets (31 December 2021: RMB3,339 million).

(c) As at 30 June 2022, bank borrowings amounting to RMB34,515 million (31 December 2021: RMB29,825 million) are secured by contract assets with carrying amount of approximately RMB60,444 million (31 December 2021: RMB48,320 million) (Note 29).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. Trade and other receivables

| | As at | |
|--|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Trade and bills receivables | 192,156 | 157,025 |
| Less: credit loss allowance | (14,267) | (13,935) |
| Trade and bills receivables – net | 177,889 | 143,090 |
| Other receivables (net of impairment) | 87,388 | 81,688 |
| Advance to suppliers (net of impairment) | 50,373 | 47,765 |
| | 315,650 | 272,543 |
| Less: Amount due after one year included in non-current assets | (20,655) | (23,374) |
| Amount due within one year included in current assets | 294,995 | 249,169 |

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

| | As at | |
|--------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 150,927 | 118,517 |
| 1 year to 2 years | 16,586 | 14,919 |
| 2 years to 3 years | 9,417 | 10,297 |
| 3 years to 4 years | 5,753 | 4,562 |
| 4 years to 5 years | 2,155 | 1,407 |
| More than 5 years | 7,318 | 7,323 |
| Total | 192,156 | 157,025 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. Trade and other receivables (Continued)

- (b) Trade and bills receivables of RMB19 million (31 December 2021: RMB221 million) were pledged to secure borrowings amounting to RMB19 million (31 December 2021: RMB221 million) (Note 29).
- (c) For the six months ended 30 June 2022, trade receivables of RMB23,643 million (six months ended 30 June 2021: RMB21,678 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB3,937 million (six months ended 30 June 2021: RMB6,925 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 2022, bills receivables – bank acceptance and commercial acceptance notes of RMB349 million (31 December 2021: RMB310 million) were endorsed to suppliers and RMB66 million (31 December 2021: RMB46 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 2022, bills receivables – bank acceptance notes of RMB416 million (31 December 2021: RMB670 million) were endorsed to suppliers, and 58 million (31 December 2021: RMB119 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 2022, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows:

Central-governmental enterprises

| | As at | |
|--------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 11,669 | 8,165 |
| 1 year to 2 years | 1,442 | 970 |
| 2 years to 3 years | 430 | 438 |
| 3 years to 4 years | 216 | 195 |
| 4 years to 5 years | 97 | 134 |
| More than 5 years | 152 | 123 |
| Total | 14,006 | 10,025 |

22. Trade and other receivables (Continued)

- (e) As at 30 June 2022, 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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 74,544 | 53,164 |
| 1 year to 2 years | 9,614 | 8,511 |
| 2 years to 3 years | 2,861 | 2,975 |
| 3 years to 4 years | 1,805 | 1,195 |
| 4 years to 5 years | 674 | 444 |
| More than 5 years | 628 | 662 |
| Total | 90,126 | 66,951 |

China State Railway Group Co., Ltd.

| | As at | |
|--------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 10,829 | 9,522 |
| 1 year to 2 years | 774 | 780 |
| 2 years to 3 years | 356 | 703 |
| 3 years to 4 years | 352 | 167 |
| 4 years to 5 years | 80 | 89 |
| More than 5 years | 141 | 155 |
| Total | 12,532 | 11,416 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. Trade and other receivables (Continued)

- (e) As at 30 June 2022, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Overseas enterprises

| | As at | |
|--------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 1,768 | 1,723 |
| 1 year to 2 years | 119 | 56 |
| 2 years to 3 years | 22 | 12 |
| 3 years to 4 years | 4 | 230 |
| 4 years to 5 years | 175 | 25 |
| Total | 2,088 | 2,046 |

Other entities

| | As at | |
|--------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 25,024 | 17,339 |
| 1 year to 2 years | 2,645 | 1,908 |
| 2 years to 3 years | 1,752 | 1,345 |
| 3 years to 4 years | 720 | 835 |
| 4 years to 5 years | 350 | 207 |
| More than 5 years | 243 | 288 |
| Total | 30,734 | 21,922 |

As at 30 June 2022, the amount of individually impaired trade receivables was RMB15,831 million (31 December 2021: RMB15,884 million) with the provision for credit loss allowance of RMB6,239 million (31 December 2021: RMB6,123 million).

As at 30 June 2022, bills receivables – bank acceptance notes of RMB1,489 million (31 December 2021: RMB1,108 million) were not impaired. Commercial acceptance notes, which were collectively assessed for impairment, were RMB1,727 million (31 December 2021: RMB1,480 million) with the provision for credit loss allowance of RMB4 million (31 December 2021: RMB4 million). The amount of individually impaired commercial acceptance notes was RMB514 million (31 December 2021: RMB2,832 million) with the provision for credit loss allowance of RMB133 million (31 December 2021: RMB467 million).

22. Trade and other receivables (Continued)

- (e) As at 30 June 2022, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

As at 30 June 2022, the amount of collectively impaired long-term trade receivables was RMB15,236 million (31 December 2021: RMB16,041 million) with the provision for credit loss allowance of RMB44 million (31 December 2021: RMB44 million). The amount of individually impaired long-term trade receivables was RMB3,291 million (31 December 2021: RMB3,291 million) with the provision for credit loss allowance of RMB3,264 million (31 December 2021: RMB3,268 million).

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

- (a) Financial assets at FVPL include the following:

| | As at | |
|--|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Non-current assets | | |
| Equity instruments | | |
| Equity securities listed in Mainland China | 68 | 51 |
| Unlisted equity investments | 7,423 | 5,066 |
| | 7,491 | 5,117 |
| Debt instruments | | |
| Unlisted entrusted products | 2,890 | 2,712 |
| Unlisted open-end equity funds | 2,215 | 1,642 |
| Others | 3,060 | 2,823 |
| | 8,165 | 7,177 |
| | 15,656 | 12,294 |
| Current assets | | |
| Equity instruments | | |
| Equity securities listed in Mainland China | 836 | 1,039 |
| Debt instruments | | |
| Money-market securities investment funds | 5,011 | 4,768 |
| Unlisted open-end equity funds | 512 | 624 |
| Unlisted entrusted products | 74 | 413 |
| Others | 291 | 311 |
| | 5,888 | 6,116 |
| Derivative financial instruments | | |
| – Option contract | 149 | 149 |
| | 6,873 | 7,304 |
| Total | 22,529 | 19,598 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

(b) Financial liabilities at FVPL include the following:

| | As at | |
|--------------------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Current liabilities | | |
| Unlisted open-end equity funds | 104 | 122 |

24. Share capital

| | Number of shares | | Nominal value | |
|-------------------------------------|--|--|---|---|
| | Six months ended 30 June 2022 (thousands) | Year ended 31 December 2021 (thousands) | Six months ended 30 June 2022 RMB million (Unaudited) | Year ended 31 December 2021 RMB million (Audited) |
| A Shares of RMB1.00 each | | | | |
| At beginning and end of period/year | 20,363,539 | 20,363,539 | 20,364 | 20,364 |
| Registered, issued and fully paid | 170,725 | – | 171 | – |
| At end of period/year | 20,534,264 | 20,363,539 | 20,535 | 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 |
| | 24,741,654 | 24,570,930 | 24,742 | 24,571 |

As at 30 June 2022, the A Shares (20,534,264 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.

24. Share capital (Continued)

The terms of scheme and the relevant grants of the Company 2021 Restricted Shares (“2021 Restricted Share Incentive Scheme”) were approved at the Extraordinary General Meeting, the A Share Class Meeting and the H Share Class Meeting (together, the “Meetings”) held by the Company on 30 December 2021 and 12 January 2022, respectively. On 17 January 2022, the Board approved the grant of 2021 Restricted Share Incentive Scheme to participants who have met the prerequisite criteria at the grant price of RMB3.55 per Restricted Share in accordance with the terms of the Scheme as approved at the Meetings on the Grant Date of 17 January 2022. A total of 697 incentive participants were actually granted, and the total number of shares granted was 170,724,400 shares. On 23 February 2022, the share registration procedures were completed in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, and the listing date was 23 February 2022. The total amount of capital contributions received by the Company from 697 incentive participants for restricted shares is RMB606 million, of which RMB171 million was added to the share capital and the remaining RMB435 million was credited to share premium. The share capital of the Company was accordingly changed to RMB24,742 million.

25. Shares held for restricted share incentive scheme

| | Number of shares | | Nominal value | |
|--|---|---|---|---|
| | Six months ended 30 June 2022 (thousands) | Year ended 31 December 2021 (thousands) | Six months ended 30 June 2022 (RMB million (Unaudited)) | Year ended 31 December 2021 (RMB million (Audited)) |
| At beginning of period/year | – | – | – | – |
| Issuance of shares for restricted share incentive scheme | (170,725) | – | (606) | – |
| Amount recorded in shareholders’ equity arising from restricted share incentive scheme | – | – | 33 | – |
| Shares held for restricted share incentive scheme | (170,725) | – | (573) | – |

In accordance with the 2021 Restricted Share Incentive Scheme, the Company is responsible to purchase the restricted shares if certain service and performance conditions are not met. Therefore, the Company recognised the shares held for restricted share incentive scheme repurchase obligation of RMB606 million on 23 February 2022. On 22 June 2022, pursuant to the resolution of the 2021 annual general meeting of shareholders, the 2021 Restricted Share Incentive Scheme participants received cash dividends, resulting in the reduction of shares held for restricted share incentive scheme repurchase obligation of RMB33 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26. 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.

27. Perpetual notes

| | Year ended 31 December 2021 RMB million (Audited) | Additions RMB million | Declaration RMB million | Six months ended 30 June 2022 RMB million (Unaudited) |
|--------------------------------------|---|--------------------------|----------------------------|--|
| Public medium notes (a) | 9,725 | – | – | 9,725 |
| Public renewable corporate bonds (b) | 35,643 | – | – | 35,643 |
| Dividends (c) | 256 | – | (256) | – |
| Total | 45,624 | – | (256) | 45,368 |

27. Perpetual notes (Continued)

- (a) In November and December 2021, the Company redeemed the public medium notes (“Medium Notes”) (category one) issued from 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and on 17 December 2018 in cash consideration of RMB1.6 billion, RMB2 billion and RMB2.2 billion, respectively.

From 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and on 17 December 2018, the Company issued three tranches of Medium Notes (category two) with an aggregate principal amount of RMB1.4 billion, RMB1 billion and RMB0.8 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 4.8%, 4.8% and 4.8% 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 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) 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.

On 16 September 2020 and from 29 December 2020 to 30 December 2020, the Company issued two tranches of Medium Notes with an aggregate principal amount of RMB1.5 billion and 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 4.45% per annum and 3.94% per annum, respectively, and has no maturity date. The interest rate will be reset every three years and two years, respectively, 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 and two years, respectively, 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.

27. Perpetual notes (Continued)

- (b) In October, November and December 2021, the Company redeemed four tranches of the public renewable corporate bonds (“Renewable Bonds”) (category one) issued on 5 November 2018, 14 November 2018, 26 November 2018, 17 December 2018 and 28 October 2020 in cash consideration of RMB2.3 billion, RMB1.2 billion, RMB1.6 billion, RMB1.2 billion and RMB0.9 billion, respectively.

On 5 November 2018, 14 November 2018, 26 November 2018 and 17 December 2018, the Company issued four tranches of Renewable Bonds (category two) with an aggregate principal amount of RMB0.7 billion, RMB1.8 billion, RMB1.4 billion and RMB0.8 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 4.99%, 4.90%, 4.80% and 4.78% per annum, respectively, and has no maturity date. The interest rate will be reset every five years 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, 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 the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

On 26 May 2020, 23 June 2020, 23 July 2020 and 18 August 2020, the Company issued four tranches of Renewable Bonds with an aggregate principal amount of RMB2.6 billion, RMB1 billion, RMB3.5 billion, RMB3.5 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%, 3.60%, 3.95% and 3.95% per annum, respectively, and has no maturity date. The interest rate will be reset every three years 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 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.

27. Perpetual notes (Continued)

(b) (Continued)

On 15 June 2020, 16 October 2020 and 28 October 2020, the Company issued three tranches of Renewable Bonds with an aggregate principal amount of RMB3.5 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 3.50% and 4.20% per annum (category one), respectively, and 3.99%, 4.47% and 3.94% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years and two years (category one), respectively, and every five years, three years and two years (category two), respectively, 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 and two years (category one), respectively and five years, three years and two years (category two), respectively 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.

On 2 June 2021, 17 June 2021, 9 November 2021 and 23 November 2021, the Company issued four tranches Renewable Bonds with an aggregate principal amount of RMB3 billion, RMB3 billion, RMB3 billion and RMB2.9 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 3.63%, 3.73%, 3.15% and 3.14% per annum (category one), respectively, and 3.85%, 4.05%, 3.37% and 3.30% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years, three years, two years and two years (category one), respectively and every five years, five years, three years and three years (category two), respectively 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, three years, two years and two years (category one), respectively and five years, five years, three years and three years (category two), respectively, 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.

(c) For the six months period ended 30 June 2022, as a consequence of the compulsory interest payment event, i.e. the final dividend declared to the shareholders of the Company, the Company declared dividends to perpetual notes holders totaling RMB1,799 million, including the interest of RMB1,543 million which was generated during the period was deducted from retained earnings, and RMB256 million represented the accrued interest in the balance of perpetual notes as at 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

28. Trade and other payables

| | As at | |
|-------------------------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Trade and bills payables (a) | 441,890 | 405,520 |
| Dividend payables | 7,201 | 702 |
| Other taxes | 3,880 | 4,100 |
| Accrued payroll and welfare | 3,838 | 4,622 |
| Deposits (b) | 1,132 | 1,048 |
| Deposits received in advance | 1,533 | 3,243 |
| Advance from customers | 775 | 446 |
| Other payables | 139,027 | 112,993 |
| | 599,276 | 532,674 |
| Analysed for reporting purposes as: | | |
| Non-currents | 20,684 | 10,263 |
| Current | 578,592 | 522,411 |
| | 599,276 | 532,674 |

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB11,342 million (31 December 2021: RMB10,518 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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Less than 1 year | 400,411 | 370,538 |
| 1 year to 2 years | 22,799 | 19,622 |
| 2 years to 3 years | 9,133 | 9,274 |
| More than 3 years | 9,547 | 6,086 |
| | 441,890 | 405,520 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

28. 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%.

29. Borrowings

| | As at | |
|----------------------------------|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Bank borrowings: | | |
| Secured | 96,572 | 81,976 |
| Unsecured | 214,195 | 152,824 |
| | 310,767 | 234,800 |
| Long-term debentures, unsecured | 50,512 | 55,007 |
| Other borrowings: | | |
| Secured | 3,320 | 1,992 |
| Unsecured | 22,297 | 20,128 |
| | 25,617 | 22,120 |
| | 386,896 | 311,927 |
| Analysed for reporting purposes: | | |
| Non-current | 252,915 | 198,503 |
| Current | 133,981 | 113,424 |
| | 386,896 | 311,927 |

- (a) Bank borrowings carry interest at rates ranging from 0.75% to 6.90% (31 December 2021: 0.75% to 9.50%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.28% to 4.80% (31 December 2021: 2.14% to 4.50%) per annum.

Other borrowings carry interest at rates ranging from 3.00% to 6.90% (31 December 2021: 2.35%) per annum.

29. Borrowings (Continued)

(b) Movements in borrowings is analysed as follows:

| | RMB million (Unaudited) |
|--|----------------------------|
| Six months ended 30 June 2022 | |
| Opening amount as at 1 January 2022 | 311,927 |
| Proceeds from borrowings | 144,279 |
| Acquisition of subsidiaries | 247 |
| Repayments of borrowings and interests | (79,295) |
| Net foreign exchange gains on borrowings | 80 |
| Accrued interest on borrowings | 6,790 |
| Others | 2,868 |
| Closing amount as at 30 June 2022 | 386,896 |

| | RMB million (Unaudited) |
|---|----------------------------|
| Six months ended 30 June 2021 | |
| Opening amount as at 1 January 2021 | 250,055 |
| Proceeds from borrowings | 117,775 |
| Acquisition of subsidiaries | 503 |
| Repayments of borrowings and interests | (59,962) |
| Disposal of subsidiaries | (9,418) |
| Net foreign exchange losses on borrowings | (32) |
| Accrued interest on borrowings | 5,418 |
| Closing amount as at 30 June 2021 | 304,339 |

(c) As at 30 June 2022, the Group has undrawn borrowing facilities of RMB1,304,973 million (31 December 2021: RMB1,201,491 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

29. Borrowings (Continued)

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

| | 30 June 2022 | | As at 31 December 2021 | |
|--|--|--|--|--|
| | 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) | 1,837 | 4,695 | 295 | 1,715 |
| Intangible assets (Note 17) | 54,171 | 82,614 | 45,894 | 64,728 |
| Properties under development for sale (Note 18) | 6,885 | 17,436 | 7,699 | 30,698 |
| Trade and bills receivables (Note 22) | 19 | 19 | 221 | 221 |
| Trade receivables from subsidiaries of the Group | 24 | 375 | 34 | 375 |
| Contract assets (Note 21) | 34,515 | 60,444 | 29,825 | 48,320 |
| | 97,451 | 165,583 | 83,968 | 146,057 |

Besides, the Group has secured borrowings, with amount of RMB2,441 million, were secured by the future collection right of the subsidiaries of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30. Contingencies liabilities

| | As at | |
|--|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Pending lawsuits (a) – arising in the ordinary course of business | 5,388 | 5,256 |

- (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 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Property, plant and equipment | 115 | 2,418 |

31. Commitments (Continued)

(b) Investment commitment

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

| | As at | |
|---|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Investment commitment to associates, joint ventures and others | 59,181 | 53,024 |

(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. Since the signing of relevant co-operation agreements, the co-operation partners have carried out continuous negotiation on the details of the cooperation and gradually promoted the mining development and infrastructure construction. The amount of investment commitment disclosed above was based on the latest situation of the mining projects which is subject to change based on the projects progress in the future.

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 2022 | 31 December 2021 |
| CREC | Parent and ultimate holding company | PRC | 46.93% | 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 | |
|---|------------------------------------|------------------------------------|
| | 2022 RMB million (Unaudited) | 2021 RMB million (Unaudited) |
| Transactions with the CREC Group | | |
| – Rental expense | 3 | 6 |
| – Interest income | 23 | 35 |
| – Interest expense | 5 | 7 |
| – Provision of borrowings | 1,100 | 750 |
| – Repayment of borrowings | 750 | 1,500 |
| – Service expenses paid | 9 | – |
| Transactions with joint ventures | | |
| – Revenue from construction contracts | 11,603 | 15,940 |
| – Revenue from sales of goods | 150 | 166 |
| – Rental income | 2 | – |
| – Rental expense | 22 | – |
| – Interest income | 81 | 177 |
| – Interest expense | 1 | 3 |
| – Proceeds of borrowings | 39 | – |
| – Lending funds | 200 | 852 |
| – Repayment of borrowings | 1,586 | 1,300 |
| – Purchases | 620 | 634 |
| Transactions with associates | | |
| – Revenue from construction contracts | 9,851 | 10,741 |
| – Revenue from sales of goods | 1,676 | 1,112 |
| – Rental income | – | 2 |
| – Interest income | 54 | 159 |
| – Interest expense | – | 1 |
| – Lending funds | 4 | 56 |
| – Repayment of borrowings | 124 | 52 |
| – Purchases | 6,754 | 4,229 |

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 | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Basic salaries, housing allowances and other allowances | 2,339 | 2,344 |
| Contributions to pension plans | 339 | 314 |
| Others | 1,363 | 1,282 |
| | 4,041 | 3,940 |

32. Related-party transactions (Continued)

(c) Balances with related parties

| | As at | |
|--|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Balances with the CREC Group | | |
| Trade and bills receivables | 5 | 18 |
| Other financial assets at amortised cost | 1,330 | 980 |
| Other payables | 290 | 287 |
| Deposits | 525 | 748 |
| Right-of-use assets | 4 | 7 |
| Advance from customers | 1 | – |
| Lease liabilities | 4 | 7 |
| Balances with joint ventures | | |
| Trade and bills receivables | 2,108 | 3,880 |
| Other receivables | 296 | 287 |
| Advance to suppliers | 30 | 22 |
| Other financial assets at amortised cost | 6,729 | 9,030 |
| Contract assets | 1,107 | 1,143 |
| Trade payables | 892 | 1,189 |
| Other payables | 92 | 149 |
| Contract liabilities | 3,407 | 6,337 |
| Advance from customers | 65 | 131 |
| Deposits | 42 | 1,300 |
| Balances with associates | | |
| Trade and bills receivables | 4,909 | 4,623 |
| Other receivables | 147 | 138 |
| Other financial assets at amortised cost | 3,428 | 637 |
| Contract assets | 4,334 | 3,870 |
| Advance to suppliers | 325 | 71 |
| Trade payables | 1,692 | 1,153 |
| Other payables | 498 | 492 |
| Contract liabilities | 2,018 | 1,861 |
| Advance from customers | 12 | 2 |
| Deposits | 42 | 211 |

32. Related-party transactions (Continued)

(d) Guarantees

| | As at | |
|--|--|--|
| | 30 June 2022 RMB million (Unaudited) | 31 December 2021 RMB million (Audited) |
| Outstanding loan guarantees provided by the Group to | | |
| – Joint ventures | 4,777 | 2,969 |
| – Associates | 1,815 | 4,730 |
| – Government-related entities | 475 | 480 |
| Outstanding debentures guarantees provided by CREC to the Group | 3,500 | 3,500 |

33. Events after the reporting period

On July 2022, China Railway Xunjie Co., Limited, a subsidiary of the Company, has issued the corporate bond in a principal amount of USD0.5 billion with the maturity date of 6 July 2027. The interest rate is 4% per annum, payable semi-annually.

On 2 August 2022, the Company has issued the first tranche of the medium-term notes in 2022 in a principal amount of RMB3 billion, with a maturity date of 3 August 2025. The interest rate is 2.58% per annum, payable annually.

永遠的開路先鋒



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