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

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

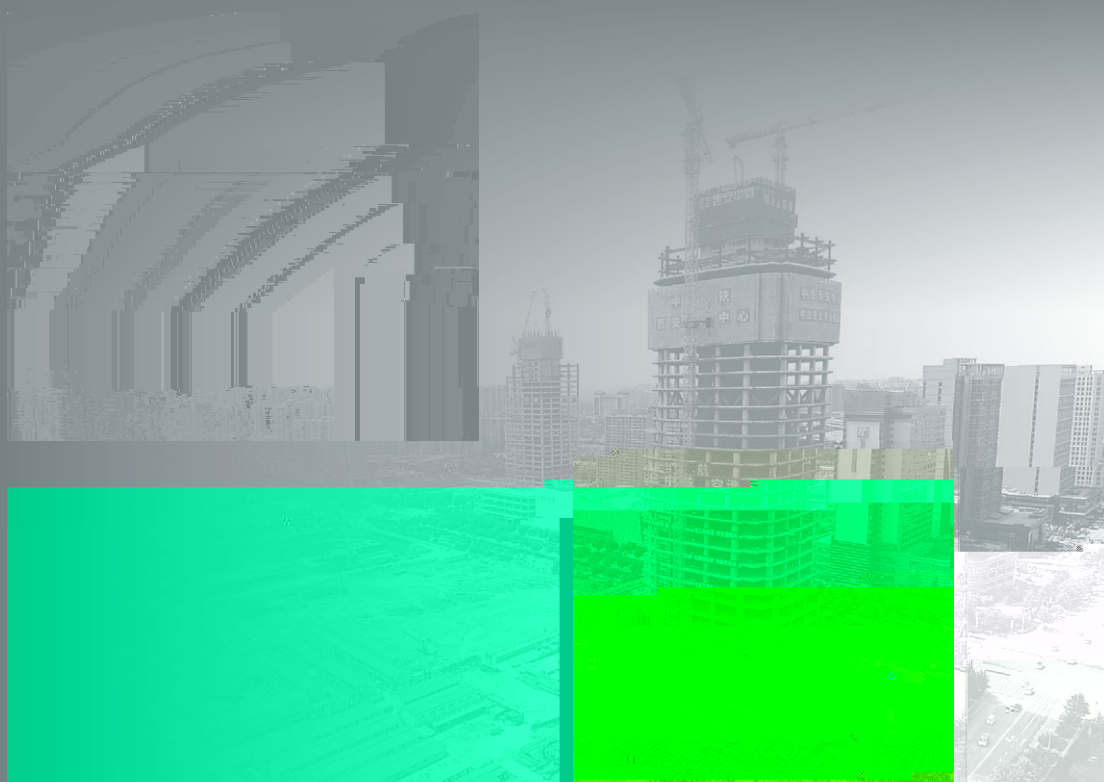
Stock Code: 390

INTERIM REPORT 2016



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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.



Summary of Condensed Consolidated Statement of Financial Position

	As at			Change	
	30 June 2016	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.

Looking ahead to the second half of 2016, there will be ample room for the development of the Company in view of the deepening of state-owned enterprise reform, the development of the "One Belt, One Road" strategy, the strengthening of international cooperation in production capacity and equipment manufacturing, and the continued adjustment of the domestic economic structure. It is the Company's responsibility to seek growth and extend its footprint. Undaunted by the challenges, we will adhere to our mission and proceed to achieve further development and better results. We will commit to serve the society, create greater value for our shareholders and care for our employees. In addition, I would like to express my sincere gratitude to the shareholders who gave support to reforms at the Company, to the general public for their concern and support, and to our employees for sharing the common destiny with the Company.

LI Changjin
Chairman

Beijing, the PRC
30 August 2016

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**").

2 Information on Shareholders *(continued)*

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

(i) Shareholdings of the top ten shareholders

Unit: Shares

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 1)*	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 2)*	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.		

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 1: 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 2: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its various Southbound Investors of the Company.

Note 3: The data shown in the table is based on the register of members of the Company as at 30 June 2016.

(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		
			Permitted timing for public trading	Number of new shares permitted for public trading	Terms of selling restrictions
1	CRECG	308,880,308	2018-07-14	0	36 months from the date of completion of the non-public issuance
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 Management issuance Co., Ltd.				of completion of the non-public issuance

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public issuanceCRE,(f th(corosellinf sharehold, doarenotch veorelaitterelaiction forerInfo)-28(te)]Tj0 -1.4118 T00 T.08610 Tw(cc

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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Name of director/supervisor	Capacity	Number of A shares held (long position) *(Shares)*	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0004
Supervisor				
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000006	0.000005

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:

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

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

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

	Long position				Short position			
Name of substantial shareholder	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.	–	–	–	4,046,000	–	–	–	–
Deutsche Bank Aktiengesellschaft	–	–	–	17,624,000	–	–	–	10,166,000
Lehman Brothers Holdings Inc.	–	–	10,000,000	–	–	–	60,000	–

Apart from the foregoing, as at 30 June 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 (李長進)	57	Chairman and Executive Director
YAO Guiqing (姚桂清)	61	Vice Chairman and Executive Director
ZHANG Zongyan (張宗言) (elected on 28 January 2016)	53	Executive Director and President
GUO Peizhang (郭培章)	66	Independent Non-executive Director
WEN Baoman (聞寶滿)	65	Independent Non-executive Director
ZHENG Qingzhi (鄭清智)	64	Independent Non-executive Director
NGAI Wai Fung (魏偉峰)	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 (劉成軍)	52	Chairman of the Supervisory Committee
LIU Jianyuan (劉建媛)	54	Supervisor
WANG Hongguang (王宏光)	57	Supervisor
CHEN Wenxin (陳文鑫)	52	Supervisor
FAN Jinghua (范經華)	50	Supervisor

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 (張宗言)	53	Executive Director and President
LIU Hui (劉輝)	56	Vice President and Chief Engineer
MA Li (馬力)	58	Vice President
ZHOU Mengbo (周孟波)	51	Vice President
ZHANG Xian (章獻)	55	Vice President
XU Tingwang (許廷旺)	60	Vice President
YANG Liang (楊良)	47	Chief Financial Officer
YU Tengqun (于騰群)	46	Secretary to the Board, General Legal Advisor and Joint Company Secretary
TAM Chun Chung (譚振忠)	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 form 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.

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 Gri.nrJ1nther gains and losses mainly include impairment loss on trade and nther 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 nther losses of RMB0.553 billion for the first half of 2016 (six months ended 30 June 2015: nther 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 Gri.nrJ1selling 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 Gri.nrJ1selling 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 Gri.nrJ1administrative 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 Gri.nrJ1administrative 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 Gri.nrJ1interest-bearing liabiliti es 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 Gri.n 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 bri.ght by various measures adopted by the Gri.n in strengthening its control on income tax expense.

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 (billion)	Accumulated investment (billion)	Investment in the reporting period (billion)	Planned completion date	Project progress
				Unit	Quantity						
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, Haixizhou 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	Molybdenum	0.09%	Thousand tonne	728.6	83	4.217	4.131	–	Completed	Commenced production
4	Luishia Copper-Cobalt Mine, Congo	Cooper Cobalt	2.55% 0.20%	Thousand tonne	779.9 66.8	72	1.657	1.657	–	Completed	Commenced production
5	MKM Copper-Cobalt Mine, Congo	Cooper Cobalt	3.36% 0.22%	Thousand tonne	178.9 18.8	80.2	1.195	1.135	–	Completed	Commenced production
6	Sicomines Copper-Cobalt Mine, Congo	Cooper Cobalt	2.55% 0.20%	Thousand tonne	8,537.3 571	41.72	24.915	11.049	–	2018.01	Phase I commenced production
7	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	1.67% 4.80% 80.2g/t	Thousand tonne Tonne	287.9 825.2 1,379	100	–	–	–	–	Commenced production
8	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	0.75% 3.50% 108.33g/t	Thousand tonne Tonne	81.7 382.6 1,184.64	100	–	–	–	–	Exploration and feasibility study in progress
9	Gold mine, New Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Exploration in progress
10	Lead and Zinc Mine, Xianglong Company, Mongolia	Lead Zinc Silver	6.28% 3.81% 234.67g/t	Thousand tonne Tonne	151.5 91.9 866	100	–	–	–	–	Ceased production

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	31 December 2015
	RMB million	*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.

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	31 December 2015
	RMB million	*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 *RMB million*	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 *RMB million*	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		

6 Contingent Liabilities *(continued)*

*Note 3: 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), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium.*

On 29 September 2011, 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 PLN129 million (equivalent to approximately USD42 million or RMB263 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 2014, 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 116 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015, which loss has been recognised in the Group's consolidated financial statements for the year ended 31 December 2014. During 2015, the Group paid the penalty interestB2,752TD0.0653 TwPLN 116 n

and

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,

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
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.	2011 Interim Report and subsequent periodic reports of China Railway Group Limited.

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

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

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

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'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway 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-Pingtan Railway	2013-10	879,909	2,007 calendar days

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'0,000)*	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'0,000)*	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

6 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(3) Other material contracts or transactions (continued)

No.	Project name	Project location	Project type	Planning area (•0,000 sq.m.)

No.	Signatory	Owner	Name of contract	Date of contract	Date of D53(\355\3611 rea)]T875 18 q 0 of)Tj

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'0,000)*	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

6 Material Contracts and Their Performance *(continued)*

(3) Other material contracts or transactions *(continued)*

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Sichuan Pan-Da Expressway Development Co. Ltd.	Construction drawing, survey and design contract of A Section of Panzhihua-Dali Expressway (Inside Sichuan)	2016-01	5,017	10 months
2	China Railway Engineering Consulting Group	Wujiang Railway Construction and Operation Co., Ltd.	Survey and design contract of the new Ulanhot-Jalaid Banner Inder Railway	2016-05	4,210	Until the full performance of contract terms
3	China Railway Engineering Consulting Group	Ningbo City Railway Group Co. Ltd.	Information management, control and consultation contract of shield construction of Ningbo City Railway project	2016-01	3,140	Until the full performance of contract terms

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Baoji Bridge	Dali-Ruili Railway Project Manager Department of China Railway 18th Bureau Group, the Second Engineering Co., Ltd.	Steel truss arch and steel box girder construction contract for the Nujiang four-lined extra-large bridge of the before-station civil engineering construction project of Section 1 of Nujiang-Longling Section of the new Dali-Ruili Railway	2016-03	40,775	32 months
2	China Railway Baoji Bridge	Zhejiang Province Daishan County Xiushan Investment and Development Co., Ltd.	Manufacturing contract of the main bridge steel box girder, steel fence, anchorage steel structure, tower top steel structure and inspection vehicle of the Guanshan-Xiushan Highway Xiushan Bridge project (Section X-SG-3) in Daishan County	2016-02	24,764	32 months
Turnout						
1	China Railway Baoji Bridge	Huning Intercity Railway Co., Ltd.	Engineering Corporation management and materials procurement contract of the new Shanghai-Nantong Railway (Nantong-Anting Section)	2016-03	21,694	From March 2016 to the completion of construction
2	China Railway Shanhaiguan Bridge	Huzhang Passenger Railway Line Co., Ltd.	Turnout Purchase Contract of before-station construction project of Zhangjiakou – Hohhot Railway	2016-03	16,472	24 months
Construction Machinery						
1	China Railway Engineering Equipment	Chinese Construction Third Engineering Bureau Infrastructure Construction Co.,Ltd.	Shield Sales & Purchase Contract	2016-05	7,660	7 months
2	China Railway Engineering Equipment	Chinese Construction Third Bureau First Engineering Co., Ltd.	Shield Sales & Purchase Contract	2016-05	7,660	7 months

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

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%

(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

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.

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

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A Shares

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PRC

H Shares

Computershare Hong Kong Investor Services Limited
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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	3	**268,447**	264,518
Cost of sales and services		**(246,479)**	(242,987)
Gross profit		**21,968**	21,531
Other income	4	**924**	1,100
Other expenses	4	**(3,121)**	(3,301)
Other gains and losses	5	**(553)**	(1,657)
Selling and marketing expenses		**(1,141)**	(971)
Administrative expenses		**(8,786)**	(8,194)
Interest income	6	**1,032**	1,143
Interest expenses	6	**(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	7	**(2,410)**	(2,260)
Profit for the period	8	**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 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)
Other comprehensive expense for the period, net of income tax		**(9)**	(50)
Total comprehensive income for the period		**5,385**	4,355
Profit (loss) for the period attributable to:			
Owners of the Company		**5,116**	4,577
Holders of perpetual notes		**347**	227
Non-controlling interests		**(69)**	(399)
		5,394	4,405
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**5,099**	4,525
Holders of perpetual notes		**347**	227
Non-controlling interests		**(61)**	(397)
		5,385	4,355
		RMB	RMB
Earnings per share (Basic)	*10*	**0.224**	0.215

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	11	**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	12	**3,994**	–
Investment properties		**3,219**	3,722
Intangible assets	13	**37,219**	37,547
Mining assets		**5,083**	5,454
Interests in joint ventures	14	**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	16	**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	15	**67,995**	66,064
Inventories		**34,564**	30,110
Available-for-sale financial assets		**2,602**	3,886
Trade and other receivables	16	**237,647**	206,253
Amounts due from customers for contract work	17	**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	18	**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	19	**11,940**	12,123
Non-controlling interests		**8,645**	8,815
Total equity		**142,020**	139,238
LIABILITIES			
Non-current liabilities			
Other payables	20	**353**	631
Borrowings	21	**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	20	**385,392**	365,245
Amounts due to customers for contract work	17	**12,857**	14,857
Current income tax liabilities		**2,802**	4,065
Borrowings	21	**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 *RMB million* (Note 18)	Share premium *RMB million*	Capital reserve *RMB million* (note (b))	Statutory reserves *RMB million* (note (a))	Foreign currency translation reserve *RMB million*	Investment revaluation reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*	Perpetual notes *RMB million* (Note 19)	Non-controlling interests *RMB million*	Total *RMB million*
At 1 January 2016 (audited)											

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

3. Segment Information *(continued)*

Segment revenues and results

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

	Infrastructure construction *RMB million*	Survey, design and consulting services *RMB million*	Engineering equipment and component manufacturing *RMB million*	Property development *RMB million*	Other businesses *RMB million*	Total segments *RMB million*
Six months ended 30 June 2016						
External revenue	237,896	5,388	5,912	10,721	12,207	272,124
Inter-segment revenue	1,673	293	1,442	31	4,198	7,637
Other operating income	856	57	193	121	233	1,460
Inter-segment other operating income	108	–	–	–	36	144
Segment revenue	240,533	5,738	7,547	10,873	16,674	281,365
Segment results						
Profit (loss) before tax	6,985	760	708	755	(496)	8,712
Segment results included:						
Share of profits (losses) of joint ventures	4	(3)	24	–	21	46
Share of profits (losses) of associates	82	(1)	18	(4)	(22)	73
Interest income	1,316	36	17	80	223	1,672
Interest expenses	(1,466)	(71)	(80)	(442)	(1,474)	(3,533)

Segment revenues and results (continued)

	Six months ended	
	30/6/2016 RMB million	30/6/2015 RMB million
	281,365	
	(7,781)	
	(3,677)	
	(1,460)	
	268,447	
	1,672	
	(640)	
	1,032	
	3,533	
	(895)	
	2,638	
	8,712	
	(1,116)	
	208	
	7,804	

8’s assets and liabilities by rep.5379.84 7 D 8ts:6’s assets and liabilities by rep.5379.84 7 D 8ts:

Segment assets and liabilities

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

Segment assets



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:



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.

6. Interest Income and Expenses

	Six months ended	
	30/6/2016	30/6/2015
	RMB million	*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	30/6/2015
	RMB million	*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

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.

10. Earnings Per Share

	30/6/2016 RMB million	31/12/2015 RMB million
	3,545	
	82	
	(5)	
	3,622	

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

18. Share Capital

	Number of shares		Nominal value	
	Six month ended 30 June 2016	Year ended 31 December 2015	**Six month ended 30 June 2016**	Year ended 31 December 2015
	'000	*'000*	***RMB million***	*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

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

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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	84,209M.331 239442n5492

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	1
Net assets acquired	1
Non-controlling interests	–
Total	1

Net cash outflows on acquisition of a subsidiary

	SMST *RMB million*
Consideration paid in cash	(1)
Less: cash and cash equivalents acquired	–
	(1)

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 寶雞保德利電氣設備有限責任公司 ("Baoji Baodeli") before this

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
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)
Total	112
Net assets acquired	106
Non-controlling interests	6
Total	112

Net cash outflows on acquisition of a subsidiary

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 海南鴻安農場有限公司 ("Hainan Hongan") for a consideration of RMB37 million and a 51% interest in 海南勝安農場有限公司 ("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:

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

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 西寧城北龍盛公路工程有限責任公司 ("Longsheng") and 西寧昊鑫機械化有限公司 (collectively referred to as the "Constructors") respectively for the earthwork of certain section of the Muli Coalfield, Qinhai Province. On 24 August 2012, 西寧昊鑫機械化有限公司 was renamed as 天峻縣昊鑫機械服務有限公司 ("Haoxin"), 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.

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),

	30/6/2016		31/12/2015	
	RMB million	Expiry period	RMB million	Expiry period
	4,071	2016-2025		
	400	2016-2018		
	58	2016		
	18,857	2016-2021		
	5	2016		
	541	2021-2022		
	23,932			

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.

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) 30/6/2016	31/12/2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value

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 *RMB million*	Available-for-sale open-end funds *RMB million*	Total *RMB million*
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	**6,254**	**247**	**6,501**
Purchases	**1,918**	**192**	**2,110**
Settlements	**(2,166)**	**–**	**(2,166)**
At 30 June 2016	**6,006**	**439**	**6,445**

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		

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 ("中鐵迅捷有限公司"), 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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