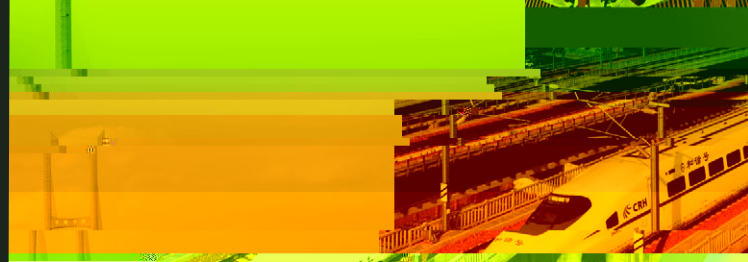




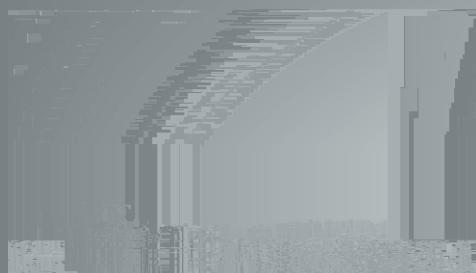
(a joint stock limited company incorporated in
the People's Republic of China with limited liability)
Stock Code: 390

IN



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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") 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 57th on the 2016 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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



FINANCIAL SUMMARY

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

Summary of Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June					Change 2016 vs 2015 (%)
	2016	2015	2014	2013	2012	
	RMB million					
Revenue						
Infrastructure Construction	240,533	240,609	231,795	204,450	164,235	–
Survey, Design and Consulting Services	5,738	5,596	4,694	4,226	4,106	2.5
Engineering Equipment and Component Manufacturing	7,547	6,876	7,401	6,316	4,900	9.8
Property Development	10,873	8,308	10,547	7,579	4,227	30.9
Other Businesses	16,674	20,320	28,854	30,276	23,871	–17.9
Inter-segment Eliminations and Adjustments	(12,918)	(17,191)	(15,911)	(13,891)	(10,424)	
Total	268,447	264,518	267,380	238,956	190,915	1.5
Gross Profit	21,968	21,531	20,124	16,676	14,103	2.0
Profit before Tax	7,804	6,665	6,327	5,277	3,655	17.1
Profit for the Period	5,394	4,405	4,299	3,682	2,540	22.5
Profit for the Period Attributable to Owners of the Company	5,116	4,577	4,061	3,488	2,390	11.8
Basic Earnings per Share (RMB)	0.224	0.215	0.191	0.164	0.112	4.2

FINANCIAL SUMMARY

Summary of Condensed Consolidated Statement of Financial Position

	30 June 2016	As at		Change	
		31 December 2015	30 June 2015	30 June 2016 vs 31 December 2015	30 June 2016 vs 30 June 2015
		RMB million		(%)	(%)
Assets					
Current Assets	571,406	565,601	560,372	1.0	2.0
Non-current Assets	154,778	147,904	139,495	4.6	11.0
Total Assets	726,184	713,505	699,867	1.8	3.8
Liabilities					
Current Liabilities	480,628	470,447	474,176	2.2	1.4
Non-current Liabilities	103,536	103,820	104,767	-0.3	-1.2
Total Liabilities	584,164	574,267	578,943	1.7	0.9
Total Equity	142,020	139,238	120,924	2.0	17.4
Total Equity and Liabilities	726,184	713,505	699,867	1.8	3.8

CHAIRMAN'S REPORT

Dear Shareholders and Investors,

We have passed the mid-year mark for 2016. In the first half of 2016, in the face of the new normal in the Chinese economy, the world economy entering into a period of transformation, complicated and ever-changing market trends and major difficulties along the journey of reform, the board of directors (the “**Board**” or the “**Board of Directors**”) and the management of the Company, with a grave sense of responsibility and mission, made a concerted effort to tackle the difficulties and concentrate on developing and expanding the Company’s operations. Adhering to the strategic objective of strengthening, refining and expanding our businesses, we actively committed ourselves to the supply-side structural reform with a focus on improving quality and efficiency. As a good beginning of the “13th Five-Year Plan”, we achieved new highs both in the value of newly signed contracts and our order pipeline, and recorded a steady growth in operation results. Our business vitality, market influence and risk resistance capacity continuously improved. We jumped to the 57th place on the 2016 Fortune Global 500 list.

In the first half of 2016, we improved supply-demand relations and optimized structure to make them more market-oriented. We captured opportunities and grew our markets. We kept on improving the deployment of our domestic and international operations. We maintained steady progress with strong momentum in our development by making strenuous efforts to enhance our total factor productivity and improve the quality of our products and services at the supply end and strengthen our competitiveness through the coordination and synergy between capital operation and contractor operation, coupled with an integration of industry chains, including franchise operations, investment, financing, R&D, survey, design, construction, installation and operation. We attached much importance to innovation and coordination. By implementing innovations in technology, operation management and business model, by a stronger market value management and a better integration of business and finance, we improved our international credit rating and issued onshore and offshore bonds, which improved our investment and funding structure. We revitalized inventory to increase asset quality and optimize the asset structure. We solidified and strengthened the foundation by exerting our strengths and weeding out weaknesses. We pushed forward the vertical development of refined project management of the activities in our laboratories. We went all out to improve quality and increase efficiency. We enhanced the asset quality and achieved a greater impact. We forged ahead with reforms while strictly controlling risk levels. With a focus on the “1+N” state-owned enterprise reform program and on compressing the management chain, we further optimized our corporate governance structure and operation systems and established a standardized, informationalized and intensive internal control management system, which boosted our organic growth. We bravely and actively fulfilled our responsibilities of implementing the national strategies. We completed numerous large-scale and challenging projects, including the longest railway tunnel in Central Asia – the Kamchiq Tunnel of the Angren-Pap railway line – and the Beijing-Zhangjiakou high-speed railway. Party and national leaders paid several visits to China Railway’s project sites and fully recognized our performance and contributions.

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CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 Changes in Share Capital

(1) Changes in share capital

(i) Changes in share capital

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

(ii) Explanation to the changes in share capital

Not applicable

(iii) Impact of changes in share capital on earnings per share, net asset value per share or other financial indicators for the last year and last period

Not applicable

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

Not applicable

(2) Changes in shares with selling restrictions

During the reporting period, there was no change in shares of the Company subject to selling restrictions. On 14 July 2015, the Company issued 1,544,401,543 shares subject to selling restrictions to seven designated investors, including CRECG and Beijing Zhong Shang Rong Sheng Trading Company Limited, by means of a non-public issuance, among which 1,235,521,235 shares were released for public trading on 14 July 2016. For details of changes in shares post the release, please refer to the Announcement of China Railway Group Limited on the Release of Non-publicly Issued Shares Subject to Selling Restrictions for Public Trading (Lin 2016-40) published on 11 July 2016 on the website of Shanghai Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily.

2 Information on Shareholders

(1) Number of shareholders and their shareholdings

As at 30 June 2016, the Company had a total of 805,611 shareholders. Based on the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 Information on Shareholders (continued)

(1) Number of shareholders and their shareholdings (continued)

(i) Shareholdings of the top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of pledged or frozen shares		Nature of shareholder
						Condition of shares	Number	
1	CRECG (Note 2)	+164,394,000	12,424,784,308	54.39	308,880,308	Nil	0	State-owned
2	HKSCC Nominees Limited (Note 3)	-164,503,000	4,003,560,909	17.53	0	Unknown	0	Other
3	China Securities Finance Corporation Limited	+84,745,923	649,822,904	2.84	0	Nil	0	Other
4	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	0	643,500,643	2.82	643,500,643	Nil	0	Other
5	Central Huijin Asset Management Ltd.	0	235,455,300	1.03	0	Nil	0	Other
6	Xinyu City Zhongqing Brothers Investment Institution (LLP) (Note 4)	0	141,570,141	0.62	141,570,141	Nil	0	Other
7	Beijing Zhong Shang Rong Sheng Trading Company Limited	0	141,570,141	0.62	141,570,141	Pledged	80,000,000	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	0	137,323,037	0.60	137,323,037	Nil	0	Other
9	Huaxia Life Insurance Co. Ltd. – Universal Life Insurance Products	0	124,721,939	0.55	0	Nil	0	Other
10	Hong Kong Securities Clearing Company Limited (Note 5)	+24,909,238	69,235,626	0.30	0	Nil	0	Other

Description of the related relations and concerted actions between the shareholders above

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

Note 2: 23,535,895,419 shares of the Company held by CRECG include 23,371,4: 1,419 A shares (including 419,991,419 shares subject to selling restrictions) and 275,4: 5,111 H shares of the Company.

Note 3: H shares held by HKSCC Nominees Limited are held on behalf of its various clients, and the number of which has excluded the number of H shares held by CRECG.

Note 4: Xinyu City Zhongqing Brothers Investment Institution (LLP) is a private fund managed by Nanjing An Ci Investment Management Company Limited.

Note 5: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its various Southbound Investors of the Company.

Note 6: The data shown in the table is based on the register of members of the Company as at 41 June 3127.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 Information on Shareholders (continued)

(1) Number of shareholders and their shareholdings (continued)

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

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Number
1	CRECG	11,951,510,000	RMB-denominated ordinary shares	11,951,510,000
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited (Note 2)	4,003,560,909	Overseas listed foreign shares	4,003,560,909
3	China Securities Finance Corporation Limited	649,822,904	RMB-denominated ordinary shares	649,822,904
4	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
5	Huaxia Life Insurance Co. Ltd. – Universal Life Insurance Products	124,721,939	RMB-denominated ordinary shares	124,721,939
6	Hong Kong Securities Clearing Company Limited (Note 3)	69,235,626	RMB-denominated ordinary shares	69,235,626
7	Bosera Fund – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
8	Da Cheng Fund – Agricultural Bank of China – Da Cheng China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
10	China AMC Fund – Agricultural Bank of China – China AMC China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
11	Harvest Fund – Agricultural Bank of China – Harvest China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
12	China Southern Fund – Agricultural Bank of China – China Southern China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
13	E Fund – Agricultural Bank of China – E China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500

Description of related relations and concerted actions between the shareholders above

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

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 Information on Shareholders (continued)

(1) Number of shareholders and their shareholdings (continued)

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

Note 2: H shares held by HKSCC Nominees Limited are held on behalf of its various clients, and the number of which has excluded the number of H shares held by CRECG.

Note 3: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its various Southbound Investors of the Company.

Note 4: The data shown in the table is based on the register of members of the Company as at 41 June 3127.

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

Unit: Shares

No.	Name of shareholder	Number of shares held subject to selling restrictions	Permission for public trading for shares subject to selling restrictions		Terms of selling restrictions
			Permitted timing for public trading	Number of new shares permitted for public trading	
1	CRECG	308,880,308	2018-07-14	0	36 months from the date of completion of the non-public issuance
2	Beijing Zhong Shang Rong Sheng Trading Company Limited	141,570,141	2016-07-14	0	12 months from the date of completion of the non-public issuance
3	Nanjing An Ci Investment Management Company Limited	141,570,141	2016-07-14	0	12 months from the date of completion of the non-public issuance
4	Ping An UOB Fund Management Co., Ltd.	643,500,643	2016-07-14	0	12 months from the date of completion of the non-public issuance
5	China Merchants Wealth Asset	643,500,63,861,017	2016-07-31	0	12 months from the date

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 Information on Shareholders (continued)

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

Not applicable

3 Changes in the Controlling Shareholder and the Ultimate Controller

Not applicable

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Save as disclosed below, as at 30 June 2016, none of the directors and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

The Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as at 30 June 2016 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 (%)	Approximately percentage of total issued shares (%)
CRECG	Beneficial owner	12,260,390,308	Long position	65.79	53.67

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (Shares)	Nature of interest	Approximate percentage of issued H shares (%)	Approximately percentage of total issued shares (%)
BlackRock, Inc.	Interest of controlled corporations	349,767,146	Long position	8.31	1.53
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
Deutsche Bank Aktiengesellschaft	Interest of controlled corporations (Note 2)	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending pool	0.25	0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Notes:

2. According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 24 January 2015, 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	24,282,421	234,535
Person having a security interest in shares	28,626,472	-
Interest of controlled corporation	65,153,711	-
Custodian corporation	21,517,111	-
Others	9,779,111	-

3. 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.	-	-	-	5,157,111	-	-	-	-
Deutsche Bank Aktiengesellschaft	-	-	-	28,735,111	-	-	-	21,277,111
Lehman Brothers Holdings Inc.	-	-	21,111,111	-	-	-	71,111	-

Apart from the foregoing, as at 30 June 2016, 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 2016 are as follows:

Name	Age	Position
LI Changjin (李长进)	57	Chairman and Executive Director
YAO Guiqing (姚桂清)	61	Vice Chairman and Executive Director
ZHANG Zongyan (张宗彦) (elected on 28 January 2016)	53	Executive Director and President
GUO Peizhang (郭佩章)	66	Independent Non-executive Director
WEN Baoman (文保曼)	65	Independent Non-executive Director
ZHENG Qingzhi (郑清志)	64	Independent Non-executive Director
NGAI Wai Fung (艾蔚芳)	54	Independent Non-executive Director

2 Supervisors

The supervisors of the Company during the six month ended 30 June 2016 are as follows:

Name	Age	Position
LIU Chengjun (刘成军)	52	Chairman of the Supervisory Committee
LIU Jianyuan (刘健元)	54	Supervisor
WANG Hongguang (王洪光)	57	Supervisor
CHEN Wenxin (陈文欣)	52	Supervisor
FAN Jinghua (樊敬华)	50	Supervisor

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3 Senior Management

The senior management of the Company during the six months ended 30 June 2016 are as follows:

Name	Age	Position
ZHANG Zongyan (张宗彦)	53	Executive Director and President
LIU Hui (刘辉)	56	Vice President and Chief Engineer
MA Li (马立)	58	Vice President
ZHOU Mengbo (周梦波)	51	Vice President
ZHANG Xian (张显)	55	Vice President
XU Tingwang (徐庭旺)	60	Vice President
YANG Liang (杨良)	47	Chief Financial Officer
YU Tengqun (于腾群)	46	Secretary to the Board, General Legal Advisor and Joint Company Secretary
TAM Chun Chung (谭春中)	43	Joint Company Secretary and Qualified Accountant

4 Change of Directors, Supervisors and Senior Management

On 2 July 2015, the Board of Directors received the resignation letter from Mr. DAI Hegen, an executive director and President of the Company. Due to change of job assignments, Mr. DAI Hegen resigned from the positions as (among others) executive director and President of the Company. In accordance with the recommendation of the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") and the nomination from CRECG, Mr. ZHANG Zongyan has been put forward as a candidate for executive director and President of the Company. On 13 July 2015, the 12th meeting of the third session of the Board considered and approved the Proposal on the Appointment of Mr. ZHANG Zongyan as President of China Railway Group Limited, in which the Board appointed Mr. ZHANG Zongyan as the President of the Company with the term of office commencing from the date of the relevant Board resolution until the expiry of the term of office of the third session of the Board. The meeting also considered and approved the Proposal on the Nomination of Mr. ZHANG Zongyan as a candidate for Executive Director of the Company, in which the Board nominated Mr. ZHANG Zongyan as a candidate for executive director of the Company with the term of office commencing from the date on which the relevant proposal is approved by the Company's shareholders at general meeting until the expiry of the term of office of the third session of the Board.

On 30 August 2016, Mr. XU Tingwang, a Vice President of the Company, retired.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5 Human Resources and Emolument Policy

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

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

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

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

The remuneration of executive directors of the Company is on an annual basis and consists of basic salary and performance-based bonus. The remuneration of the independent non-executive directors is a fixed salary depending on position. Remuneration of the directors is determined with reference to the prevailing market terms and in accordance with applicable regulations.

As at August 2016, the total number of employees hired by the Group was 282,085 (the number of on-the-job employees is 242,323). Among them, 6,601 have master degrees or above, 95,668 have bachelor's degree, 59,435 have received tertiary education and 120,381 have received secondary education or below. Employees who have received tertiary education or above amount to 57.3% of the total number of employees. In addition, the Group has 20,612 employees with senior professional titles or above, 54,247 with intermediate professional titles and 64,526 with assistant professional titles.

6 Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the 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 2016 to 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Overview

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

In the first half of 2016, the State continued to push forward the policies on an interconnected network of infrastructural facilities, "One Belt, One Road", co-development of Beijing-Tianjin-Hebei and Yangtze River Economic Belt. It implemented and moved forward the overall planning for a number of key infrastructure construction projects in respect of railways, rail transport, highways, underground integrated utility tunnels and sponge cities. In addition, it continued to actively promote the further vertical development of the reform of the "Public-Private-Partnership" (PPP) investment mode. Meanwhile, to accelerate the pace in improving the transportation infrastructure network and make use of the important function of major transport construction works in promoting investment, restructuring and achieving steady growth, the National Development and Reform Commission and Ministry of Transport jointly published the "Three-Year Action Plan on Major Transportation Infrastructure Construction Projects", which set out the overall deployment of the proposed major transportation infrastructure construction projects from 2016 to 2018, with an aim of further improving the transportation infrastructure network, strengthening infrastructure functions and establishing smooth domestic and international road connections. Stimulated by the continuous easing and destocking policies promulgated by the central and local governments, the property sector witnessed a surge in the National Real Estate Climate Index and a significant year-on-year growth in sales area and sales amount.

In the first half of 2016, with a focus on the enhancement of quality and efficiency, the Group proactively and duly forged ahead with its works by following the six principles of "solidifying foundation, refining projects, innovating systems, stringent management, strengthening capabilities and better enterprise". For the six months ended 30 June 2016, the Group's revenue increased by 1.5% from the corresponding period of 2015 to RMB268.447 billion. The Group realized profit for the period of RMB5.394 billion, representing an increase of 22.5% year-on-year. For the six months ended 30 June 2016, profit for the period attributable to owners of the Company was RMB5.116 billion, representing a year-on-year increase of 11.8% while the basic earnings per share of the Company were RMB0.224, representing a year-on-year increase of 4.2%.

A comparison of the financial results for the six months ended 30 June 2016 and the corresponding period of 2015 is set forth below.

2 Consolidated Results of Operations

Revenue

In the first half of 2016, the Group's revenue increased year-on-year by 1.5% to RMB268.447 billion. In the first half of 2016, the Group further strengthened its marketing effort. The Group's new contract amount increased year-on-year by 26% to RMB417.75 billion. By geographic location, new domestic contract amount was RMB386.53 billion, increased by 26.2% year-on-year while new overseas contract amount was RMB31.17 billion, increased by 23.2% year-on-year. By business segment, new contracts for infrastructure construction business increased year-on-year by 29.6% to RMB358.6 billion, which comprises of RMB101.16 billion from railway (representing a year-on-year increase of 48.5% and a market share of 47.5% in primary railway market), RMB44.64 billion from highway (representing a year-on-year decrease of 1.2%) and RMB212.8 billion from municipal and other works (representing a year-on-year increase of 30.2%). Among which new contract amount for urban rail transit was RMB78.85 billion, increased by 70% year-on-year. New contracts for survey, design and consulting services business amounted to RMB7.01 billion (representing a year-on-year decrease of 16.1%) while new contracts for engineering equipment and component manufacturing business amounted to RMB11.37 billion (representing a year-on-year increase of 12.6%). Contracted sales amount for the property development business amounted to RMB13.42 billion, increased by 35.8% year-on-year.

As at 30 June 2016, the Group's contract backlog was RMB1,887.58 billion, increased by 4.7% from 31 December 2015. Among which, RMB1,528.45 billion was from infrastructure construction business (representing an increase of 5.2% from 31 December 2015), RMB25.19 billion was from survey, design and consulting services business (representing an increase of 4.9% from 31 December 2015) and RMB27.48 billion was from engineering equipment and component manufacturing business (representing an increase of 11.2% from 31 December 2015).

Cost of sales and services and gross profit

The Group's cost of sales and services primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. For the six months ended 30 June 2016, the Group's cost of sales and services increased year-on-year by 1.4% to RMB246.479 billion. In the first half of 2016, gross profit of the Group increased year-on-year by 2.0% to RMB21.968 billion. The gross profit margin for the first half of 2016 was 8.18%, representing an increase from 8.14% for the first half of 2015. The moderate increase in gross profit margin for the first half of 2016 compared to the same period of last year was primarily because the increase in gross profit margin of survey, design and consulting services business, engineering equipment and component manufacturing business, property development business and other businesses outweighed the decrease in gross profit margin of the infrastructure construction business.

Other income

The Group's other income primarily consists of income from sundry operations supplemental to our principal business activities (such as sales of materials, rental, transportation and hotel operation), dividend income, relocation compensation, subsidies from government and other revenues. For the six months ended 30 June 2016, the Group's other income decreased by 16.0% to RMB0.924 billion from the corresponding period of last year. The decrease of other income was due to the decrease of income from sales of materials.

Other expenses

The Group's other expense primarily includes expenditures on research and development. For the six months ended 30 June 2016, other expense decreased by 5.5% to RMB3.121 billion from the same period of last year, mainly due to the fact that the Group consolidated its research ability and enhanced its research quality on innovation and transformation.

2 Consolidated Results of Operations (continued)

Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of held-for-trading financial assets, gains/losses on disposal of fixed assets, available-for-sale financial assets and interests in subsidiaries. The other losses of RMB0.553 billion for the first half of 2016 (six months ended 30 June 2015: other losses of RMB1.657 billion) mainly included impairment loss on mining assets, financial assets and interest in associates of RMB1.384 billion and foreign exchange gains of RMB0.796 billion.

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. For the six months ended 30 June 2016, the Group's selling and marketing expenses was RMB1.141 billion, representing a increase of 17.5% from the same period of last year. The increase is mainly due to the increased marketing effort on property development business. Selling and marketing expenses as a percentage of total revenue was 0.4% for the first half of 2016, basically remaining at the same level as that for the first half of 2015.

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 2016, the Group's administrative expenses increased by 7.2% to RMB8.786 billion from the corresponding period of last year. Administrative expenses as a percentage of total revenue was 3.3%, an increase from 3.1% for the first half of 2015. It was mainly due to the natural increase in labor costs.

Interest income

For the six months ended 30 June 2016, the interest income decreased by 9.7% to RMB1.032 billion from the corresponding period of last year. It was mainly due to the decrease in interest rates.

Interest expenses

For the six months ended 30 June 2016, the interest expenses decreased by 13.5% to RMB2.638 billion from the corresponding period of last year. It was mainly due to the decrease in total balance of the Group's interest-bearing liabilities as compared with last year and the decrease in financing cost.

Profit before tax

As a result of the foregoing factors, the profit before tax for the six months ended 30 June 2016 increased by 17.1% to RMB7.804 billion from RMB6.665 billion for the corresponding period of 2015.

Income tax expense

For the six months ended 30 June 2016, the income tax expense increased by 6.6% to RMB2.410 billion from the corresponding period of last year. By excluding the land appreciation tax, the effective income tax rate of the Group was 28.2% for the first half of 2016, a year-on-year decrease of 3.2 percentage points from 31.4% for the corresponding period of last year. It was mainly due to the positive results brought by various measures adopted by the Group in strengthening its control on income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

2 Consolidated Results of Operations (continued)

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 2016 increased by 11.8% to RMB5.116 billion from RMB4.577 billion for the corresponding period of 2015. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2016 was 1.9%, an increase from 1.7% for the corresponding period of 2015.

Profit for the period attributable to holders of perpetual notes

As at 30 June 2016, the Company issued perpetual notes with a total principal amount of RMB12 billion (31 December 2015: RMB12 billion). For the six months ended 30 June 2016, the profit for the period attributable to holders of perpetual notes amounted to RMB0.347 billion (for the six months ended 30 June 2015: RMB0.227 billion).

3 Segment Results

The revenue and results of each segment of the Group's business for the six months ended 30 June 2016 are set forth in the table below.

Business segments	Segment revenue	Growth rate	Profit/(loss) before tax
			1,411,529,405 for the six months ended 30 June 2016 and 1,400,000,000 for the six months ended 30 June 2015.

3 Segment Results (continued)

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. Segment revenue of survey, design and consulting services business increased by 2.5% year-on-year to RMB5.738 billion for the six months ended 30 June 2016. For the first half of 2016, gross profit margin and profit before tax margin for the segment were 30.8% and 13.2% respectively (first half of 2015: 29.7% and 10.2% respectively). It was mainly because the positive results brought by the Group's strengthened project cost management.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. Segment revenue of the engineering equipment and component manufacturing business of the Group increased by 9.8% year-on-year to RMB7.547 billion for the six months ended 30 June 2016. Gross profit margin and profit before tax margin were 23.2% and 9.4% respectively (first half of 2015: 19.0% and 6.2% respectively). This was mainly due to the increase in percentage of turnout in product mix which has higher gross profit margin and the decrease in cost brought by the Group's implementation of delicacy management and the decrease in cost of major raw materials.

Property development business

Revenue from our property development business primarily derives from the development, sale and management of a wide range of residential properties and commercial properties in the PRC. In the first half of 2016, the Group increased its destocking effort that satisfactory result was achieved for sale of property projects. For the six months ended 30 June 2016, segment revenue from property development business increased by 30.9% year-on-year to RMB10.873 billion. Gross profit margin and profit before tax margin were 21.8% and 6.9% respectively (first half of 2015: 21.4% and 5.9% respectively). Such increase was mainly due to the fact that the Group strengthened its costs and expenses management while destocking, which led to a promising result of decreased costs and enhanced efficiency. As at 30 June 2016, the Group had 127 property development projects, for which the total land area and gross floor area of projects under construction were 24.83 million square metres and 48.65 million square metres respectively, and the land reserve area and gross floor area available for development were 10.76 million square metres and 18.05 million square metres respectively.

Other businesses

The Group has progressively implemented the "limited and interrelated" diversification strategy. Segment revenue from other businesses decreased year-on-year by 17.9% to RMB16.674 billion for the first half of 2016. For the first half of 2016, gross profit margin was 24.9% (first half of 2015: 18.0%), mainly due to the growth in revenue of financial business which has higher gross profit margin and the increase in gross profit margin of merchandise trading business which accounted for a significant proportion of segment revenue. Loss before tax amounted to RMB0.496 billion for the first half of 2016 (first half of 2015: loss before tax of RMB0.947 billion), mainly attributable to the provision made for impairment loss on assets of the merchandise trading and mining business.

MANAGEMENT DISCUSSION AND ANALYSIS

3 Segment Results (continued)

Other businesses (continued)

As at 30 June 2016, the Group's mining resources and reserve information is shown below:

No.	Project name	Type	Grade	Reserve	Group's share	Planned total investment	Accumulated investment	Investment in the reporting period	Planned completion date	Project progress	
			Unit	Quantity	(%)	(billion)	(billion)	(billion)			
1	Sunite-Zuoqi Manglai Coal Mine, Inner Mongolia	Lignite	N/A	Billion tonne	0.92	46	1.363	0.542	-	Completed	Ceased production
2	Muli Coal Mine, Haizhou of Qinghai	Coking Coal	N/A	Billion tonne	0.248	80	2.34	0.458	-	-	Construction stopped
3	Luming Molybdenum Mine, Yichun City of Heilongjiang										

4 Cash Flow

For the six months ended 30 June 2016, the net cash outflow from operating activities of the Group amounted to RMB3.601 billion, representing a decrease from net cash outflow from operating activities of RMB16.424 billion for the corresponding period of 2015. It was mainly due to the promising result brought by the Group's active implementation of cash flow management. For the six months ended 30 June 2016, the net cash outflow from investing activities of the Group amounted to RMB5.696 billion, representing an increase from the net cash outflow of RMB2.374 billion for the corresponding period of 2015. It was mainly due to the increase in investments made by the Group. For the six months ended 30 June 2016, the net cash outflow from financing activities of the Group amounted to RMB6.975 billion while there was a net cash inflow of RMB11.369 billion for the same period in 2015. It was primarily due to the decrease in interest-bearing liabilities as compared with the same period of last year resulted from the improvement of the Group's operating cash flow.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's capital expenditure for the first half of 2016 was RMB5.272 billion (among which, RMB0.908 billion was for construction in progress, RMB2.603 billion was for purchase of fixed assets and RMB1.761 billion was for purchase of intangible assets), representing an increase of 11.4% from RMB4.732 billion for the corresponding period of last year.

Working capital

	As at	
	30 June 2016 RMB million	31 December 2015 RMB million
Inventories	34,564	30,110
Properties under development for sale	67,995	66,064
Trade and bills receivables	174,043	146,647
Trade and bills payables	273,841	258,879
Turnover of inventory (days)	24	25
Turnover of trade and bills receivables (days)	108	92
Turnover of trade and bills payables (days)	195	165

In line with the Group's continuous business development, the Group increased the reserve of raw materials and the scale of the property development projects under construction. Inventories increased by 14.8% to RMB34.564 billion as at 30 June 2016 from RMB30.110 billion as at the end of 2015. The inventory turnover days for the first half of 2016 decreased to 24 days from 25 days for the year of 2015. As at 30 June 2016, properties under development for sale increased by 2.9% to RMB67.995 billion from RMB66.064 billion as at the end of 2015.

As at 30 June 2016, trade and bills receivables were RMB174.043 billion, representing an increase of 18.7% from RMB146.647 billion as at the end of 2015. The turnover days of trade and bills receivables increased from 92 days for 2015 to 108 days for the first half of 2016. It was mainly due to the increase in receivables from construction projects and retention receivables which are not yet due. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 31.5% (31 December 2015: 31.6%) of the total amount, reflecting the sound receivables management capability of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

4 Cash Flow (continued)

Trade and bills receivables

The following table sets forth the ageing analysis of the Group's trade and bills receivables net of allowance for doubtful debts as at 30 June 2016 and 31 December 2015, based on the invoice date.

	As at	
	30 June 2016 <i>RMB million</i>	31 December 2015 <i>RMB million</i>
Less than six months	86,595	75,435
Six months to one year	32,699	24,802
One year to two years	28,112	26,098
Two years to three years	16,714	11,326
More than three years	9,923	8,986
Total	174,043	146,647

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 2016, the Group's trade and bills payables were RMB273.841 billion, representing an increase of 5.8% from RMB258.879 billion as at the end of 2015. The turnover days of trade and bills payables for the first half of 2016 were 195 days, increased from 165 days for 2015. 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 11.0% (31 December 2015: 11.7%) of the total amount.

Trade and bills payables

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 30 June 2016 and 31 December 2015, based on the invoice date.

	As at	
	30 June 2016 <i>RMB million</i>	31 December 2015 <i>RMB million</i>
Less than one year	243,854	228,672
One year to two years	17,670	18,432
Two years to three years	6,552	6,224
More than three years	5,765	5,551
Total	273,841	258,879

5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2016 and 31 December 2015. As at 30 June 2016, 44.7% (31 December 2015: 46.7%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2016 RMB million	31 December 2015 RMB million
Bank borrowings		
Secured	32,958	34,442
Unsecured	92,044	92,503
	125,002	126,945
Short-term debentures, unsecured	1,000	3,000
Long-term debentures, unsecured	31,558	34,015
Other short-term borrowings, unsecured	5,288	8,755
Other short-term borrowings, secured	5	72
Other long-term borrowings, unsecured	11,472	7,635
Total	174,325	180,422
Long-term borrowings	96,379	96,213
Short-term borrowings	77,946	84,209
Total	174,325	180,422

Bank borrowings carry interest rates ranging from 1.96% to 9.00% (31 December 2015: 0.92% to 10.05%) per annum. Short-term debentures carry fixed interest rates ranging from 2.80% to 7.20% (31 December 2015: 3.58% to 4.50%) per annum. Long-term debentures carry fixed interest rates ranging from 3.07% to 6.40% (31 December 2015: 3.85% to 7.20%) per annum. Other short-term borrowings carry interest rates ranging from 1.27% to 10.50% (31 December 2015: 1.38% to 10.50%) per annum. Other long-term borrowings carry fixed or floating interest rates ranging from 5.23% to 13.92% (31 December 2015: 6.28% to 13.92%) per annum.

5 Borrowings (continued)

The following table sets forth the maturity of the Group's borrowings as at 30 June 2016 and 31 December 2015.

	As at	
	30 June 2016 <i>RMB million</i>	31 December 2015 RMB million
Less than one year	77,946	84,209
One year to two years	27,265	19,783
Two years to five years	43,898	45,616
More than five years	25,216	30,814
Total	174,325	180,422

As at 30 June 2016 and 31 December 2015, the Group's bank loans comprised fixed-rate bank loans amounting to RMB1.663 billion and RMB1.449 billion, respectively and floating-rate bank loans amounting to RMB123.339 billion and RMB125.496 billion, respectively.

The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros. The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2016 and 31 December 2015.

	As at	
	30 June 2016 <i>RMB million</i>	31 December 2015 RMB million
USD	2,838	3,238
Euro	121	122
Others	234	163
Total	3,193	3,523

5 Borrowings (continued)

The following table sets forth the details of the Group's secured borrowings as at 30 June 2016 and 31 December 2015.

	As at 30 June 2016		As at 31 December 2015	
	Secured borrowings RMB million	Carrying value of pledged assets and contract value of certain rights RMB million	Secured borrowings RMB million	Carrying value of pledged assets and contract value of certain rights RMB million
Property, plant and equipment	108	163	192	166
Intangible assets	21,616	35,193	21,103	35,792
Properties under development for sale	9,924	16,709	11,329	22,609
Bills receivable	4	4	37	37
Trade receivables	1,111	1,354	1,503	2,333
Rights to collect cash flows in relation to certain construction projects	200	226	350	525
Total	32,963	53,649	34,514	61,462

As at 30 June 2016, the Group's unused credit line facilities from banks amounted to RMB172.885 billion (31 December 2015: RMB142.031 billion).

As at 30 June 2016, the Group's gearing ratio (total liabilities/total assets) was 80.4%, a decrease of 0.1 percentage point as compared with 80.5% as at 31 December 2015.

In the first half of 2016, the Group has completed the issue of corporate bonds of RMB4.17 billion in aggregate, including RMB2.12 billion with coupon interest rate of 3.80% and maturity in 2026 and RMB2.05 billion with coupon interest rate of 3.07% and maturity in 2021. In July 2016, the Group has completed the issue of notes of USD500 million with coupon interest rate of 3.25% and maturity in 2026. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies.

6 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 2016 RMB million	31 December 2015 RMB million
Pending lawsuits		
– arising in the ordinary course of business (Note 2 and Note 3)	1,702	1,458
– overseas lawsuit (Note 4 and Note 5)	854	854
Total	2,556	2,312

Note 2: 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 claims will not be successful. T

6 Contingent Liabilities (continued)

Note 4: Two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd. (**COVEC**) and China Railway Tunnel Group Co., Ltd., established a consortium (the **Consortium**) with another two independent parties in 311: for the design and construction of certain sections of the A3 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland (**PGDNRM**). The Group's share of the total contract amount and performance bond are approximately Polish Zloty (**PLN**) 2,271 million (equivalent to approximately USD513 million or RMB3,852 million) and PLN227 million (equivalent to approximately USD51 million or RMB385 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 4 June 3122 to PGDNRM and PGDNRM sent termination notices dated 24 June 3122 to the Consortium.

On 3: September 3122, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and another independent party in the Consortium collectively or individually for penalties and interests of an aggregate amount of PLN23: million (equivalent to approximately USD53 million or RMB374 million), whereas all parties in the Consortium bear liabilities jointly and severally. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures.

In 3125, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties. The Consortium withdrew the protective measures of the performance bond and agreed the banks to pay the Group's performance bond of PLN 227 million (equivalent to approximately RMB31: million) to PGDNRM at the beginning of 3126, which loss has been recognised in the Group's consolidated financial statements for the year ended 42 December 3125. During 3126, the Group paid the penalty interests of the performance bond amounting to PLN63 million (equivalent to approximately RMB: 4 million) to PGDNRM, which was recognised in profit or loss during the year ended 42 December 3126.

On 36 February 3126, the Poland Warsaw District Court decided to suspend the lawsuit procedure for one year due to the amicable motion of all parties. On 37 February 3127, as the suspension of the lawsuit procedure expired, PGDNRM applied to resume the lawsuit procedure. To proceed the settlement of this case, the Group made effort to negotiate with PGDNRM and all parties agreed to apply for suspension in 3127. On 36 April 3127, the trial of this case was suspended again for one year. There is no significant progress up to the date of this Interim Report. At this stage, the Directors consider it premature to assess the outcome of this case.

Note 5: Exploitations Artisanales Au Congo (**EXACO**) was a former shareholder of La Miniere De Kalumbwe Myunga sprl (**MKM**), an indirectly owned subsidiary of the Company. As at 41 August 3122, EXACO had disposed of its entire interests in MKM. In November 3123, EXACO was of the view that MKM and China Railway Resources Global Holding Limited (**CRRG**), which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM, breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD247 million (equivalent to approximately RMB93: million).

MKM and CRRG had raised objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 3124, although MKM and CRRG did not receive the verdict, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 37 November 3124 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Court of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to MKM and CRRG for a total of USD42 million compensation (equivalent to approximately RMB29: million) on 9 February 3124. MKM and CRRG appealed to the Supreme Court for the fraud of the presiding judge of the local court in the above case. On 34 July 3125, the Supreme Court convicted and cancelled the above judgment of USD42 million compensation made by the local court on 9 February 3124.

In addition, on 26 January 3125, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 54.6% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD21: million (equivalent to approximately RMB776 million), and for taking protective measures against MKM. On 31 January 3125, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 41 January 3125. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case. On 6 June 3126, the Supreme Court convicted and cancelled the above judgment on protective measures made by the local court on 31 January 3125.

On 2 September 3126, EXACO filed an arbitration application to International Court of Arbitration of the International Chamber of Commerce due to MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD65.88 million (equivalent to approximately RMB467 million) including the loss caused by previous 54.6% share transfer and previous 22.6% share forced sale with the interests due to delayed payment since November 3123, and all arbitration fees and other expenses EXACO has paid for the arbitration proceedings. EXACO also requested that CRRG and China Railway Resources Group Co., Ltd., the holding company of CRRG, bear joint liabilities as to the obligations of above compensations.

On 8 January 3127, the International Court of Arbitration of the International Chamber of Commerce appointed 4 arbitrators for this arbitration and the arbitration tribunal was formed on 23 May 3127. According to the arbitration schedule, this case will be heard for the first time on 33 May 3128.

Given this case is still pending, the Directors consider that it is premature to assess the outcome of this case.



MANAGEMENT DISCUSSION AND ANALYSIS

7 Business Risks (continued)

- (6) **Investment risk:** Investment risk mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by non-governmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.
- (7) **Exchange rate risk:** Due to the uncertainties of the exchange rate in the foreign exchange market, the Group may incur loss on certain overseas projects where settlements and payments of contracts are denominated in local currencies.
- (8) **Commodity price fluctuation risk:** The domestic and international macroscopic economy may cause significant fluctuations in market prices of commodities relating to the Group, which in turn may affect the Group's control on its production and operating costs.

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

8 Prospect

In the second half of 2016, the State will continue to expand total demand at a moderate pace and adopt a proactive fiscal policy and prudent monetary policy. By persisting in supply-side structural reform and implementing tax cuts and cost reduction measures, the State will divert more private capital into the real economy and underdeveloped infrastructure sectors. It will promote the implementation of the three pillar strategies including "One Belt, One Road", accelerate the improvement of transportation infrastructure network construction, in particular the high speed railway network, highway network, railway network in the central and western regions and intercity railway, and steadily promote the infrastructure construction of urban railways, underground integrated utility tunnels and sponge cities etc. All these will present development opportunities for the Group. The Group will continue to step up its operation and development efforts to expand its market share, reinforce comprehensive and precise management and keep on enhancing quality and efficiency in order to improve the quality and efficiency of its development and achieve its annual operating targets.

SIGNIFICANT EVENTS

1 Material Litigation, Arbitration and Matters Generally Concerned by Media

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

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

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

Given the intention of the Consortium and PGDNRM to reach a settlement, on 25 February 2015, the Poland Warsaw District Court adjourned the proceedings. As this further adjournment would exceed the applicable extension deadline, PGDNRM applied to the Poland Warsaw District Court to resume legal proceedings on 26 February 2016. The Consortium and PGDNRM have conducted proactive communication and in order to avoid the legal proceedings affecting the progress of the settlement discussions, on 25 April 2016, according to the application proposed by PGDNRM and the consent of both parties, the Warsaw District Court suspended the trial procedures again.

(2) Litigation and arbitration which were not disclosed in an announcement or might have subsequent progress

Not applicable

(3) Others

Not applicable

2 Events Regarding Bankruptcy and Restructuring

Not applicable

3 Events Regarding Assets Transactions and Merger

Not applicable

4 Implementation of Share Incentive Scheme of the Company and its Effects

Not applicable

SIGNIFICANT EVENTS

5 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 parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of the related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Lease office premises	Contract price	9,411	9,411	Less than 1%
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	12,274	12,274	Less than 1%
Total					21,685	21,685	

Description of related party transactions

The above two transactions resulted from the implementation of the Comprehensive Services Agreement and Premises Leasing Agreement renewed by the Company and CRECG on 30 December 2015. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved at the 15th meeting of the third session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Comprehensive Services Agreement and Premises Leasing Agreement was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules.

(iii) Matters which were not disclosed in an announcement

Not applicable

SIGNIFICANT EVENTS

5 Significant Related Party Transactions (continued)

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

During the reporting period, the Company did not have any related party transactions in relation to acquisition and disposal of asset.

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

During the reporting period, there was no significant related party transaction in relation to joint external investment by the Company.

(4) Amounts due from/to related parties

Not applicable

(5) Other related party transactions

(i) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway (Note 2) CRECG (Note 3)	Lince Railway Co., Ltd.	697,600	June 2008	June 2025	No

SIGNIFICANT EVENTS

5 Significant Related Party Transactions (continued)

(5) Other related party transactions (continued)

(ii) Related party transactions in relation to financial services

Unit: Thousand Currency: RMB

Item	Related Party	30 June 2016	31 December 2015
Deposits taking (Note)	CRECG	1,042,831	1,938,956
	China Railway Hongda Asset Management Center	5,206	5,013

Note: In order to increase the utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and CRECG was considered and passed at the 26th meeting of the third session of the Board convened by the Company on 3 December 3126, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would sign the Financial Services Framework Agreement (the agreement would expire on 42 December 3129) with CRECG, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CRECG and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 41 December 3126 published on the website of the Shanghai Stock Exchange.

During the reporting period, the maximum daily amount of deposits (including interest accrued) provided by China Railway Finance Co., Ltd. to CRECG did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

(iii) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related Party	From January to June 2016	From January to June 2015
Interest expenses	CRECG (Note)	7,875	51,837
	China Railway Hongda Asset Management Center	35	–

Note: The interest expenses arose from the interest payable by the Company to CRECG for the entrusted loan and the interest payable by China Railway Finance Co., Ltd., a subsidiary of the Company, to CRECG and its subsidiary, China Railway Hongda Asset Management Center, for deposit-taking.

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance

(1) Trusteeship, contracting and leasing

Not applicable

(2) Guarantees

Unit: Thousand Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guaranteee	Guaranteed amount	Guarantee granted by the Company (excluding those to subsidiaries)			Type of guarantee	Guarantee fully fulfilled	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
				Commencement date of guarantee (execution date)	Commencement date of guarantee	Expiry date of guarantee						
China Railway Group Limited	The same entity	Lince Railway Co., Ltd.	697,600	2008/08/01	2008/08/01	2025/06/20	No	0	No	No	Yes	Other
China Railway Group Limited	The same entity	Inner Mongolia Guotai Railway Co., Ltd.	245,000	2008/11/24	2008/11/24	2020/11/30	No	0	No	No	No	
China Railway No.2 Engineering Group Co., Ltd.	Wholly owned subsidiary	China Railway Boyai Train Ferry Co., Ltd.	4,926	2004/12/24	2004/12/24	2016/12/23	No	0	No	No	No	
China Railway Electrification Engineering Group Co., Ltd.	Wholly owned subsidiary	Nanjing China Railway Electronic Investment Management Co., Ltd.	541,000	2012/09/30	2012/09/30	2022/12/20	No	0	No	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	59,354.60	2012/12/29	2012/12/29	2016/12/31	No	0	No	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Yangtsi Port Bridge Co., Ltd.	693,500	2015/10/21	2015/10/21	2023/06/29	No	0	No	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Mohai Road & Bridge Co., Ltd.	675,000	2014/09/23	2014/09/23	2019/09/06	No	0	No	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Yungwuzhou Bridge Co., Ltd.	1,435,000	2013/02/08	2013/02/08	2021/06/13	No	0	No	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Yichang Miaozi River Bridge Construction Engineering Co., Ltd.	400,000	2013/12/20	2013/12/20	2018/12/20	No	0	No	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)

Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)

Guarantee provided by the Company to its subsidiaries

Total guarantee to subsidiaries incurred during the reporting period

Total balance of guarantee to subsidiaries as at the end of the reporting period (B)

Aggregate guarantee of the Company (including those provided to subsidiaries)

Aggregate guarantee (A+B)

Percentage of aggregate guarantee to net assets of the Company (%)

Representing:

Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)

Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)

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

Aggregate amount of the above three categories (C+D+E)

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

Statement on guarantee

-1,813,738.08
4,740,380.60
1,012,723.10
31,374,057.90
36,114,438.50
27.04

31,330,917.80

31,330,917.80

As at 30 June 2016, the Company's aggregate guarantee in relation to real estate mortgage is RMB18,857,269,580.

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(3) Other material contracts or transactions

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

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'1,111)	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Harbor Bureau, China Railway Airport, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project MHSS-3 Section, MHSS-5 Section and MHSS-6 Section; MHQG-2 Section of the relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines	2015-02 2015-07	3,068,982	55-60 months
2	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification Engineering, China Railway Airport, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	The before-station construction of the new Shangqiu-Hefei-Hangzhou Railway (Anhui, Zhejiang Segment) SHZQ-3 Section, SHZQ-5 Section, SHZQ-8 Section, SHZQ-10 Section, SHZQ-11 Section, SHZQ-13 Section, SHZQ-15 Section, SHZQ-16 Section	2015-11	2,041,162	59.4 months
3	China Railway Major Bridge Engineering	Fujian Fuping Railway Co., Ltd.	FPZQ-3 Section of before-station construction of new Fuzhou-Pingtian Railway	2013-10	879,909	2,007 calendar days

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(3) Other material contracts or transactions (continued)

(i) Infrastructure construction business (continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB '1,111)	Construction period
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-functional Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway No. 1 Engineering, COVEC	East Timor Public Affairs Bureau and Petroleum and Mineral Resources Bureau	Construction project of Suai-Beaco Highway Road, Section 1: Suai-Fatukai/Mola Section, East Timor	2015-01	182,741	730 calendar days
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning City Railway Group Co., Ltd.	Construction Contract of Section 02 of Phase one of Line 3 of Nanning City Railway (Keyuan Road and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway Construction	Jiangxi Zhengsheng Shidai Property Co., Ltd.	EPC contract for construction project of Zhengsheng Taigugang Commercial City, Nanchang	2015-09	320,000	1,000 calendar days

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB '1,111)	Construction period
1	China Railway Eryuan Engineering	Shanghai-Kunming Railway Passenger Line Guizhou Co., Ltd.	Survey and design contract of the new Changsha-Kunming Railway Passenger Line (Guizhou Section)	2010-09	112,604	72 months
2	China Railway Eryuan Engineering	Chengdu-Lanzhou Railway Co., Ltd.	Survey and design contract of the new Chengdu-Lanzhou Railway	2011-01	84,100	72 months
3	China Railway Eryuan Engineering	Russia"High-speed Rail" Open Joint-Stock Company	Working contract of project survey, regional land survey and design, and construction design document preparation for Moscow-Kazan High-speed Rail	2015-06	81,900	18 months



SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)
(3) Other material contracts or transactions (continued)

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(3) Other material contracts or transactions (continued)

(iv) Property development business

No.	Project name	Project location	Project type	Planning area (‘1,111 sq.m.)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86
5	Dalian Nobel Binhai Garden	Dalian, Liaoning	Residential	53.45
6	China Railway West Town	Beijing	Residential	49.36

(v) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB ‘1,111)	Construction period	Operation (Repurchase) term
BOT							
1	Shaanxi Yulin Yushen Company	Yulin Municipal Government	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	Guangxi Cenxing Company	Guangxi Department of Communications	BOT Project of the Guangxi Cenxi-Xingye Expressway	2005-08	516,361	36 months	28 years
3	China Railway	Yunnan Department of Communications	BOT Project of the Yunnan Funing-Guangnan, Guangnan-Yanshan Expressway	2005-12	644,000	36 months	27 years

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(3) Other material contracts or transactions (continued)

Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'1,111)	Construction period
Railway						
1	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Shanghai	South Yunnan Railway Construction Headquarters of Kunming Railway Bureau	EPC contract of before-station construction project of Sections YMZQ-16, YMZQ-5, YMZQ-6, YMZQ-1, YMZQ-13, YMZQ-11, YMZQ-3, and YMZQ-14 of the new Yuxi-Mohan Railway	2016-04	1,193,432	34.1-56 months
2	China Railway No. 1 Engineering, China Railway No. 4 Engineering, China Railway No. 7 Engineering	West Inner Mongolia-Central China Railway Co., Ltd.	Construction project of Sections MHTJ-1, MHPJ-2 and MHTJ-14 of the new West Inner Mongolia-Central China Coal Transportation Railway	2016-03	796,107	47 months
3	China Railway No. 5 Engineering, China Railway No. 8 Engineering, China Railway No. 9 Engineering, China Railway No. 10 Engineering, China Railway Tunnel	Chengdu-Kunming Railway Co., Ltd.	Before-station construction project of Sections EMZQ-4, EMZQ-1, EMZQ-12, EMZQ-6 and EMZQ-9 of the capacity expansion reform project of Emei-Miyi Segment of Chengdu-Kunming Railway	2016-03	781,048	29-74 months
Highway						
1	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of construction project of Su'ai Passage, Shantou	2016-02	388,377	/
2	China Railway No. 1 Engineering	Zhaoqing Highway Bureau	PPP project of urbanized road reconstruction project of Zhaoqing	2016-01	293,800	/
3	China Railway No. 1 Engineering, China Railway Tunnel	Xiamen Construction Bureau	Construction project of Sections A3 and A1 of No.2 West Passage, Xiamen	2016-03	132,669	42 months
Municipal Works						
1	China Railway No. 8 Engineering	Kunming Airport Investment and Development Co., Ltd.	Investment – financing construction project of Chenghuang Road (Economic Development Zone to Airport Express Section)	2016-06	218,248	/
2	China Railway No. 10 Engineering	Housing and Urban-Rural Development Bureau of Gongzhuling	PPP project of underground integrated utility tunnels of Gongzhuling	2016-06	169,000	4 years
3	China Railway No. 7 Engineering, China Railway Major Bridge Engineering	Outside Road Project Department of Zhengzhou Railway Bureau	Express passage project of Sections NYLDJSG-2 and NYLDJSG-1 of Zhengzhou Agriculture Road	2016-04	133,419	18 months

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(4) Particulars of material properties

(i) Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Workers Stadium Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Lotus Mall	No.1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Avenue, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%
15-17/F, Jingxin Building	A2 Dongsanhuanbei Road, Chaoyang District, Beijing	Commercial	Medium term	100%
China Railway Consultation Mansion	No. 15 Guang'an Road, Fengtai District, Beijing	Commercial	Medium term	100%

SIGNIFICANT EVENTS

6 Material Contracts and Their Performance (continued)

(4) Particulars of material properties (continued)

(ii) Property held for development and/or for sale

Name of building or project	Location	Existing land use	Site area (sq. m.)	Floor area (sq. m.)	Stage of completion	Expected completion date	Interest of the Company and subsidiaries
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial/ Residential	1,060,000	2,306,000	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	528,000	1,055,400	Under construction	2018	67%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	596,400	788,600	Under construction	2019	100%

SIGNIFICANT EVENTS

7 Performance Status of Undertakings

(1) Undertakings made by the Company, shareholders holding more than 5% of the shares of the Company, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied
IPO-related undertakings	Dealing with competition in the industry	CRECG	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	Long term	No	Yes
Undertakings related to refinancing	Others	CRECG	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, the CRECG shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes
Other undertakings	Restrictions on share sale	CRECG	Not to dispose of any shares of the Company via the secondary market within six months from 15 January 2016.	15 July 2016	Yes	Yes

Note: For details of the relevant undertakings made by the Company and CRECG during the material asset restructuring of China Railway Erju Co., Ltd. (

SIGNIFICANT EVENTS

8 Appointment and Removal of Auditors

Not applicable

9 Penalty and Rectification Order against the Listed Company and its Directors, Supervisors, Senior Management, Shareholders Holding 5% Shares or above of the Company, Ultimate Controller and Acquirer

Not applicable

10 Convertible Corporate Bonds

Not applicable

11 Corporate Governance

The Company carried out its operations in accordance with relevant laws and regulations such as the Company Law, the Securities Law and the relevant regulations of the securities regulatory authorities in Hong Kong and the PRC, continuously enhanced the corporate governance structure and brought forth new ideas to the operational mechanism of corporate governance, thereby continuously enhancing the rationality and effectiveness of corporate governance. During the reporting period, the Company convened two general meetings, five board meetings, nine board special committee meetings and five supervisory committee meetings in total. By fulfilling their respective responsibilities in all aspects and operating in accordance with the relevant laws and regulations, each decision-making body effectively safeguarded the interests of the Company and its minority shareholders. Besides, the Company also strictly followed the information disclosure requirements, enhanced the management of investor relations and market value, improved its corporate management and refined its internal control management and risk prevention system. The Company received a number of awards during the reporting period, including the “Pegasus Award – The Best Board of Directors on the Main Board” and “China’s Top 100 Listed Companies in Overall Strength” awarded by the Securities Times for the year 2016.

12 Other Significant Events

(1) Analysis and explanation of the Board on the reasons for and impacts of the changes in accounting policies, accounting estimates and auditing methods

Not applicable

(2) Analysis and explanation of the Board on the reasons for and impacts of correcting material mistakes of the prior periods

Not applicable

SIGNIFICANT EVENTS

12 Other Significant Events (continued)

(3) Others

To follow the “Guidelines on Deepening the Reform of State-owned Enterprises” of the CPC Central Committee and State Council and to proactively implement the new strategies deployed in “Made in China 2025” to facilitate the structural optimization and upgrading of our engineering equipment and component manufacturing business segment through tactics such as mergers, acquisitions and restructuring in the capital market, the Company and China Railway Erju (stock code: 600528), a listed subsidiary controlled by the Company, conducted a material asset swap and subscription of the non-public offer shares of China Railway Erju with assets (the “**Reorganization**”), with a view to building up a listed company platform in our engineering equipment and component manufacturing business segment.

At the 15th meeting of the third session of the Board and the 20th meeting of the third session of the Board, the relevant proposals, including Proposal on Material Asset Reorganization Regarding An Asset Swap and Share Issuance for Acquisition of Assets Between the Company and China Railway Erju and the Fundraising of China Railway Erju, were considered and approved. The relevant documents were disclosed on the website of the Shanghai Stock Exchange and the designated newspapers of the Company. The Reorganization was approved by the SASAC on 5 May 2016 and was considered and unconditionally approved by the 2016 56th work meeting of the Review Board for Mergers, Acquisitions, and Restructuring of Listed Companies of the China Securities Regulatory Commission held on 29 July 2016. At present, the Company and China Railway Erju are actively preparing for the reorganization. The Company will follow up and go through the requisite approval procedures and fulfill its obligations to disclose information as required by the relevant laws and regulations in a timely manner. For more details on the progress, please refer to the relevant announcements published by the Company and China Railway Erju on the website of Shanghai Stock Exchange and the Company’s designated newspapers.

13 Compliance with Corporate Governance Code

During the six months ended 30 June 2016, the Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules.

14 Review of Interim Financial Report

The 2016 interim financial report of the Company prepared in accordance with Chinese Accounting Standard and International Financial Reporting Standard has not been audited. The 2016 interim financial report has been reviewed by the Board and the Audit and Risk Management Committee of the Board.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CRECG	China Railway Engineering Corporation
4	BOT	“Build-Operate-Transfer” mode
5	PPP	“Public-Private-Partnership” mode
6	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
7	One Belt, One Road	the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin (Chairman)
YAO Guiqing
ZHANG Zongyan

Independent Non-executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
NGAI Wai Fung

Supervisors

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

Joint Company Secretaries

YU Tengqun
TAM Chun Chung CPA, FCCA

Authorized Representatives

YAO Guiqing
TAM Chun Chung CPA, FCCA

Audit and Risk Management Committee

ZHENG Qingzhi (Chairman)
WEN Baoman
NGAI Wai Fung

Remuneration Committee

GUO Peizhang (Chairman)
WEN Baoman
ZHENG Qingzhi

Strategy Committee

LI Changjin (Chairman)
YAO Guiqing
ZHANG Zongyan
GUO Peizhang
ZHENG Qingzhi

Nomination Committee

LI Changjin (Chairman)
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

ZHANG Zongyan (Chairman)
YAO Guiqing
GUO Peizhang
WEN Baoman
NGAI Wai Fung

COMPANY INFORMATION

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No.128 South 4th Ring Road West
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Beijing 100070
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Principal Place of Business in Hong Kong

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Kowloon, Hong Kong

Auditors

Domestic

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8/F, Tower W2
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

International

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisors

For PRC Law

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

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares

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

H Shares

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

Listing Information

A Shares

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

H Shares

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

Principal Bankers

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

Company Website

<http://www.crec.cn>

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED

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

Introduction

We have reviewed the condensed consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 88, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 Hong Kong 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended	
		30/6/2016 RMB million (Unaudited)	30/6/2015 RMB million (Unaudited)
Revenue	4	268,447	264,518
Cost of sales and services		(246,479)	(242,987)
Gross profit		21,968	21,531
Other income	5	924	1,100
Other expenses	5	(3,121)	(3,301)
Other gains and losses	6	(553)	(1,657)
Selling and marketing expenses		(1,141)	(971)
Administrative expenses		(8,786)	(8,194)
Interest income	7	1,032	1,143
Interest expenses	7	(2,638)	(3,049)
Share of profits of joint ventures		46	59
Share of profits of associates		73	4
Profit before tax		7,804	6,665
Income tax expense	8	(2,410)	(2,260)
Profit for the period	9	5,394	4,405
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		-	(74)
Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss		-	13
		-	(61)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		172	(141)
Fair value (loss) gain on available-for-sale financial assets		(204)	248
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		(21)	(63)
Fair value gain (loss) on cash flow hedging instrument		5	(3)
Share of other comprehensive income of associates		-	3
Income tax relating to items that may be reclassified to profit or loss subsequently		39	(33)
		(9)	11



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30/6/2016 RMB million (Unaudited)	31/12/2015 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	22	51,952	51,765
Deposits for acquisition of property, plant and equipment		1,497	1,280
Lease prepayments		10,655	9,290
Deposits for land use rights		229	1,251
Deposits for investments	23	3,994	–
Investment properties		3,219	3,722
Intangible assets	24	37,219	37,547
Mining assets		5,083	5,454
Interests in joint ventures	25	3,622	2,640
Interests in associates		5,198	5,249
Goodwill		829	829
Available-for-sale financial assets		9,312	8,351
Other loans and receivables		9,347	8,813
Deferred tax assets		4,980	4,367
Other prepayments		224	209
Trade and other receivables	27	7,418	7,137
		154,778	147,904
Current assets			
Lease prepayments		239	192
Properties held for sale		27,518	28,205
Properties under development for sale	26	67,995	66,064
Inventories		34,564	30,110
Available-for-sale financial assets		2,602	3,886
Trade and other receivables	27	237,647	206,253
Amounts due from customers for contract work	28	111,702	122,379
Current income tax recoverable		998	1,030
Other loans and receivables		4,112	6,620
Held-for-trading financial assets		76	144
Restricted cash		7,053	7,414
Cash and cash equivalents		76,900	93,304
		571,406	565,601
Total assets		726,184	713,505

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30/6/2016 RMB million (Unaudited)	31/12/2015 RMB million (Audited)
EQUITY			
Share capital	29	22,844	22,844
Share premium and reserves		98,591	95,456
Equity attributable to owners of the Company		121,435	118,300
Perpetual notes	2:	11,940	12,123
Non-controlling interests		8,645	8,815
Total equity		142,020	139,238
LIABILITIES			
Non-current liabilities			
Other payables	31	353	631
Borrowings	32	96,379	96,213
Obligations under finance leases		412	492
Retirement and other supplemental benefit obligations		3,607	3,779
Provisions		548	248
Deferred government grants and income		1,376	1,537
Deferred tax liabilities		861	920
		103,536	103,820
Current liabilities			
Trade and other payables	31	385,392	365,245
Amounts due to customers for contract work	28	12,857	14,857
Current income tax liabilities		2,802	4,065
Borrowings	32	77,946	84,209
Obligations under finance leases		1,011	1,346
Retirement and other supplemental benefit obligations		441	494
Provisions		48	46
Held-for-trading financial liabilities		131	185
		480,628	470,447
Total liabilities		584,164	574,267
Total equity and liabilities		726,184	713,505
Net current assets		90,778	95,154
Total assets less current liabilities		245,556	243,058

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Equity attributable to owners of the Company											
Share capital	Share premium	Capital reserve	Statutory reserves	Foreign currency translation reserve	Investment revaluation reserve	Retained profits	Total	Perpetual notes	Non-controlling interests	Total	
RMB million (Note 29)	RMB million	RMB million (note (b))	RMB million (note (a))	RMB million	RMB million	RMB million	RMB million	RMB million (Note 2:)	RMB million	RMB million	
At 1 January 2016 (audited)											

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTES	30/6/2016 RMB million (Unaudited)	30/6/2015 RMB million (Unaudited)
Net cash used in operating activities		(3,601)	(16,424)
Net cash used in investing activities			
Additions of property, plant and equipment		(3,007)	(2,790)
Deposits for acquisition of property, plant and equipment		(914)	(498)
Disposal of property, plant and equipment		297	60
Deposits paid for land use rights		(109)	–
Additions of land use rights		(569)	(26)
Additions of intangible assets		(73)	(1,246)
Additions of mining assets		–	(377)
Acquisition of subsidiaries			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those in the preparation of the Group’s annual financial statements for the year ended 31 December 2015. The adoption of amendments to International Financial Reporting Standards that are mandatorily effective for the current interim period does not have any material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

The Group’s reportable and operating segments are as follows:

- (i) 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”);
- (ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects (“Survey, design and consulting services”);
- (iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery (“Engineering equipment and component manufacturing”);
- (iv) Development, sale and management of residential and commercial properties (“Property development”); and
- (v) Mining, financial business, operation of service concession arrangements, merchandise trading and other ancillary business (“Other businesses”).

Inter-segment revenue is charged at cost plus a percentage of mark up.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. Segment Information (continued)

Segment revenues and results (continued)

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

	Six months ended	
	30/6/2016 RMB million	30/6/2015 RMB million
Segment revenue	281,365	281,709
Inter-segment elimination	(7,781)	(6,928)
Reconciling items:		
Reclassification of sales tax (note (a))	(3,677)	(8,270)
Reclassification of other operating income (note (b))	(1,460)	(1,993)
Total consolidated revenue, as reported	268,447	264,518
Segment interest income	1,672	1,836
Inter-segment elimination	(640)	(693)
Total consolidated interest income, as reported	1,032	1,143
Segment interest expenses	3,533	3,692
Inter-segment elimination	(895)	(643)
Total consolidated interest expenses, as reported	2,638	3,049
Segment results	8,712	8,540
Inter-segment elimination	(1,116)	(2,042)
Reconciling item:		
Land appreciation tax (note (c))	208	167
Total consolidated profit before tax, as reported	7,804	6,665

Notes:

- (a) Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the condensed consolidated statement of profit or loss and other comprehensive income.
- (b) Other operating income is included in revenue under segment reporting and is classified as other income in the condensed consolidated statement of profit or loss and other comprehensive income.
- (c) Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. Segment Information (continued)

Segment assets and liabilities

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

Segment assets

	30/6/2016 RMB million	31/12/2015 RMB million
Infrastructure construction	521,934	514,776
Survey, design and consulting services	15,089	14,771
Engineering equipment and component manufacturing	29,475	27,783
Property development	141,630	138,123
Other businesses	158,130	173,514
Total segment assets	866,258	868,967

Segment liabilities

	30/6/2016 RMB million	31/12/2015 RMB million
Infrastructure construction	443,439	441,942
Survey, design and consulting services	8,631	9,394
Engineering equipment and component manufacturing	19,968	19,255
Property development	121,773	114,949
Other businesses	129,289	141,803
Total segment liabilities	723,100	727,343

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 FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. Segment Information (continued)

Segment assets and liabilities (continued)

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

	30/6/2016 RMB million	31/12/2015 RMB million
Segment assets	866,258	868,967
Inter-segment elimination	(145,686)	(160,570)
Reconciling items:		
Deferred tax assets	4,980	4,367
Shares conversion scheme of subsidiaries (note (d))	(163)	(163)
Current income tax recoverable	998	1,030
Prepaid land appreciation tax included in current income tax recoverable	(203)	(126)
Total consolidated assets, as reported	726,184	713,505
Segment liabilities	723,100	727,343
Inter-segment elimination	(142,391)	(157,553)
Reconciling items:		
Deferred tax liabilities	861	920
Current income tax liabilities	2,802	4,065
Land appreciation tax payable included in current income tax liabilities	(208)	(508)
Total consolidated liabilities, as reported	584,164	574,267

Note:

- (d) Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and is adjusted to other gains and losses in profit or loss in prior years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. Other Income and Expenses

	Six months ended	
	30/6/2016	30/6/2015
	RMB million	RMB million
Other income from:		
Dividend income	42	113
Government subsidies (note (a))	260	165
Compensation income	21	4
Relocation compensation	99	36
Income from sundry operations (note (b))	330	658
Others	172	124
	924	1,100
Other expenses on:		
Research and development expenditure	3,121	3,301

Notes:

- (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 statement of financial position as deferred government grants and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. Other Gains and Losses

	Six months ended	
	30/6/2016	30/6/2015
	RMB million	RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	(11)	(34)
Lease prepayments	(10)	1
Held-for-trading financial assets	–	4
Investment properties	–	3
Available-for-sale financial assets	–	6
Cumulative gain on disposal of available-for-sale financial assets	21	63
Impairment loss on mining assets (note (a))	(307)	(121)
Impairment loss on financial assets:		
Trade and other receivables	(659)	(1,713)
Other loans and receivables	(153)	(2)
Impairment loss on interest in associates (note (b))	(265)	–
Gain arising on change in fair value of financial assets/liabilities classified as held-for-trading	5	8
Gain on disposal of a subsidiary (Note 34)	–	4
Excess of fair value of the previously-held investment in a joint venture	–	4
Foreign exchange gains, net	796	120
Gain on debt restructurings	30	–
	(553)	(1,657)

Notes:

- (a) The State Council of the PRC issued the guideline to cut coal capacity and reverse the substantial losses to the coal industry (Guofa [2016] No.7). The guideline demanded the reduction of coal production capacity and restructuring of coal industry in three to five years, starting from 2016. Subsequently, a series of implementation rules were issued by National Development and Reform Commission and governments of related provinces.

Given such a situation, the Group modified the investment and operation plan in relation to the Group's coal mines in Qinghai Province Muli area, and performed impairment assessment on the cash-generating unit within the Group's Other businesses segment. The recoverable amount is determined on the basis of value in use. The discount rate used in measuring value in use was approximately 8% per annum. The construction of the coal mines is planned to start after five years. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of the unit and management's expectations for the market development.

As a result of impairment assessment, the Group recognised impairment loss on mining assets of RMB307 million during current interim period (six months ended 30 June 2015: full impairment of RMB121 million recognised in relation to exploration and evaluation assets in Australia).

- (b) During the current interim period, the Group also recognised an impairment loss on interest in an associate of RMB265 million (six months ended 30 June 2015: nil), in view of reduction of coal production capacity and restructuring of coal industry. The associate is a company engaged in coal mining and development which locates in Inner Mongolia. The recoverable amount is determined based on discounted cash flow model, pre-tax discount rate of 9% and projected year of resumption of production of 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. Interest Income and Expenses

	Six months ended	
	30/6/2016 RMB million	30/6/2015 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	541	453
Imputed interest income on retention receivables	462	613
Other loans and receivables	29	77
Total interest income	1,032	1,143
Interest expenses on:		
Bank borrowings	3,023	3,830
Short-term debentures	27	6
Long-term debentures	771	882
Other long-term borrowings	300	400
Other short-term borrowings	15	97
Finance leases	55	39
	4,191	5,254
Imputed interest expenses on retention payables	85	67
Imputed interest expenses on defined benefit obligations	43	53
Bank charges	62	45
Total borrowing costs	4,381	5,419
Less: amount capitalised	(1,743)	(2,370)
Total interest expenses	2,638	3,049

7. Income Tax Expense

	Six months ended	
	30/6/2016 RMB million	30/6/2015 RMB million
Current tax		
Enterprise Income Tax ("EIT")	2,864	2,304
Land Appreciation Tax ("LAT")	208	167
Overprovision in prior years	(15)	(13)
Deferred tax	(647)	(198)
	2,410	2,260

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. Income Tax Expense (continued)

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 2015: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (six months ended 30 June 2015: 12.5%, 15% or 20%) during the current interim period.

Certain of the Group's overseas entities are located in Congo, South Africa, Mongolia, Hong Kong, Malaysia, Papua New Guinea and Kenya. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 28%, 10%, 16.5%, 25%, 30% and 37.5% (six months ended 30 June 2015: 30%, 28%, 10%, 16.5%, 25%, 30% and 37.5%) are applied to these entities respectively.

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

8. Profit for the Period

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	30/6/2016	30/6/2015
	RMB million	RMB million
Depreciation and amortisation of:		
Property, plant and equipment	3,248	2,968
Lease prepayments	128	112
Investment properties	78	66
Intangible assets (included in administrative expenses)	22	23
Intangible assets (included in cost of sales)	379	301
Mining assets (included in cost of sales)	65	31
Total depreciation and amortisation	3,920	3,501
Employee benefits expense:		
Contributions to state-managed retirement plans	2,207	2,004
Contributions to supplementary defined contribution retirement schemes	242	124

9. Dividend

On 24 June 2016, final dividend of RMB0.086 per share in respect of the year ended 31 December 2015, amounting to RMB1,964 million in aggregate, was declared and subsequently paid in August 2016.

The final dividend of RMB0.078 per share in respect of the year ended 31 December 2014, amounting to RMB1,660 million in aggregate, was declared on 19 May 2015 and subsequently paid in June 2015.

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. Earnings Per Share

Basic earnings per share for the six months ended 30 June 2016 is calculated by dividing the profit attributable to owners of the Company of RMB5,116 million (six months ended 30 June 2015: RMB4,577 million) by 22,844,302,000 shares (six months ended 30 June 2015: 21,299,900,000 shares) in issue during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	30/6/2016 RMB million	31/12/2015 RMB million
Cost of unlisted investments	3,545	2,574
Share of post-acquisition profits and other comprehensive income, net of dividends received	82	71
Accumulated impairment loss recognised	(5)	(5)
	3,622	2,640

15. Properties under Development for Sale

As at 30 June 2016, properties under development for sale amounting to RMB16,709 million (31 December 2015: RMB22,609 million) have been pledged to secure borrowings amounting to RMB9,924 million (31 December 2015: RMB11,329 million) (see Note 21).

16. Trade and other Receivables

The majority of the Group's revenue is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. For sales of products, a credit period of 180 days is normally granted to large or long-established customers with good repayment history. Receivables from small, new or short-term customers are normally allowed much shorter credit period.

	30/6/2016 RMB million	31/12/2015 RMB million
Trade and bills receivables	177,618	149,995
Less: impairment	(3,575)	(3,348)
	174,043	146,647
Other receivables (net of impairment)	38,749	34,290
Advance to suppliers	32,273	32,453
	245,065	213,390
Less: Amount due after one year included in non-current assets	(7,418)	(7,137)
	237,647	206,253

Included in trade and bills receivables are retention receivables of RMB52,997 million (31 December 2015: RMB50,160 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to this construction contract is usually more than one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. Trade and Other Receivables (continued)

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date, based on invoice date:

	30/6/2016 RMB million	31/12/2015 RMB million
Less than six months	86,595	75,435
Six months to one year	32,699	24,802
One year to two years	28,112	26,098
Two years to three years	16,714	11,326
More than three years	9,923	8,986
	174,043	146,647

Included in trade and bills receivables are bills discounted with recourse amounting to RMB4 million (31 December 2015: RMB37 million) to obtain borrowings amounting to RMB4 million (31 December 2015: RMB37 million) (see Note 21). The Group continues to recognise the full carrying amount of the bills receivables discounted and has recognised the cash received as secured bank borrowings.

Trade receivables of RMB1,354 million (31 December 2015: RMB2,333 million) were pledged to secure borrowings amounting to RMB1,111 million (31 December 2015: RMB1,503 million) (see Note 21).

17. Amounts Due from (to) Customers for Contract Work

	30/6/2016 RMB million	31/12/2015 RMB million
Contract costs incurred plus recognised profits less recognised losses	3,271,119	3,069,527
Less: progress billings	(3,172,274)	(2,962,005)
	98,845	107,522
Analysed for reporting purpose as:		
Amounts due from contract customers	111,702	122,379
Amounts due to contract customers	(12,857)	(14,857)
	98,845	107,522

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. Share Capital

	Number of shares		Nominal value	
	Six month ended 30 June 2016 '000	Year ended 31 December 2015 '111	Six month ended 30 June 2016 RMB million	Year ended 31 December 2015 RMB million
Registered capital				
A Shares of RMB1.00 each				
At beginning of period/year	18,636,912	17,092,510	18,637	17,093
Non-public offering (note (i))	–	1,544,402	–	1,544
At end of period/year (note (ii))	18,636,912	18,636,912	18,637	18,637
H Shares of RMB1.00 each				
At beginning and end of period/year	4,207,390	4,207,390	4,207	4,207
	22,844,302	22,844,302	22,844	22,844

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. Perpetual Notes

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

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

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

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

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

20. Trade and Other Payables

	30/6/2016 RMB million	31/12/2015 RMB million
Trade and bills payables	273,841	258,879
Advance from customers	64,722	54,780
Accrued payroll and welfare	2,809	2,878
Other taxes	1,723	10,548
Deposit received in advance	142	144
Dividend payables	2,571	367
Other payables	39,937	38,280
	385,745	365,876
Analysed for reporting purposes as:		
Non-current	353	631
Current	385,392	365,245
	385,745	365,876

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB5,967 million (31 December 2015: RMB5,770 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. Trade and Other Payables (continued)

The following is an aged analysis of trade and bills payables at the reporting date, based on invoice date:

	30/6/2016 RMB million	31/12/2015 RMB million
Less than one year	243,854	228,672
One year to two years	17,670	18,432
Two years to three years	6,552	6,224
More than three years	5,765	5,551
	273,841	258,879

21. Borrowings

	30/6/2016 RMB million	31/12/2015 RMB million
Bank borrowings:		
Secured	32,958	34,442
Unsecured	92,044	92,503
	125,002	126,945
Short-term debentures, unsecured	1,000	3,000
Long-term debentures, unsecured	31,558	34,015
Other short-term borrowings, unsecured	5,288	8,755
Other short-term borrowings, secured	5	72
Other long-term borrowings, unsecured	11,472	7,635
	174,325	180,422
Analysed for reporting purposes:		
Non-current	96,379	96,213
Current	77,946	84,209
	174,325	180,422

On 14 January 2016, the Company issued the first tranche of the corporate bond, which was included in “long-term debentures, unsecured”, of a principal amount of RMB2,120 million with a maturity date of 14 January 2026 and of a principal amount of RMB2,050 million with a maturity date of 14 January 2021 respectively. The bonds bear interest at a fixed rate of 3.80% and 3.07% per annum respectively. Interest is payable annually in arrears.

Bank borrowings carry interest at rates ranging from 1.96% to 9.00% (31 December 2015: 0.92% to 10.05%) per annum.

Short-term debentures were issued at fixed rates ranging from 2.80% to 7.20% (31 December 2015: 3.58% to 4.50%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. Borrowings (continued)

Long-term debentures were issued at fixed rates ranging from 3.07% to 6.40% (31 December 2015: 3.85% to 7.20%) per annum.

Other short-term borrowings carry interest at variable rates ranging from 1.27% to 10.50% (31 December 2015: 1.38% to 10.50%) per annum.

Other long-term borrowings carry interest at fixed or variable rates ranging from 5.23% to 13.92% (31 December 2015: 6.28% to 13.92%) per annum.

Saved as disclosed in other notes to the condensed consolidated financial statements, the Group also pledged the following as security of its borrowings.

As at 30 June 2016, the Group pledged its rights to collect cash flows in relation to certain construction projects with contract value of RMB226 million (31 December 2015: RMB525 million) to secure borrowings amounting to RMB200 million (31 December 2015: RMB350 million).

22. Acquisition of Subsidiaries

(a) Acquisition of a business

During the current interim period, in order to continue the expansion of the Group's activities, the Group performed the following acquisition.

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration RMB million
SMST 申通快递有限公司	Transportation	30/3/2016	100	1
				<u>1</u>

Consideration transferred

	SMST RMB million
Cash	<u>1</u>
Total	<u>1</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. Acquisition of Subsidiaries (continued)

(a) Acquisition of a business (continued)

Assets acquired and liabilities recognised at the date of acquisition

	SMST RMB million
Current assets	
Trade and other receivables	11
Non-current assets	
Property, plant and equipment	1
Other non-current assets	1
Current liabilities	
Trade and other payables	(12)
Total	<u>1</u>
Net assets acquired	1
Non-controlling interests	<u>-</u>
Total	<u>1</u>

Net cash outflows on acquisition of a subsidiary

	SMST RMB million
Consideration paid in cash	(1)
Less: cash and cash equivalents acquired	<u>-</u>
	<u>(1)</u>

During the prior interim period, in order to continue the expansion of the Group's activities, the Group performed the following acquisition. The Group held 50% interest in 北京宝德利电气设备有限公司 ("Baoji Baodeli") before this acquisition.

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration RMB million
北京宝德利电气设备有限公司	Baoji Baodeli Electrification Equipment Co., Ltd ("Baoji Baodeli")	Manufacturing	30/6/2015	45 <u>50</u>
				<u>50</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. Acquisition of Subsidiaries (continued)

(a) Acquisition of a business (continued)

Consideration transferred

	Baoji Baodeli RMB million
Cash	50
Carrying amount of previously-held investment in the joint venture	52
Excess of fair value of the previously-held investment in the joint venture	4
	<hr/>
Total	106

Assets acquired and liabilities recognised at the date of acquisition

	Baoji Baodeli RMB million
Current assets	
Cash and cash equivalents	36
Trade and other receivables	203
Inventories	72
Non-current assets	
Intangible assets	1
Property, plant and equipment	18
Current liabilities	
Trade payables	(218)
	<hr/>
Total	112
	<hr/>
Net assets acquired	106
Non-controlling interests	6
	<hr/>
Total	112

Net cash outflows on acquisition of a subsidiary

	Baoji Baodeli RMB million
Consideration paid in cash	(50)
Less: cash and cash equivalents acquired	36
	<hr/>
	(14)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries

During the prior interim period, the Group acquired certain assets through acquisition of a 51% interest in 海南弘港有限公司 (“Hainan Hongan”) for a consideration of RMB37 million and a 51% interest in 海南盛港有限公司 (“Hainan Shengan”) for a consideration of RMB62 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not businesses.

The carrying amounts of net assets acquired are as follows:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. Disposal of a Subsidiary

During the current interim period, an independent third party made capital injection to a subsidiary of the Group, 63 Ôfi * ĩ Þ" fi ! and the Group's equity interest therein was diluted from 100% to 50%. The Group lost control of 63 Ôfi * ĩ Þ" fi !, but still has joint control of this entity, which has been accounted for as interest in a joint venture from that date onwards.

Analysis of assets and liabilities over which control was lost

	RMB million
Current assets	
Properties under development for sale	4,658
Trade and other receivables – current	1
Cash and cash equivalents	90
Current liabilities	
Borrowings – current	(200)
Trade and other payables	(105)
Non-Current liabilities	
Borrowings – non-current	(4,420)
Net assets disposed of	24

Gain on disposal of a subsidiary

	RMB million
Net assets disposed of	(24)
Fair value of retained interest	24
Gain on disposal	–

Net cash outflow on disposal of a subsidiary

	RMB million
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalents disposed of	(90)
	(90)

During the prior interim period, the Group disposed of its entire equity interest in 61 ^ 8 Þ" fi !, a wholly-owned subsidiary of the Company, for a total consideration of RMB14 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. Disposal of a Subsidiary (continued)

Consideration received

	RMB million
Consideration received in cash and cash equivalents	14

Analysis of asset and liabilities over which control was lost

	RMB million
Current assets	
Properties under development for sale	619
Other current assets	18
Current liabilities	
Trade and other payables	(627)
Net assets disposed of	10

Gain on disposal of a subsidiary

	RMB million
Consideration received	14
Net assets disposed of	(10)
Gain on disposal	4

Net cash inflow on disposal of a subsidiary

	RMB million
Consideration received in cash and cash equivalents	14
Less: cash and cash equivalents disposed of	-
	14

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. Contingent Liabilities

	30/6/2016 RMB million	31/12/2015 RMB million
Pending lawsuits		
– arising in the ordinary course of business (note (a) & note (b))	1,702	1,458
– overseas lawsuits (note (c) & note (d))	854	854
	2,556	2,312

Notes:

- (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 claims will not be successful. The aggregate sum of those unprovided claims is disclosed in the table above.

- (b) On 26 August 2011, an indirectly owned subsidiary of the Company, China Railway Resources Haixi Coal Co., Ltd. (“CRRH”) signed a contract with 隆生 (Longsheng) and 4# 施工单位 (collectively referred to as the “Constructors”) respectively for the earthwork of certain section of the Muli Coalfield, Qinhai Province. On 24 August 2012, 4# 施工单位 was renamed as 昊鑫 (“Haixin”), with which CRRH renewed the contract.

In August 2014, according to a notice issued by Qinghai Province government, the government started to carry out the comprehensive improvement of Muli Coalfield, and required all companies operating in the Muli mining area to suspend construction work to carry out the comprehensive environmental remediation of their own mining. Since the early construction work could not be proceeded, CRRH started negotiation with the Constructors about exiting construction site and settlement of the construction contract. In December 2014, the Constructors exited, then CRRH settled with them respectively. During the settlement, the Constructors required CRRH to make compensation of the increased labour and machinery costs caused by the suspension.

On 25 August 2015 and 26 August 2015, the Constructors separately filed an arbitration application to Xining Arbitration Commission for invalidating the construction contract with CRRH, and asked CRRH to pay for the construction costs and compensation of their corresponding loss including penalties, interest and related expenses in an aggregate amount of RMB602 million. According to the arbitration arrangements, these two cases were heard for the first time on 12 January 2016 and 13 January 2016, and the second hearing was carried on 28 January 2016 and 29 January 2016. The trials were in the process of cross-examination and has not yet entered the debate process.

Both of two cases mentioned above are currently entered in the authentication process. On 27 June 2016, the chief arbitrator of these two cases talked about the determination of the matters that need to be authenticated and the selection of authentication institution. The authentication will focus on the construction work provided by the Constructors to CRRH. The view of arbitral court about the basic facts of these two cases remains unclear, and the proportion of responsibility of the three parties in these two cases could not be clarified.

Given these case are still pending, the Directors consider it premature to assess the outcome of these cases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. Contingent Liabilities (continued)

Notes: (continued)

- (c) Two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd. ("COVEC") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with another two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland ("PGDNRM"). The Group's share of the total contract amount and performance bond are approximately Polish Zloty ("PLN") 1,160 million (equivalent to approximately USD402 million or RMB2,741 million) and PLN116 million (equivalent to approximately USD40 million or RMB274 million),

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. Contingent Liabilities (continued)

Notes: (continued)

(d) (continued)

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB665 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case. On 5 June 2015, the Supreme Court convicted and cancelled the above judgment on protective measures made by the local court on 20 January 2014.

On 1 September 2015, EXACO filed an arbitration application to International Court of Arbitration of the International Chamber of Commerce due to MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD55 million (equivalent to approximately RMB356 million) including the loss caused by previous 43.5% share transfer and previous 11.5% share forced sale with the interests due to delayed payment since November 2012, and all arbitration fees and other expenses EXACO has paid for the arbitration proceedings. EXACO also requested that CRRG and China Railway Resources Group Co., Ltd, the holding company of CRRG, bear joint liabilities as to the obligations of above compensations.

On 7 January 2016, the International Court of Arbitration of the International Chamber of Commerce appointed 3 arbitrators for this arbitration and the arbitration tribunal was formed on 12 May 2016. According to the arbitration arrangements, this case will be heard for the first time on 22 May 2017.

Given this case is still pending, the Directors consider that it is premature to assess the outcome of this case.

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

	30/6/2016		31/12/2015	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	4,071	2016-2025	4,011	2016-2025
Joint ventures	400	2016-2018	2,230	2016-2020
A government-related enterprise	58	2016	57	2016
Property purchasers	18,857	2016-2021	17,920	2016-2021
An investee of the Group	5	2016	5	2016
A former subsidiary	541	2021-2022	541	2021-2022
	23,932		24,764	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

25. Commitments

Capital expenditure

	30/6/2016 RMB million	31/12/2015 RMB million
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	746	1,042

Investment commitment

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

	30/6/2016 RMB million	31/12/2015 RMB million
Investment commitment to an associate (Note)	17,600	17,260
Investment commitment to a joint venture	3,749	792
	21,349	18,052

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

26. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

26. Fair Value Measurements of Financial Instruments (continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB in million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/6/2016		31/12/2015					
1) Interest rate swaps classified as held-for-trading financial assets/liabilities	Assets/Liabilities	Amount	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	2	Assets	1				
	Liabilities	131	Liabilities	185				
2) Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	Amount	Industry	Amount				
	Transportation	15	Transportation	19				
	Finance	12	Finance	8				
	Construction	3	Construction	17				
	Manufacturing	3	Manufacturing	20				
	Mining	-	Mining	42				
	Others	41	Others	37				
	Total	74	Total	143				
3) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	Amount	Industry	Amount				
	Finance	762	Finance	936				
	Manufacturing	61	Manufacturing	73				
	Total	823	Total	1,009				
4) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	Amount	Industry	Amount				
	Construction	542	Construction	531				
	Mining	3	Mining	1				
	Total	545	Total	532				
5) Unlisted open-end equity funds classified as available-for-sale financial assets	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:					
	Industry	Amount	Industry	Amount				
	Finance	163	Finance	262	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	439	Finance	247	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	The higher the future cash flow, the higher the fair value.
	Total	602	Total	509			Discount rates that correspond to the expected risk level.	The lower the discount rate, the higher the fair value.
6) Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow	The higher the future cash flow, the higher the fair value.
	Industry	Amount	Industry	Amount			Discount rates that correspond to the expected risk level.	The lower the discount rate, the higher the fair value.
	Real estate	2,520	Construction	2,044				
	Construction	1,421	Real estate	1,647				
	Finance	880	Finance	759				
	Manufacturing	160	Manufacturing	223				
	Mining	20	Mining	40				
	Others	1,005	Others	1,541				
	Total	6,006	Total	6,254				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

26. Fair Value Measurements of Financial Instruments (continued)

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

The Group owns equity interest in North Asia Resources Holding Limited ("North Asia") which is classified as available-for sale investment and measured at fair value at each reporting date. Being in the lock up period, the fair value of the investment as at 31 December 2014 was measured with reference to the quoted prices with an adjustment of discount for lack of marketability and was classified as Level 2 of the fair value hierarchy. The lock up period of North Asia was lapsed during the prior interim period, the fair value of the investment as at 30 June 2015 was determined based on a quoted price on The Stock Exchange of Hong Kong Limited (the "HKSE") and was classified as Level 1 of the fair value hierarchy.

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

Reconciliation of Level 3 fair value measurements:

	Available-for-sale unlisted entrusted products <i>RMB million</i>	Available-for-sale open-end funds <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2015	5,954	–	5,954
Total gains:			
– in other comprehensive income	(19)	–	(19)
Purchases	1,276	–	1,276
Settlements	(2,498)	–	(2,498)
At 30 June 2015	4,713	–	4,713
At 1 January 2016			

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

	30/6/2016		31/12/2015	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
	13,459	12,533		
	1,663	1,698		
	31,558	32,730		
	5,472	6,227		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

27. Related Party Transactions (continued)

Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2016 RMB million	30/6/2015 RMB million
Transactions with the CRECG Group		
Revenue from construction contracts	77	16
Service expenses paid	12	16
Rental expense	9	13
Interest expense	8	52
Transactions with joint ventures		
Revenue from construction contracts	–	26
Revenue from sales of goods	13	29
Revenue from rendering of services	7	–
Interest income	17	33
Purchases	607	572
Progress billing on behalf of customers	3,535	3,678
Transactions with associates		
Revenue from construction contracts	379	274
Revenue from rendering of services	55	87
Progress billing on behalf of customers	4,731	3,155
Revenue from sales of goods	218	377
Interest income	31	48
Rental income	2	2
Purchases	87	5
Service expense paid	–	1
Transactions with other government-related entities		
Revenue from construction contracts	157,550	154,938
Revenue from design and other services	3,596	3,350
Revenue from sales of goods	6,978	7,344
Purchases	49,226	47,902
Interest income on bank balances	256	348
Interest expenses on bank borrowings	2,562	2,531

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

27. Related Party Transactions (continued)

Balances with related parties

	30/6/2016 RMB million	31/12/2015 RMB million
Balances with the CRECG Group		
Trade receivables	33	3
Other receivables	–	2
Advance to supplier	–	74
Trade payables	1	9
Other payables	84	155
Advance from customers	–	2
Dividend payables	1,054	–
Borrowings – current	1,048	1,944
Balances with joint ventures		
Trade receivables	3,083	643
Other receivables	733	803
Advance to suppliers	36	53
Amounts due from customers for contract work	71	994
Trade payables	207	196
Other payables	114	112
Advance from customers	–	127
Loans receivables	300	400
Dividend receivables	15	17
Borrowings – current	–	1
Balances with associates		
Trade receivables	4,764	2,939
Other receivables	842	1,062
Amounts due from customers for contract work	12	1,303
Trade payables	40	15
Other payables	57	78
Advance from customers	14	129
Loans receivable	2,034	2,493
Borrowings – current	53	172
Borrowings – non-current	300	240
Dividends receivable	16	39
Balances with other government-related entities		
Trade receivables	81,829	80,291
Other receivables	27,226	27,875
Bank balances	35,844	43,578
Trade payables	49,664	47,742
Other payables	45,785	43,452
Bank borrowings	93,289	111,070
Debentures and other borrowings	36,735	33,229

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

27. Related Party Transactions (continued)

Balances with related parties (continued)

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by five associates, a joint venture, an investee of the Group, a former subsidiary and a government-related enterprise (31 December 2015: five associates, two joint ventures, an investee of the Group, a former subsidiary and a government-related enterprise), the maximum exposure of which has been disclosed in Note 24.

28. Event After the end of the Reporting Period

Subsequent to 30 June 2016, the following significant event took place:

On 21 July 2016, China Railway Xunjie Co. Limited (“**中国铁路信捷有限公司**”), the wholly-owned subsidiary of the Company, issued the first tranche of the notes guaranteed by the Company, in the aggregate principal amount of USD500 million. The notes will mature on 28 July 2026, unless earlier redeemed or purchased. The notes bear interest at a coupon rate of 3.25% per annum, payable semi-annually in arrears on 28 January and 28 July each year. The effective interest rate of the notes is 3.39% per annum. After deducting the issuance expenses, the net proceeds raised through the issuance of the notes amounted to USD495 million. The notes were listed on the HKSE on 29 July 2016.



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