



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 2012

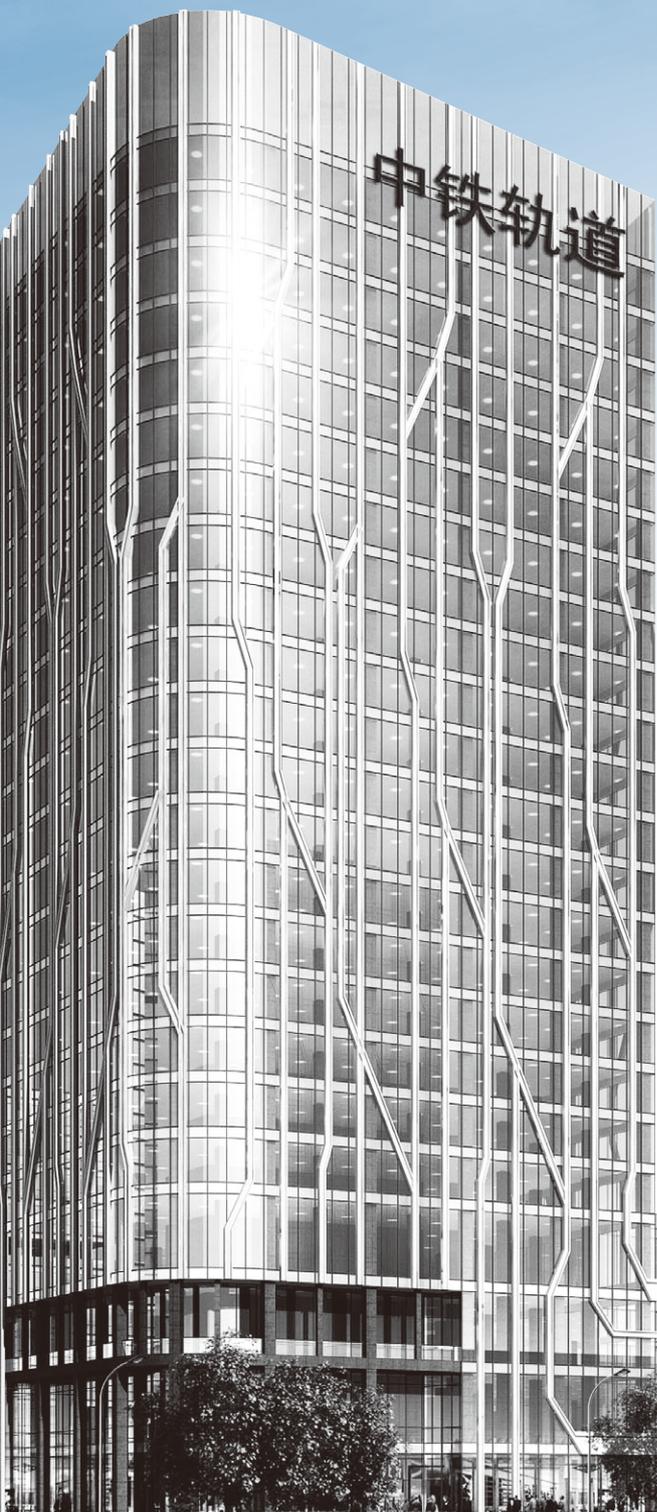




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COMPANY PROFILE



The Company was established as a joint stock company with limited liability in the People's Republic of China ("PRC") under the Company Law of the PRC (the "Company Law") 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 aggregate engineering contract income, and rank 112 in Fortune Global 500. 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 property development and other businesses such as mining.

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 the continuous development of the Company to create a brighter and better future.



Summary of Consolidated Statement of Financial Position

	30 June 2012	As at		Change	
		31 December 2011	30 June 2011 (Restated)	30 June 2012 vs 31 December 2011	30 June 2012 vs 30 June 2011
		RMB million		(%)	(%)
Assets					
Current Assets	391,055	360,099	339,037	8.6	15.3
Non-current Assets	110,294	108,461	96,486	1.7	14.3
Total Assets	501,349	468,560	435,523	7.0	15.1
Liabilities					
Current Liabilities	323,920	305,572	295,993	6.0	9.4
Non-current Liabilities	94,759	81,809	64,337	15.8	47.3
Total Liabilities	418,679	387,381	360,330	8.1	16.2
Total Equity	82,670	81,179	75,193	1.8	9.9
Total Equity and Liabilities	501,349	468,560	435,523	7.0	15.1

Note: The Company has accounted for the acquisition of Henan Pingzheng Expressway Development Co., Ltd. ("HEDCL") as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company consider that the Company and HEDCL are under the common control of CRECG (as detailed in Note 1 to the condensed consolidated financial statements). Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2009, 2010 and 2011 have been restated to include the operating results, assets and liabilities of HEDCL.

CHAIRMAN'S REPORT

The first half of 2012 saw greater macro-economic uncertainty in China and the rest of the world. Domestic economic growth was stymied by unbalanced, uncoordinated and unsustainable conflicts and issues which gradually surfaced. The economy was also buffeted by new scenarios and issues. The Central Government proposed the economic and social development theme of "Growth Amidst Stability", while continuing to implement pro-active fiscal policies and stable monetary policies. Although new railway tender projects are still lacking in numbers, the Central Party Leadership has emphasized a more scientific approach to railway development. The railway infrastructure projects which were confirmed in the "Twelfth Five-Year Plan" will be implemented progressively. The Group also underscored its core annual mission to "Promote Development, Align Structure, Enhance Management and Promote Stability" this year by further raising the quality of management and operations in the Group. This would help to achieve targets for this year's operational projects and lay a solid foundation for fulfilling the Company's strategic development targets in its "Twelfth Five-Year Plan". During the first half of the year, with support from shareholders and efforts of management and staff, China Railway has maintained a steady growth momentum. The Company achieved a ranking of 112 in the Fortune Global 500 list in 2012, according to the latest announcement.

1 Financial Results

The value of new contracts secured by the Group in the first half of 2012 was RMB290.41 billion, an increase of 21.7% over the same period last year. Total revenue amounted to RMB190.915 billion, down 11.0% over the same period last year. Profit for the period attributable to owners of the Company fell by 2.2% year-on-year to RMB2.390 billion.

2 Business Development

With market conditions complex and volatile in the first half of 2012, the Group maintained its positive outlook for business growth and met challenges head-on. Firstly, the Group embraced comprehensive budget management as well as beefed up the Group's operations. Secondly, the Group ramped up business development, optimized its business structure and sharpened its competitive edge across all levels, to extend its footprint and consolidate its market share. Thirdly, the Group raised the caliber of its management team through various initiatives, and strengthened its management of engineering projects to elevate the quality of its management. Fourthly, the Group continued to marry technological innovation with creative management and implemented various forms of cost-saving measures.

The value of new contracts secured by the Group in its infrastructure construction business amounted to RMB200.72 billion in the first half of the year, which was 13.4% higher compared to the same period last year. In the face of slowing investment growth in the railway construction market, particularly evident in the small volume of railway new tender projects, the Group kept its whole business afloat by developing the non-railway market. Among the projects the Group undertook were the conjunction line of the new built Dong Niao to Baoxi railway and the construction work between Erdos and Taolin station, as well as the first phase construction of Nanjing Subway Line 4, the construction of Hong Kong-Zhuhai-Macao Bridge, the north extension of Shanghai Jia Min Highway and new construction of ground road, etc..

In the survey, design and consulting services business, the value of new contracts secured by the Group was RMB5.41 billion in the first half of the year, almost on par with that of the same period last year. It included survey and design projects such as the design of construction plan of the main bridge of Hong Kong-Zhuhai-Macao Bridge and Zambia highways. This allowed the Group to maintain its competitive edge in the survey, design and consulting services business.

In the engineering equipment and component manufacturing business, the value of new contracts amounted to RMB9.44 billion in the first half of the year, marking a dip of 8.4% compared to the same period last year. Facing the slowdown of railway construction which resulted in the postponement of the railway turnout supplier contract, as well as a drop in the number of new tender projects, the Group ventured into the non-railway and overseas market by intensifying product development and harnessing competitive synergies between new and existing products.

In the property development business, the value of new contracts amounted to RMB9.95 billion in the first half of the year, marking an increase of 58.8% compared to the same period last year. The Group responded to the continued tightening measures in the real estate market by adjusting its pace of development, which contributed to the steady growth of the property development business. For the six months ended 30 June 2012, the project area of the Group under development amounted to 18.64 million square metres with a gross floor area of 33.56 million square metres.

2 Business Development *(continued)*

The Group saw steady growth in its other businesses such as BOT for highways, exploitation of mineral resources, materials trade and financial services. The BOT revenue for highways maintained its growth momentum, marking a year-on-year increase of 55.4% over the same period last year. The Company synchronized the development of its mineral resources and infrastructure construction businesses, with the mining business generating a year-on-year increase in revenue of 10.6%. The materials trade business continued to grow following the launch of the bulk materials procurement business. In keeping with the market demand for trust-related products, the financial services business launched new products and increased its scale of operations, leading to higher revenue growth.

3 Corporate Governance

During the reporting period, the Group continued operating its business in compliance with relevant laws and regulations such as the Company Law and the Securities Law, as well as the regulations of relevant authorities in Shanghai and Hong Kong. Its corporate governance standard also continued to improve. Shareholders' general meetings, meetings of the board of directors and supervisory committee of the Company were carried out in accordance with relevant laws and regulations. The Company continued to adhere to the "Basic Standards for Enterprise Internal Control", "Implementation Guidelines for Enterprise Internal Control" jointly promulgated by five ministries and committees (including the Chinese Ministry of Finance and China Securities Regulatory Commission) as well as the Company's internal control system documents to constantly reinforce its internal controls and efficient implementation. In addition, the Group safeguarded its corporate image in terms of compliance, integrity and transparency in the capital markets by strictly complying with the information disclosure requirements and optimizing its investor relations mechanism. The Company's efforts in this regard were acknowledged and recognized by regulatory bodies, capital markets and public investors, through various prestigious awards and accolades such as "Excellent Board of Directors", "The most Innovative Enterprise in China", "Top 100 Listed Company with Consolidated Power in China" and "Top 100 Listed Companies of Corporate Integrity in China".

4 Outlook

In the second half of 2012, Chinese Government unveiled the economic and social development theme of "Growth Amidst Stability" in response to the economic slowdown, and continued to implement pro-active fiscal policies and stable monetary policies. Recently, the Central Bank has already lowered the deposit reserve ratio and deposit benchmark interest rates twice. In the second half of the year, it will adjust its monetary policy with a firmer hand to maximize its effectiveness during the economic down cycle. On numerous occasions, Premier Wen Jiabao emphasized the need to grow demand, with "Steady Growth" being a more important area of focus. He also highlighted the importance of having more progress in railway projects as well as having major projects that would attract private sector investment. The infrastructure construction of railway and urban rail projects would speed up that would help to maintain the growth momentum in the overall development of the economy and society. However, the Group is also mindful of the unbalanced, uncoordinated and unsustainable conflicts between macro-economic growth and market condition. We will continue to face a complex and challenging external environment. Against such a backdrop, we are determined to seize the opportunity to raise the caliber of its management, align structure and fully embrace its key task for the year, which is to "Promote Development, Align Structure, Enhance Management and Promote Stability" to achieve its various targets of the year.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and the general public to their concerns and support, and thank all of our employees for their selfless hard work and devotion.

LI Changjin
Chairman

Beijing, the PRC
30 August 2012

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 Changes in Share Capital

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

	Before movement		Increase/decrease (+/-)					After movement	
	Number of Shares	Percentage (%)	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of Shares	Percentage (%)
(1) Shares with selling restrictions	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Of which:									
Shares held by domestic non-state-owned legal person	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Shares held by foreign investors	0	0	0	0	0	0	0	0	0
Of which:									
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
Total number of shares with selling restrictions	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
(2) Tradable shares without selling restrictions	20,832,400,000	97.80	0	0	0	0	0	20,832,400,000	97.80
1. RMB-denominated ordinary shares	16,625,010,000	78.05	0	0	0	0	0	16,625,010,000	78.05
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	4,207,390,000	19.75	0	0	0	0	0	4,207,390,000	19.75
4. Others	0	0	0	0	0	0	0	0	0
(3) Total	21,299,900,000	100	0	0	0	0	0	21,299,900,000	100

2 Number of Shareholders and Their Shareholdings

As at 30 June 2012, the Company had a total of 754,642 shareholders, of which 727,338 were holders of A Shares (including CRECG) and 27,304 were holders of H Shares. 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 which is 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**”).

(1) Shareholdings of the top ten shareholders

Unit: Shares

No	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shares with selling restrictions	Pledged or frozen shares Condition of shares	Quantity
1	CRECG	State-owned	56.10	11,950,010,000	0	0	Nil	0
2	HKSCC Nominees Limited (Note 1)	Other	19.43	4,138,349,906	2,562,644	0	Unknown	0
3	No.3 Transfer Account of National Council for Social Security Fund	Other	2.2	467,500,000	0	467,500,000	Unknown	0
4	Guotai Junan Securities Co., Ltd – Client Credit Trading Guarantee Securities Account	Other	0.15	32,730,308	14,669,321	0	Unknown	0
5	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.13	27,057,951	-1,000,700	0	Unknown	0
6	Bill & Melinda Gates Foundation Trust	Other	0.12	25,000,090	0	0	Unknown	0
7	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	Other	0.12	24,872,515	24,872,515	0	Unknown	0
8	Maanshan City Changtai Investment Centre (general partner)	Other	0.09	18,894,600	-3,210,000	0	Unknown	0
9	The Dai-ichi Life Insurance Company, Limited	Other	0.09	18,464,994	16,000,000	0	Unknown	0
10	Zhonghai Trust Co., Ltd – Huangpu Star Capital Trust Scheme No. 11	Other	0.08	17,663,181	17,663,181	0	Unknown	0
Statement on the connected relations and concerted actions between the shareholders above				CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders.				

Note 1: H shares held by HKSCC Nominees Limited are held on behalf of its various clients.

Note 2: The numbers shown in the table are based on the register of members of the Company as at 30 June 2012.

2 Number of Shareholders and Their Shareholdings *(continued)*

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

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares	
			Type	Quantity
1	CRECG	11,950,010,000	RMB-denominated ordinary shares	11,950,010,000
2	HKSCC Nominees Limited <i>(Note 1)</i>	4,138,349,906	Overseas listed foreign shares	4,138,349,906
3	Guotai Junan Securities Co., Ltd – Client Credit Trading Guarantee Securities Account	32,730,308	RMB-denominated ordinary shares	32,730,308
4	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	27,057,951	RMB-denominated ordinary shares	27,057,951
5	Bill & Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares	25,000,090
6	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	24,872,515	RMB-denominated ordinary shares	24,872,515
7	Maanshan City Changtai Investment Centre (general partner)	18,894,600	RMB-denominated ordinary shares	18,894,600
8	The Dai-ichi Life Insurance Company, Limited	18,464,994	RMB-denominated ordinary shares	18,464,994
9	Zhonghai Trust Co., Ltd – Huangpu Star Capital Trust Scheme No. 11	17,663,181	RMB-denominated ordinary shares	17,663,181
10	ICBC – ChinaAMC CSI 300 Index ETF	17,102,551	RMB-denominated ordinary shares	17,102,551
Statement on the connected relations and concerted actions between the shareholders above		CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders.		

Note 1: H shares held by HKSCC Nominees Limited are held on behalf of its various clients.

Note 2: The numbers shown in the table are based on the register of members of the Company as at 30 June 2012.

2 Number of Shareholders and Their Shareholdings *(continued)*

(3) Number of shares held by the top ten shareholders with selling restrictions and the selling restrictions

Unit: Shares

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		Selling restrictions
			Trading commencement date	Additional number of approved tradable shares	
1	No.3 Transfer Account of National Council for Social Security Fund <i>(Note)</i>	467,500,000	3 December 2013	–	Extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over
Statement on the connected relations and concerted actions between the shareholders above			CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above shareholder.		

Note: According to the “implementation measure for the transfer of part of the state-owned shares to the Social Security Fund in domestic securities market” jointly promulgated by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, in respect of transferred state-owned shares, the National Council for Social Security Fund will extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over.

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

No strategic investor or general legal person becomes the top ten shareholders by placing of new shares during the reporting period.

(5) Changes in the controlling shareholder and the ultimate controller

There was no change in the controlling shareholder and the ultimate controller during the reporting period.

3 Directors', Chief Executive's and Supervisors' Interest and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 June 2012, none of the directors, chief executive 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 (the "SFO")) which will have to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to 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) (Share)	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005
Supervisors				
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000007	0.000006

4 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

The Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as at 30 June 2012 as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholder	Capacity	Number of A shares held (Share)	Nature of interest	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

4 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(continued)*

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (Share)	Nature of interest	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman Brothers Holdings Inc. <i>(note)</i>	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
	Interest of controlled corporations	94,560,550	Short position	2.25	0.44

Note: According to the Corporate Substantial Shareholder Notice filed by Lehman Brothers Holdings Inc. with the Hong Kong Stock Exchange dated 18 September 2008, Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Holdings Plc. which in turn wholly owns Lehman Brothers International (Europe) (which held 59,870,550 H shares of the Company and 67,870,550 short position in H shares of the Company); Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Inc (which held 26,551,000 H shares of the Company and 26,551,000 short position in H shares of the Company) and Lehman Brothers Finance S.A. (which held 123,652,010 H shares of the Company and 60,000 short position in H shares of the Company) as well. Lehman Brothers Holdings Inc. also controls LBCCA Holdings I LLC. and LBCCA Holdings II LLC, both of which in turn jointly wholly own Lehman Brothers Commercial Corporation Asia Limited (which held 113,000 H shares of the Company and 79,000 short position in H Shares of the Company). Accordingly, Lehman Brothers Holdings Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.

Apart from the foregoing, as at 30 June 2012, 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.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 Directors

The directors of the Company during the six months ended 30 June 2012 are as follows:

Name	Age	Position
LI Changjin (李長進)	53	Chairman and Executive Director
BAI Zhongren (白中仁)	51	Executive Director and President
YAO Guiqing (姚桂清)	57	Vice Chairman and Executive Director
HAN Xiuguo (韓修國)	66	Non-executive Director
HE Gong (賀恭)	68	Independent Non-executive Director
GONG Huazhang (貢華章)	66	Independent Non-executive Director
WANG Taiwen (王泰文)	65	Independent Non-executive Director
SUN Patrick (辛定華)	53	Independent Non-executive Director

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2012 are as follows:

Name	Age	Position
WANG Qiuming (王秋明)	59	Chairman of the Supervisory Committee
LIU Jianyuan (劉建媛)	50	Supervisor
ZHANG Xixue (張喜學)	59	Supervisor
LIN Longbiao (林隆彪)	54	Supervisor
CHEN Wenxin (陳文鑫)	48	Supervisor

3 Senior Management

The senior management of the Company during the six months ended 30 June 2012 are as follows:

Name	Age	Position
LI Jiansheng (李建生)	58	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui (劉輝)	52	Vice President and Chief Engineer
MA Li (馬力)	54	Vice President
ZHOU Mengbo (周孟波)	47	Vice President
DAI Hegen (戴和根)	46	Vice President
DUAN Xiubin (段秀斌)	58	Vice President
ZHANG Xian (章獻)	51	Vice President
XU Tingwang (許廷旺)	56	Chief Economist
YU Tengqun (于騰群)	42	Secretary to the Board and Joint Company Secretary
TAM Chun Chung (譚振忠)	39	Joint Company Secretary and Qualified Accountant

4 The Appointment or Dismissal of Directors, Supervisors and Senior Management of the Company

There was no new appointment or dismissal of directors, supervisors and senior management of the Company during the reporting period.

5 Changes in the Shareholdings of Directors, Supervisors and Senior Management

There was no change in the shareholdings of directors, supervisors and senior management of the Company during the reporting period.

6 Human Resources and Emolument Policy

The Group emphasises the importance of recruiting, incentivising, developing and retaining its staff and paid close attention to the fairness of its remuneration structure. The Group implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

In accordance with applicable regulations, the Group makes contributions to the 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 employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans, for both current and retired employees, and annual bonuses for our existing employees.

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

The annual remuneration of executive directors of the Company consists of a basic salary and a performance-linked bonus. The remuneration of the non-executive director and independent non-executive directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations.

As at 30 June 2012, the number of employees hired by the Group was 291,772. The following table sets forth a breakdown of the Group's employees by divisions as at 30 June 2012:

Division	Number of employees as at 30 June 2012
Production	140,793
Sales and Marketing	21,567
Engineering and Technology	98,225
Financing	13,841
Administration	17,346
Total	291,772

7 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. Having made specific enquiries to all directors and supervisors, each director and supervisor confirmed that he has complied with the required standard set out in the Model Code throughout the period from 1 January 2012 to 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and components manufacturing, property development and other businesses. In the first half of 2012, the Group's revenue decreased by 11.0% from the corresponding period of 2011 to RMB190.915 billion. The Group realized profit for the period of RMB2.540 billion, representing a decrease of 5.7% year on year. For the six months ended 30 June 2012, the profit for the period attributable to owners of the Company was 2.390 billion, representing a year-on-year decrease of 2.2% while the basic earnings per share of the Company were RMB0.112, representing a year-on-year decrease of 2.6%. A comparison of the financial results for the six months ended 30 June 2012 and the corresponding period of 2011 is set forth below.

2 Consolidated Results of Operations

Revenue

In the first half of 2012, although there was a promising growth of urban rail construction business, the significant decrease of investment in railway construction market resulted in the Group's total revenue decreased by 11.0% to RMB190.915 billion for the six months ended 30 June 2012 from RMB214.571 billion in the corresponding period of 2011. In the first half of 2012, new contracts increased by 21.7% from the corresponding period of 2011 to RMB290.41 billion, albeit new railway tender projects were still lack in numbers. At 30 June 2012, contract backlog increased by 8.3% to RMB1,145.338 billion compared with the end of 2011. Among which, RMB937.338 billion is from infrastructure construction business, RMB16.057 billion is from survey, design and consulting services business and RMB15.443 billion is from engineering equipment and component manufacturing business.

Cost of sales and gross profit

The Group's cost of sales 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 2012, our cost of sales decreased by 12.3% to RMB176.812 billion from RMB201.530 billion for the first half of 2011. In the first half of 2012, gross profit of the Group increased by RMB1.062 billion or 8.1% to RMB14.103 billion from RMB13.041 billion for the corresponding period of 2011. The gross profit margin for the first half of 2012 was 7.4%, an increase from 6.1% for the first half of 2011. The increase in gross profit margin for the first half of 2012 compared to same period of last year was primarily due to (1) the decrease in construction cost resulting from decrease in cost of major raw materials, such as steel and cement; (2) the promising effect on cost control as a result of the Group's strengthened control on centralized management of materials, equipment and outsourcing; (3) the increase in proportion of urban rail BT projects which have relatively higher gross profit margin.

Other income

The Group's other income primarily consists of income from sundry operations supplemental to our principal revenue-generating 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 2012, the Group's other income increased to RMB0.774 billion from RMB0.519 billion for the corresponding period of last year. The increase of other income was due to the increase of income from sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. For the six months ended 30 June 2012, other expenses increased by 66.4% from RMB0.846 billion of the same period of last year to RMB1.408 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capacities and enhanced energy saving and emission reduction efforts.

2 Consolidated Results of Operations *(continued)*

Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase or decrease in the fair value of held-for-trading financial assets, gains and losses on disposal of fixed assets, available-for-sale financial assets and interests in subsidiaries. The other losses of RMB0.161 billion for the first half of 2012 (Six months ended 30 June 2011: losses of RMB0.208 billion) included an impairment loss on trade and other receivables of RMB0.085 billion and foreign exchange losses of RMB0.045 billion.

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. For the six months ended 30 June 2012, the Group's selling and marketing expenses was RMB0.681 billion, representing a decrease of 14.2% from RMB0.794 billion for the same period of last year. Selling and marketing expenses as a percentage of total revenue was 0.4% for the first half of 2012, basically remained at the same level as that for the first half of 2011.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. For the six months ended 30 June 2012, the Group's administrative expenses increased by 3.3% to RMB7.188 billion from RMB6.959 billion for the corresponding period of 2011. For the first half of 2012, administrative expenses as a percentage of total revenue was 3.8%, an increase from 3.2% for the first half of 2011. It was mainly due to (1) the normal increase in staff cost; (2) in order to cope with the adverse macro condition, the Group strengthened its operational management that resulted in the corresponding increase in administrative expenses.

Interest income

For the six months ended 30 June 2012, the interest income increased by 28.5% to RMB1.083 billion from RMB0.843 billion for the corresponding period of 2011. The increase of interest income was primarily due to the optimization of deposit mix through the Group's continuous effort on centralization of fund management.

Interest expenses

For the six months ended 30 June 2012, the interest expenses increased by 46.0% to RMB2.845 billion from RMB1.948 billion for the first half of 2011. It was primarily due to (1) increase in amount of interest-bearing liabilities by 15.2% to RMB150 billion from RMB130.2 billion as at the end of 2011 for fulfillment of the Group's continuous development and operation requirements; (2) increase in finance cost as affected by the financial market condition. The average interest rate of borrowings was 6.39% in the first half of 2012, an increase of 0.68 percentage point as compared to same period of last year.

Profit before tax

As a result of the foregoing factors, the profit before tax for the six months ended 30 June 2012 increased by 2.7% to RMB3.655 billion from RMB3.558 billion for the corresponding period of 2011.

Income tax expense

For the six months ended 30 June 2012, the income tax expense increased by 29.1% to RMB1.115 billion from RMB0.864 billion for the corresponding period of 2011. The effective income tax rate of the Group was 30.5% for the first half of 2012, an increase from 24.3% for the corresponding period of 2011. Such increase was mainly due to the expiry of preferential tax rate policy entitled by certain hi-tech enterprises.

2 Consolidated Results of Operations *(continued)*

Profit for the period attributable to owners of the company

As a result of the foregoing factors, the profit for the period attributable to owners of the Company for the six months ended 30 June 2012 decreased by 2.2% to RMB2.390 billion from RMB2.444 billion for the corresponding period of 2011. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2012 increased to 1.3% from 1.1% for the corresponding period of 2011.

3 Segment Results

The revenue, results and profit before tax margin of each segment of the Group's business for the six months ended 30 June 2012 are set forth in the table below.

Business segments	Segment revenue RMB million	Growth rate (%)	Profit before tax RMB million	Growth rate (%)	Profit before tax margin ¹ (%)	Segment revenue as a percentage of total (%)	Profit before tax as a percentage of total (%)
Infrastructure Construction	164,235	-14.7	3,171	8.4	1.9	81.6	66.4
Survey, Design and Consulting Services	4,106	-8.4	274	-33.7	6.7	2.0	5.7
Engineering Equipment and Component Manufacturing	4,900	-18.7	234	-29.1	4.8	2.4	4.9
Property Development	4,227	-5.8	559	-20.7	13.2	2.1	11.7
Other Businesses	23,871	25.6	537	34.9	2.2	11.9	11.3
Inter-segment Eliminations and Adjustments	(10,424)		(1,120)				
Total	190,915	-11.0	3,655	2.7	1.9	100.0	100.0

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

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In the first half of 2012, the revenue from the infrastructure construction business accounted for 81.6% of the total revenue of the Group (First half of 2011: 85.0%). Due to the decrease of investment in the railway construction market, segment revenue of the infrastructure construction business for the six months ended 30 June 2012 was RMB164.235 billion, representing a decrease of 14.7% as compared to the same period of last year. Profit before tax margin of the infrastructure construction segment increased to 1.9% for the first half of 2012 from 1.5% for the first half of 2011. It was mainly due to (1) the decrease in construction cost resulting from decrease in cost of major raw materials, such as steel and cement; (2) the promising effect on cost control as a result of the Group's strengthened control on centralized management of materials, equipment and outsourcing; (3) the increase in proportion of urban rail BT projects which have relatively higher gross profit margin.

3 Segment Results *(continued)*

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. Due to the decrease of investment in the railway construction market, segment revenue of survey, design and consulting services business decreased by 8.4% year on year to RMB4.106 billion for the six months ended 30 June 2012 from RMB4.484 billion for the corresponding period of last year. For the first half of 2012, profit before tax margin for the segment was 6.7%, a decrease from 9.2% for the first half of 2011. It was mainly due to the decrease in revenue while the fixed costs such as depreciation expense of equipment and labour costs remained relatively stable.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. Due to the decrease of investment in the railway construction market, segment revenue of the engineering equipment and component manufacturing business of the Group decreased by 18.7% to RMB4.900 billion for the six months ended 30 June 2012 from RMB6.029 billion for the corresponding period of 2011. Profit before tax margin decreased from 5.5% for the first half of 2011 to 4.8% for the corresponding period of 2012. This is mainly due to the increase in expenditures on research and development.

Property development business

Revenue from the property development business primarily derives from the development, sale and management of a wide range of residential properties and commercial properties in the PRC. In the first half of 2012, in response to the State's macro control policies, the Group optimized the construction and sales plan of its property development projects. For the six months ended 30 June 2012, segment revenue from property development business decreased by 5.8% to RMB4.227 billion from RMB4.487 billion for the corresponding period of 2011. Profit before tax margin decreased from 15.7% for the first half of 2011 to 13.2% for corresponding period of 2012. Such decrease was mainly due to the increase in administrative expenses as a result of certain projects that sold in last year have progressed into the development stage during the reporting period. At 30 June 2012, the Group's gross site and construction area under development was approximately 18.64 million square metres and 33.56 million square metres respectively.

Other businesses

By leveraging on its traditional businesses, the Group has achieved progressive development in BOT for highways, exploitation of mineral resources, materials trade and financial services businesses. Segment revenue from other businesses increased by 25.6% from RMB19.002 billion for the first half of 2011 to RMB23.871 billion for the same period of 2012. Profit before tax margin increased from 2.1% for the first half of 2011 to 2.2% for the same period of 2012. In the first half of 2012, the Group's BOT for highways recorded a revenue of RMB0.928 billion, an increase of 55.4% from same period of last year. Such increase was mainly due to the continuous increase in vehicular flow resulted from continuous improvement in traffic network. The construction and development of the Group's mining business was smooth. The revenue of mining business recorded RMB0.586 billion, representing 10.6% increase from same period of last year which was attributable to the increase in output of the existing mines. The materials trade business grew continuously as a result of the continuous development of bulk materials procurement business with revenue reached RMB19.465 billion, an increase of 25.1% from same period of last year. In response to the market demand, financial services business launched new trust-related products and increased its scale of operations which contributed to the increase in revenue by 93.0% to RMB0.712 billion as compared to same period of last year.

4 Cash Flow

For the six months ended 30 June 2012, the net cash outflow from operating activities amounted to RMB15.747 billion, a decrease from net cash outflow from operating activities of RMB16.968 billion for the corresponding period of 2011. The reasons for the net cash outflow from operating activities remained at a relatively significant amount were (1) the increase in investment of property development and BT projects; (2) slow repayment from certain project owners who had funding pressure. For the six months ended 30 June 2012, the net cash outflow from investing activities of the Group amounted to RMB5.444 billion, a decrease from RMB6.649 billion for the corresponding period of 2011, mainly attributable to (1) decrease in purchase of project machinery through strengthened internal reallocation management in response to changes in construction market; (2) stringent control on purchase of non-production related fixed assets; (3) decrease in investment expense on equity acquisition. For the six months ended 30 June 2012, the net cash inflow from financing activities of the Group amounted to RMB15.358 billion, a decrease from RMB26.077 billion for the same period in 2011. The decrease in net cash inflow from financing activities was primarily due to the decrease in funding requirements as a result of reduction in investment scale.

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 2012 was RMB3.635 billion (among which, RMB1.412 billion is for construction in progress, RMB1.904 billion is for purchase of fixed assets, RMB0.280 billion is for purchase of intangible assets and RMB0.039 billion is for purchase of investment properties), a decrease of 25.6% from RMB4.885 billion for the corresponding period of 2011.

Working capital

	As at	
	30 June 2012 RMB million	31 December 2011 RMB million
Inventories	37,764	36,329
Properties under development for sale	61,913	52,995
Trade and bills receivables	100,066	99,094
Trade and bills payables	159,231	159,090
Turnover of inventory (days)	38	29
Turnover of trade and bills receivables (days)	94	74
Turnover of trade and bills payables (days)	162	130

In line with the Group's continuous development, inventories slightly increased by 4.0% to RMB37.764 billion as at 30 June 2012 from RMB36.329 billion as at the end of 2011 while the inventory turnover days for the first half of 2012 increased to 38 days from 29 days for the first half of 2011.

As at 30 June 2012, properties under development for sale increased by 16.8% from RMB52.995 billion as at the end of 2011 to RMB61.913 billion. It was primarily due to increase in investment for the development of the Group's property development business.

As at 30 June 2012, trade and bills receivables was RMB100.066 billion, an increase of 0.1% from RMB99.094 billion as at the end of 2011. The turnover days of trade and bills receivables increased from 74 days for 2011 to 94 days for the first half of 2012. It was mainly due to slow repayment of certain project owners. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than six months and the trade and bills receivables of more than one year accounted for 30.2% (31 December 2011: 29.2%) of the total amount, reflecting the sound receivables management capability of the Group.

4 Cash Flow (continued)

Working capital (continued)

Trade and bills receivables	As at	
	30 June 2012 RMB million	31 December 2011 RMB million
Less than six months	44,661	41,248
Six months to one year	25,173	28,943
One year to two years	16,122	18,766
Two years to three years	8,610	5,835
More than three years	5,500	4,302
Total	100,066	99,094

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As at 30 June 2012, the Group's trade and bills payables was RMB159.231 billion, similar to RMB159.090 billion as at the end of 2011. The turnover days of trade and bills payables for the first half of 2012 was 162 days, representing an increase of 32 days from 130 days for 2011. It was mainly due to the adjustment made to the payment of trade payables corresponding to the slow repayment of trade receivables. According to the ageing analysis of the trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 12.7% (31 December 2011: 12.0%) of the total amount.

Trade and bills payables	As at	
	30 June 2012 RMB million	31 December 2011 RMB million
Less than one year	139,001	140,005
One year to two years	12,948	13,222
Two years to three years	4,401	3,877
More than three years	2,881	1,986
Total	159,231	159,090

5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2012 and 31 December 2011. As at 30 June 2012, 42.2% (31 December 2011: 43.4%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2012 RMB million	31 December 2011 RMB million
Bank borrowings		
Secured	33,453	31,235
Unsecured	83,906	67,736
	117,359	98,971
Short-term debentures, unsecured	1,422	908
Long-term debentures, unsecured	24,536	24,221
Other short-term borrowings, unsecured	2,656	2,567
Other long-term borrowings, secured	1,923	1,457
Other long-term borrowings, unsecured	1,957	1,972
	149,853	130,096
Total	149,853	130,096
Long-term borrowings	86,654	73,606
Short-term borrowings	63,199	56,490
	149,853	130,096
Total	149,853	130,096

Bank borrowings carry interest rates ranging from 3.86% to 14.50% (31 December 2011: 3.86% to 14.50%) per annum. Short-term debentures carry fixed interest rates ranging from 4.16% to 7.11% (31 December 2011: 5.92% to 7.11%) per annum. Long-term debentures carry fixed interest rates ranging from 4.34% to 6.65% (31 December 2011: 4.34% to 6.65%) per annum. Other short-term borrowings carry interest rates ranging from 5.13% to 9.60% (31 December 2011: 5.13% to 9.51%) per annum. Other long-term borrowings carry interest rates ranging from 4.39% to 13.60% (31 December 2011: 4.39% to 13.60%) per annum.

As at 30 June 2012 and 31 December 2011, the Group's bank loans comprised fixed-rate bank loans amounting to RMB1.958 billion and RMB1.062 billion and floating-rate bank loans amounting to RMB115.401 billion and RMB97.909 billion, respectively.

5 Borrowings (continued)

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2012 and 31 December 2011. 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.

	Borrowings in U.S. dollars RMB million	Borrowings in Euros RMB million	Borrowings in other currencies RMB million
As at 30 June 2012	2,669	225	86
As at 31 December 2011	2,874	389	20

As at 30 June 2012, approximately RMB33.454 billion (31 December 2011: RMB31.235 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB52.571 billion (31 December 2011: RMB49.399 billion). As at 30 June 2012, the Group had unutilized banking credit facilities in the amount of RMB107.787 billion (31 December 2011: RMB116.762 billion).

As at 30 June 2012, the Group's gearing ratio (total liabilities/total assets) was 83.5%, an increase of 0.8 percentage point as compared with 82.7% as at 31 December 2011. Such increase was primarily attributable to the fact that the Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. The Group will, guided by the financial budget, strengthen the management of investment and financing budget and will actively raise financing, such as debt financing etc., based on the restructuring of product mix and reasonable control on business and investment scale.

The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently. The Group's existing cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies mainly denominated in U.S. dollars.

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 2012 RMB million	31 December 2011 RMB million
Pending lawsuits		
– arising in the ordinary course of business (Note 1)	296	275
– overseas lawsuit (Note 2)	243	238
Total	539	513

6 Contingent Liabilities (continued)

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

Note 2: Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. (“**COVEC**”) and China Railway Tunnel Group Co., Ltd., established a consortium (the “**Consortium**”) with 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. The Group’s share of the total contract amount and performance bond are approximately Polish Zloty (“**PLN**”) 1,160 million (approximately USD402 million or RMB2,741 million) and PLN116 million (approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium and the project owner sent termination notices to each other on 3 June 2011 and 13 June 2011 respectively to terminate the agreement.

On 29 September 2011, the project owner 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 statutory interests of an aggregate amount of PLN129 million (approximately USD38 million or RMB243 million), whereas all parties in the Consortium bear joint liabilities. 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 commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court opened a court session for this lawsuit according to the civil procedure and the Court has conducted five hearings to certificate the testimony of the supervising engineers. There is no significant progress up to the date of issuance of these condensed consolidated financial statements. At this stage, the directors consider it premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilized by certain related companies and third parties and incurred certain contingent liabilities. The following table sets forth the maximum exposure of these guarantees of the Group:

	As at 30 June 2012		As at 31 December 2011	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilized by:				
Associates	983	2012-2025	983	2012-2025
Other government-related enterprises	55	2014	55	2014
Property purchasers	7,018	2012-2015	5,831	2012-2015
Investee of the Group	170	2012-2016	170	2012-2016
Total	8,226		7,039	

In addition to the above, as at 30 June 2012, Yichang Hongming Real Estate Co., Ltd. (宜昌鴻銘置業有限公司), a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd. (宜昌三峽鴻銘旅遊地產開發有限公司) (“**Yichang Sanxia**”) to the extent of RMB114 million (31 December 2011: RMB181 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd. (宜昌鴻銘置業有限公司)) if Yichang Sanxia failed to repay those liabilities in future.

7 Business Risks

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk and interest rate risk in the ordinary course of business.

Market risk: Various expectations from the government could have adverse impact on the Group's business, such as expectation on growth level of both national and regional economic, usage of infrastructure and expectation on future expansion of demand and expectation on the overall growth level of related industries. In addition, the instability of political and economic environment of overseas market, could bring uncertainties to the Group's overseas market development, which may affect the normal project implementation.

Operation risk: For infrastructure construction business, the bidding prices of construction contracting projects are affected largely by market competition. Meanwhile, there are also certain operation risks for the Group to control the cost and to engage labour subcontractors.

Management risk: The Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, the fact that the construction industry is a high risk industry, and that the rapid growth in the business scale of the Company in recent years, and the gradually wider span of operation, project management becomes more and more difficult, posing a severe challenge to the safety and quality management for the projects, which could result in management risks.

Policy risk: Changes in the foreign exchange administration system, preferential taxation policies and real estates industry policy in the PRC could have an adverse impact on the Group.

Financial risk: Delay in payment by its customers could affect the Group's working capital and cash flow, and the failure to obtain sufficient funding could also affect the expansion plan and development prospects of the Group.

Investment risk: Investment risk is mainly associated with relevant advance payments for projects, decrease of investment of infrastructural projects by nongovernmental investment institutions resulting from changes in policies, and significant outlay of working capital over extended periods.

Interest rate risk: The Group's exposure to changes in interest rates is mainly attributable to its external borrowings from the market. According to our analysis of the current funding size, changes in interest rate policy will considerably affect our finance cost. The Group currently does not have any hedging policy against interest rate risk. However, the Group's management closely monitors any change in interest rate at all time and, if necessary, will consider to take effective measures against any significant interest rate exposure in accordance with the strict implementation of the national policy and in compliance with the regulatory requirements.

SIGNIFICANT EVENTS

1 Corporate Governance of the Company

During the reporting period, as a company with both its A and H shares listed, the Company operated in strict compliance with the laws and regulations such as the Company Law, the Securities Law and the Corporate Governance Standards for Listed Companies, as well as the relevant regulations of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. As one of the sample share of the SSE 180 Corporate Governance Index, the Company's corporate governance structure and internal control system are well established and its operations are adequately regulated. The level of the Company's corporate governance and the disclosure transparency are being assured.

(1) The operation of each department under the corporate governance structure of the Company

During the reporting period, shareholders' general meeting of the Company, the Board and its committees and Supervisory Committee duly followed the prescribed rules and regulations, complied with the procedures and performed their respective duties effectively. During the reporting period, the Company held one shareholders' general meeting, five Board meetings, and 16 and 70 resolutions were reviewed and adopted respectively. The Company also held nine board committee meetings, of which four Remuneration Committee meetings, three Audit Committee meetings and two Safety, Health and Environmental Protection Committee meetings were held. Three Supervisory Committee meetings were held and 19 resolutions were reviewed and adopted. The Company timely fulfilled the obligation to disclose the resolutions which were adopted in the above meetings.

(2) Information disclosure

During the reporting period, the Company performed its duty of information disclosure in both the Mainland China and Hong Kong markets in strict compliance with the requirements of the Stock Listing Rules of the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the relevant requirements of the Company for the information disclosure in the principle of simultaneously disclosure by companies listed in different regions. A total of 91 announcements and circulars were released, of which 35 were A shares announcements and 56 were H shares announcements and circulars. The above announcements and circulars were posted on the Company's website at the date of issuance to make available for the public investors.

(3) Investor relations

During the reporting period, the Company continued to improve the communications with and the service of public investors. The Company received institutional investors 17 times, conducted 16 roadshows, held over 10 conference calls, answered over 370 phonecalls, and proactively communicate with the institutional and individual callers within the prescribed information disclosure rules, received over 40 investors, including over 10 foreign investors; the Company attended eight international investment forums and investment strategy conferences organized by foreign and domestic investment institutions, convened one-to-one meetings and group meetings for more than 40 times, and held conferences with over 100 fund managers and analysts. The Company continues to perfect the construction of website, and improves the information dissemination platform.

1 Corporate Governance of the Company (continued)

(4) Establishment of the internal control system

During the reporting period, the Company continuously complied with the relevant requirements of “Basic Standards for Internal Control” and “Supplemental Guidelines for Internal Control” issued by five ministries and commissions including the Ministry of Finance and China Securities Regulatory Commission and the Company’s internal control system documents. The Company had completed the annual internal control self-evaluation and audit for the year 2011 by the end of March 2012, with relevant reports disclosed along with the annual report 2011. Pursuant to the work requirement of the Company’s internal control system – “progressively forward and fully covered in every tiny aspect”, the Company launched the building of internal control systems for the construction project and the drafting of the Internal Control System Standard Text of the China Railway Group Limited Construction Project, based on the building of internal control systems from the Company’s headquarter and subsidiaries in level 2 and 3. Currently, 3 pilot subsidiaries have fully exercised the building of the system in accordance with the Implementation Plan.

During the first half of 2012, the Company received recognition and awards from regulators, the financial markets and public investors, and received a number of awards such as “Best Board of Directors”, “Most Creative Enterprise in China 2012”, “Top 100 Listed Companies in China 2012”, “Top 100 Creditable Listed Companies in China 2012” and many other honours. Meanwhile, Mr. Li Changjin, the Chairman of the Company, was awarded recognition as the “Most Respectable Entrepreneur in Chinese Listed Companies 2012”. Mr. Bai Zhongren, the President, was awarded recognition as “Best CEO in Chinese Listed Companies. Mr. Yu Tengqun, the Secretary to the Board, achieved excellent results in the Shanghai Stock Exchange’s 2011-2012 annual assessment of secretary to the board of directors and was named among the Top 10 secretary to the board of directors with outstanding performance in the area of corporate governance.

2 Implementation of the Profit Distribution Resolution during the Reporting Period

During the reporting period, the Company paid a cash dividend of RMB0.48 (including tax) for every 10 shares, totalling RMB1,022,395,200.00 (representing 15% of the distributable profit), on the basis of total number of 21,299,900,000 issued shares of the Company, pursuant to the profit distribution resolution adopted at 2011 annual general meeting which was held on 26 June 2012. The announcement of profit distribution was published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily published on 23 July 2012 and the website of Shanghai Stock Exchange. As of 10 August 2012, the Company’s profit distribution of 2011 was fully completed.

3 Half Year Proposed Profit Distribution Plan and Reserves-to-equity Transfer Plan

During the reporting period, there was no half year proposed profit distribution plan and reserves-to-equity transfer plan.

4 Material Litigation and Arbitration

Claimant	Respondent	Parties bearing joint liability	Type of litigation and arbitration	Basic status of litigation (arbitration)	Amounts involved in litigation (arbitration)	Progress on litigation (arbitration)	Trial results of litigation (arbitration) and impact	Implementation of the judgment of litigation (arbitration)
GDDKIA (Highway Authority of Poland)	China Overseas Engineering Group Co., Ltd., Poland Branch of COVEC, Poland DECOMA, an independent third party of the consortium		Dispute on Poland A2 highway construction project	<p>The consortium comprising China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd., two independent third party companies won the bid for sections of A and C of Poland A2 Highway on 28 September 2009, the Group's share of the total contract amount is approximately US\$402 million.</p> <p>During implementation of the contract, due to material differences in opinion between the consortium and GDDKIA, the project owner, the consortium served a notice of termination of the contract for sections A and C of Poland A2 Highway project to the project owner on 3 June 2011. On 17 June, i.e. 14 days afterwards, the notice of termination from the consortium became effective. On 13 June, the project owner also issued a notice of contract termination to the consortium.</p> <p>Upon termination of Poland A2 Project contract, the project owner submitted the application for "payment order" to Warsaw District Court on 29 September 2011; demanding the defendants, China Overseas Engineering Group Co., Ltd. and an independent third party company of the consortium to collectively and individually pay damages for breach of contract in the amount of PLN128,913,670.98 including related statutory interest, whereas other parties in the Consortium bear joint liabilities.</p> <p>Please refer to the Company's 2011 interim report and subsequent periodic reports for other relevant information.</p>	PLN 128,913,670.98 (equivalent to RMB242.76 million using the exchange rate as at the 30 June 2012 balance sheet date) and related statutory interest	<p>On 4 October 2011, Warsaw District Court issued a payment order in accordance with the summary procedure. China Overseas Engineering Group Co., Ltd. raised objection and filed a response to Warsaw District Court for the payment order on 20 October 2011. Warsaw District Court accepted our objection, the payment order became null and void, the case now continue as normal civil litigation.</p> <p>The case was heard at the Warsaw District Court on 8 February 2012. The judge decided to adjourn the case to April 2012 in four separate hearings upon hearing the statements of both the plaintiff and the defendant. At present, the Warsaw District Court finished hearing evidence from the witness of the Plaintiff, it will continue to hear evidence from the witnesses of China Overseas Engineering Group Co., Ltd. and the third party companies. The case is still pending.</p>	/	/

5 Events Regarding Bankruptcy and Restructuring

During the reporting period, there was no event regarding bankruptcy and restructuring of the Company.

6 Shares Issued by Other Listed Companies and Financial Institutions held by the Company

(1) Securities investments

No.	Type of securities	Stock code	Simplified stock name	Amount of initial investment (RMB)	Number of securities held at the end of the period (share)	Carrying value at the end of the period (RMB)	Percentage of securities investment at the end of the period (%)	Gain/loss in the reporting period (RMB)
1	Stock	HK00368	Sinotrans Ship	111,334,495.32	14,535,000	21,446,566.92	55.28	-824,294.39
2	Stock	600739	LiaoNing ChengDa	12,453,853.20	445,842	6,955,135.20	17.93	1,475,737.02
3	Stock	600536	CHINASOFT	2,978,897.92	145,454	2,111,992.08	5.44	-98,908.72
4	Stock	600756	ISS	2,245,188.12	226,940	1,935,793.94	4.99	276,109.73
5	Stock	600250	NANTEX	2,810,070.18	299,262	1,424,487.12	3.67	-137,660.52
6	Stock	600526	FEIDA	1,704,949.57	104,791	1,297,312.58	3.34	3,143.73
7	Stock	600062	DCPC	1,060,260.76	46,852	893,936.16	2.30	163,044.96
8	Stock	600721	BHC	855,586.56	55,128	545,215.92	1.41	-93,166.32
9	Stock	002049	JYEG	199,089.00	22,500	498,375.00	1.28	83,250.00
10	Stock	601186	CRCC	653,760.00	72,000	320,400.00	0.83	47,520.00
Other securities investments held at the end of the period				2,110,974.45	/	1,367,535.87	3.53	-30,048.58
Gains/losses on disposal of securities investments in the reporting period				/	/	/	/	169,377.40
Total				138,407,125.08	/	38,796,750.79	100	1,034,104.31

(2) Shares issued by other listed companies held by the Company

Stock code	Simplified stock name	Cost of initial investment (RMB)	Percentage of interest in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
601328	Bank of Communications	87,039,950.40	0.072	202,559,359.46	4,545,929.60	2,727,557.76	Available-for-sale financial assets	Purchase from market
HK00061	North Asia Resources	67,826,518.36	4.450	11,570,725.23	0	2,447,732.95	Available-for-sale financial assets	Share exchange
002673	Western Securities	10,000,000.00	1.000	164,154,900.00	0	154,154,900.00	Available-for-sale financial assets	Establishment
601601	CPIC	7,481,091.07	0.068	130,243,799.04	2,055,244.80	17,440,220.16	Available for sale financial assets	Practice from market
600999	China Merchants Securities	4,233,267.00	0.004	2,061,053.64	0	253,859.32	Available-for-sale financial assets	Purchase from market
601169	Bank of Beijing	2,000.00	Less than 0.001	2,000.00	0	0	Long-term equity investment	Original issue stock
Total		176,582,826.63	/	510,591,837.37	6,601,174.40	177,024,270.19	/	/

6 Shares Issued by Other Listed Companies and Financial Institutions held by the Company (continued)

(3) Shares issued by non-listed financial institutions held by the Company

Name of investee	Cost of initial investment (RMB)	Number of shares held (share)	Percentage of interests in investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
Greatwall Securities Co., Ltd	102,000,000.00	17,000,000	0.82	96,457,687.47	0	0	Long-term equity investment	Subscription
China Golden Valley International Trust & Investment Co., Ltd.	17,500,000.00	0	1.46	16,850,500.00	0	0	Long-term equity investment	Subscription
Western Trust Co., Ltd.	9,094,630.00	9,094,630	1.39	9,094,630.00	604,447.74	0	Long-term equity investment	Establishment
Sichuan Trust Investment Co. Ltd.	5,452,204.94	0	0.42	5,452,204.94	1,132,381.03	0	Long-term equity investment	Transfer debt to equity
Bank of Chengdu Company Limited	3,002,000.00	3,731,600	0.12	3,002,000.00	671,688.00	0	Long-term equity investment	Subscription
Hubei Pengcheng Insurance Brokers Co., Ltd.	200,000.00	0	4.00	200,000.00	0	0	Long-term equity investment	Funds
Total	137,248,834.94	29,826,230	/	131,057,022.41	2,408,516.77	0	/	/

7 Asset Transactions
(1) Acquisition of assets

Unit: Thousand RMB

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Related party transaction? (if yes, state the pricing principle)	Pricing principle of assets acquired	Are all the property rights of assets transferred to the other party?	Are all the claims and liabilities of assets transferred to the other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
China Railway Group Shenzhen Investment Co., Ltd.	Tianjin Jintai Property Development Co., Ltd.	1 January 2012	18,000	55	N/A	No	Asset Valuation	Yes	Yes	Less than 1	N/A

(2) Disposal of assets

During the reporting period, there was no asset disposed by the Company.

(3) Asset swap

During the reporting period, there was no swap of assets by the Company.

(4) Merger and acquisition

During the reporting period, there was no merger and acquisition by the Company.

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

During the reporting period, the Company has not implemented any share incentive scheme.

9 Significant Related Party Transactions of the Company during the Reporting Period

According to regulations from Issue No.3 of “The Content and Format of Disclosure of Information by Listed Companies – The Content and Format of Interim Report” issued by the China Securities Regulatory Commission (CSRC), “The Rules Governing the Listing of Stocks on Shanghai Stock Exchange” and “Implementation Guideline of Related Party Transactions for Listed Company of Shanghai Stock Exchange” CRECG, the controlling shareholder, and its controlled entity China Railway Hongda Asset Management Center are the major related parties involved in the related party transactions of the Company, which is slightly different from the definition of related party and related party transaction in the financial report.

(1) Related party transactions in the ordinary course of business

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of the related transaction	Amount of party related 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	8,220	8,220	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	19,276	19,276	Less than 1

Note: The implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 26 April 2010 were set out above. The terms of both agreements are three years. The total transaction amount involved was within the decision-making limit of the Board and was approved in the 29th meeting of the first session of the Board, which complied with the relevant requirements of “The Rules Governing the Listing of stock on Shanghai Stock Exchange”. Meanwhile, these two transactions were exempt from the requirements of reporting, annual review, announcement and independent shareholders’ approval as the annual caps of these two transactions are within the de minimis exemption under the Hong Kong Listing Rules.

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

None

9 Significant Related Party Transactions of the Company during the Reporting Period *(continued)*

(3) Amounts due from/to related parties

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Balance of funds provided to related party	Balance of funds provided to listed company by related party
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company		42,260
CRECG	Controlling shareholder		3,720
Reason for amounts due from/to related parties		Amounts due from/to related parties between the Company and related parties are operational in nature.	

There was no occupied fund and pay-off debt in the Company during the period.

(4) Other significant related party transactions

(1) Dividends payable

Unit: Thousand Currency: RMB

Item	Related party	30 June 2012	31 December 2011
Dividends payable	CRECG	573,601	–
Total		573,601	–

Note: These are the dividends declared by the Company, which have been fully paid on 3 August 2012.

(2) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
CRECG (Note)	China Railway Group Limited	1,000,000	January 2010	January 2015	No
CRECG (Note)	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG (Note)	China Railway Group Limited	2,500,000	October 2010	October 2020	No
CRECG (Note)	China Railway Group Limited	3,500,000	October 2010	October 2025	No

Note: These are the unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 5-year and 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 30 June 2012, the total amount of above-mentioned corporate bonds was RMB11,942.213 million.

10 Material Contracts and their Performance

(1) Trusteeship, contracting and leasing

During the reporting period, the Company had no material trusteeship, contracting or leasing.

(2) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Guarantee granted by the Company (excluding those to subsidiaries)			Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related party?	Related party relationship
				Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee					
China Railway Group Limited	The same entity	Lince Railway Co., Ltd.	783,000,000.00	2008-08-01	2008-06-30	2025-06-30	No	-	No	Yes	
China Railway No.2 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Sinoral Bobai Train Ferry Co., Ltd.	12,683,100.00	2004-12-24	2004-12-24	2016-12-23	No	-	No	No	
Daxin Cuijing Mountain Real Estate Development Company	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Longjun Project	124,800,900.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
Chengdu China Railway Badong Bading Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Yuell Bay Phase I Project	12,370,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
New Sichuan - Tibet Road & Bridge Company	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xinjie Project	112,740,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
Hongyuan Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Shujun Project	15,290,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
China Railway Ruicheng Real Estate Co., Ltd. Zongong Tamulin Branch	Wholly-owned subsidiary	Property owners of Tamulin Guobintun Project	202,808,200.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xijun Yinghua Hongyuan Project	182,590,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
Chengdu Yingting Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueying Long Beach Project	183,034,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	
Chengdu Huaxintianyu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongqian International New City District H-Project	116,038,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	

10 Material Contracts and their Performance (continued)
(2) Guarantees (continued)

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Guarantees granted by the Company (excluding those to subsidiaries)				Guarantee fully fulfilled?	Overdue amount?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
				Commitment date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee						
Duijiang Yan City Qingcheng Tourism Development Co. Ltd	Wholly-owned subsidiary	Property owners of Qingcheng 365 Zhaiyuan Project	11,550,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Huainan Yangguangcheng Development Co., Ltd	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng Project	12,280,723.07	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Rainbow New City Project	18,505,567.64	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Fergdan Bailu Project	25,023,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhuijiang Wan Pan Project	32,184,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Wuhan City Bolin Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bolin Community Project	4,505,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe Project	62,243,700.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longcheng Project	107,693,800.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway No.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longjun Project	97,869,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Chengdu Guochuang Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Tamiya Project	187,069,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Rujiang Mingcheng Phase I Project	207,229,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	

Unit: Yuan Currency: RMB

10 Material Contracts and their Performance (continued)
(2) Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Guarantee granted by the Company (excluding those to subsidiaries)				Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
				Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee					
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway•Ruijing Mingcheng Phase II Project	235,745,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway•Ruijing Lanting Project	203,726,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Chengdu Tongxin Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Ovilla Project	8,670,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Chengdu Tongxin Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Lijing Shuixiang Project	99,370,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.9 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Property owners of Yanhanshan Project	232,19,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.10 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Property owners of Jinan 'Hua Yang Nian Hua' Project	2,890,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.10 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Property owners of Dongying 'Sheng Shi Long Cheng' Project	47,763,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.10 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Property owners of China Railway Hu Zhan International Project	117,440,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway No.10 Engineering Group Co. Ltd.	Wholly-owned subsidiary	Property owners of 'Zibo Dong Hai Chuan Cheng' Project	7,670,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway Major Bridge Engineering Group Co. Ltd.	Wholly-owned subsidiary	Wuhan Yingsuozhou Bridge Co., Ltd.	200,000,000.00	2011-08-09	2011-08-09	2012-08-08	Suretyship of joint and several liability	No	-	No	No	No
China Railway Tunnel Group Co. Ltd.	Wholly-owned subsidiary	China SFECCO Group	55,659,120.00	2006-06-30	2006-06-30	2014-12-28	Suretyship of joint and several liability	No	-	No	No	No
Baotou China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel International Garden Project	77,390,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No

10 Material Contracts and their Performance (continued)

(2) Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Guarantee granted by the Company (excluding those to subsidiaries)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Overdue?	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
Guangzhou Fan Yu Li Ren Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Mingdu Project City	238,986,000.00	Release date of bank mortgage	Property owners of Nobel Mingdu Project City	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Qingdao West Beijing Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Nobel Plaza Project	3,650,000.00	Release date of bank mortgage	Property owners of Nobel Plaza Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Beijing Jingou Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Shengshi Changan Project	323,831,000.00	Release date of bank mortgage	Property owners of Zhongjing Shengshi Changan Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Beijing Jingou Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshabin Project	192,815,775.22	Release date of bank mortgage	Property owners of Zhongjing Jiangshabin Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Beijing Jingou Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshabin Project	198,530,506.78	Release date of bank mortgage	Property owners of Zhongjing Jiangshabin Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Hengshui Jingou Project Development Co., Ltd.	Wholly-owned subsidiary	Property owners of the Tianxi Xiangyuan project	49,749,000.00	Release date of bank mortgage	Property owners of the Tianxi Xiangyuan project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway Hengfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of southern square of the Beijing West Railway Station Project	8,470,000.00	Release date of bank mortgage	Property owners of southern square of the Beijing West Railway Station Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Hanlanjing Project	246,660,600.00	Release date of bank mortgage	Property owners of Beijing Hanlanjing Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Xian China Railway Chengfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Xi'an South County Project	715,538,000.00	Release date of bank mortgage	Property owners of Xi'an South County Project	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Hunan Qingzhubu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Lakeshore Jiazhou	119,899,000.00	Release date of bank mortgage	Property owners of Changsha Lakeshore Jiazhou	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	
Guijiang China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Yidu International	473,797,100.00	Release date of bank mortgage	Property owners of China Railway Yidu International	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No	

10 Material Contracts and their Performance (continued)

(2) Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee granted by the Company (excluding those to subsidiaries)				Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
			Commitment date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee					
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Shenyang Renjie Lake Project	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
Chengdu China Railway Rongfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway West City	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
Qingdao China Railway Xiangfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Huaxu Town Project	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of Central Times Square Project	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
Xiamen China Railway Yuen Cheong Real Estate Co. Ltd.	Non-wholly owned subsidiary	Property owners of Xiamen China Railway Yuanwan Project	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
China Railway No.2 (Chengdu) Real Estate Development	Wholly-owned subsidiary	Property owners of Isabella Project	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	-	No	No	No	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)										1,866,255,148.75	
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)										7,910,529,093.01	
Guarantee provided by the Company to its subsidiaries											
Total guarantee to subsidiaries incurred during the reporting period										4,306,900,000.00	
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)										9,743,098,000.00	
Aggregate guarantee of the Company (including those provided to subsidiaries)											
Aggregate guarantee (A+B)										17,653,627,093.01	
Percentage of aggregate guarantee to net assets of the Company (%) Representing:										21.35	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)										8,340,290,000.00	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)										8,340,290,000.00	
Excess amount of aggregate guarantee over 50% of net assets (E)										-	
Aggregate amount of the above three categories (C+D+E)										-	
Statement on the contingent joint and several liability in connection with unexpired guarantee										-	

10 Material Contracts and their Performance (continued)

(3) Financial trust management and entrusted loans

(1) Financial trust management

During the reporting period, the Company had no financial trust management.

(2) Entrusted loans

		Unit: Ten Thousand Currency: RMB									
Name of borrowers	Amount of entrusted loans	Maturity (year)	Interest rate	Overdue?	Connected transaction?	Extension?	Litigation?	Funds raised?	Relationship	Expected return	Gains and losses
Guangxi Local Railway Co.	2,000	2.7	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	366.14	-3,287.98
Guangxi Local Railway Co.	2,000	2.7	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	363.69	-3,284.58
Guangxi Local Railway Co.	5,000	2.5	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	793.35	-7,487.33
Guangxi Local Railway Co.	5,000	3.0	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	935.86	-7,237.00
Guangxi Local Railway Co.	5,000	3.2	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	1,007.90	-6,887.45
Guangxi Local Railway Co.	5,000	3.7	Bank benchmark rate over the same period	Yes	No	No	No	No	Nil	1,183.27	-6,635.89
Guangxi Local Railway Co.	6,000	4.7	Bank benchmark rate over the same period	No	No	No	No	No	Nil	1,833.94	-
Guizhou Province Affordable Housing Construction and Development Center	5,000	3.0	As of 30 June 2012, the interest rate is 11.305%	No	No	No	No	No	Nil	1,531.22	1,386.77
Guizhou Province Affordable Housing Construction and Development Center	6,000	3.0	As of 30 June 2012, the interest rate is 11.305%	No	No	Yes	No	No	Nil	1,818.40	1,529.49
Guizhou Province Affordable Housing Construction and Development Center	5,000	3.0	As of 30 June 2012, the interest rate is 11.305%	No	No	Yes	No	No	Nil	1,538.12	1,105.15
Guizhou Province Affordable Housing Construction and Development Center	8,000	2.0	As of 30 June 2012, the interest rate is 11.305%	No	No	No	No	No	Nil	1,696.95	1,388.79

Statement on entrusted loan: The gains and losses of the entrusted investment which is not overdue are interests. The gains and losses of the entrusted investment which is overdue are the sum of principal, interests and penalty.

10 Material Contracts and their Performance *(continued)*

(3) Financial trust management and entrusted loans *(continued)*

(3) Other investments

Unit: Ten Thousand Currency: RMB

Type of Investment	Source of funding	The signing party	Amount of investment	Maturity	Nature of product	Expected return	Gains and losses	Litigation?
Futures – hedging	Internal fund	Futures contracts purchased on the futures market	720 hands	Short term	Futures – rebar	Uncertain	-184.24	No

Note: Such transaction was resolved by the ninth meeting of the second section of the Board.

(4) Other material contracts

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

(1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-09	2,187,104	66 months
2	China Railway No. 4 Engineering	Lanzhou-Xinjiang Railway Co., Ltd.	Section LXTJ4 of Lanzhou-Xinjiang Railway	2010-03	868,769	36 months
3	China Railway No. 2 Engineering	Datong-Xian Passenger Railway Line Co., Ltd.	Line Section 9 of Datong-Xi'an Passenger Railway	2010-03	636,953	42 months
Highway						
1	China Railway No. 3 Engineering	Shanxi Xiyan Highway Investment Co., Ltd.	Xi County-Yonghe Guan of Huozhou-Yonghe Guan Highway	2011-03	265,834	21 months
2	China Railway No. 1 Engineering	Xinjiang Uygur Autonomous Region Communications Construction Administrative Bureau	Divergence of S215 – SS-3 of Shache Highway	2011-06	208,669	29 months
3	China Railway Major Bridge Engineering	Hubei Exi Highway Co., Ltd.	Section TJ-6 of the First Civil Engineering Construction of Xuanen-Xianfeng (boundary between Hubei and Chongqing) Hubei Enshi-Laifeng Highway and Hubei Enshi-Chongqing Qiongjiang Highway	2011-06	190,775	33 months
Municipal Works						
1	China Railway No. 4 Engineering	Angola Oil and Real Estate Company	Municipal Works related to the First Phase Construction of Social Housing and 5000 Sets of the Second Phase Construction of Social Housing	2011-12	723,956	12 months
2	China Railway	Shenyang Department of Transportation	Construction of Shenyang Fourth Ring Highway – BT Project	2011-05	650,000	23 months
3	China Railway Major Bridge Engineering	Wuhan Construction and Investment Development Group Co., Ltd.	Construction of Yangtze River Bridge of Wuhan Yingwuzhou – BT Project	2011-04	247,500	44 months

10 Material Contracts and their Performance *(continued)*

(4) Other material contracts *(continued)*

(2) 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	Ethiopian Railway Corporation	Turnkey Contract of Sebeta-Adama-Mieso EPC for Addis Ababa – Djibouti Railway Project (Sections 1 and 2)	2011-10	208,153	48 months
2	China Railway Eryuan Engineering	Bangladesh Railway Administration	Construction of the second railway line project of Dongji-Paibulobazhaer Bengal, including the main track signal project EPC of Dhaka-Chittagong	2011-07	130,597	36 months
3	China Railway Eryuan Engineering	Chengyu Passenger Railway Line Co., Ltd	New Chengdu-Chongqing Passenger Dedicated Line, survey and design	2010-10	52,000	48 months
4	China Railway Eryuan Engineering	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	Reconstruction works for improvement of capacity of Yongzhou-Liuzhou Section of Hunan-Guangxi Railway	2010-02	50,746	43 months
5	China Railway Eryuan Engineering	Lanyu Railway Co., Ltd	New Lanzhou-Chongqing Railway, Guangyuan to Chongqing survey and design	2010-03	49,800	31 months

10 Material Contracts and their Performance *(continued)*

(4) Other material contracts *(continued)*

(3) 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 Shanhaiguan Bridge	Liaoning Province Communications Department of the Highway Bureau	Highway Bridge on border between China and North Korea on the Yalu River	2011-12	36,340	31 months
2	China Railway Turnout & Bridge	Chongqing Quantong Engineering Construction Management Co., Ltd	Construction of steel truss girder of Chongqing Dongshuimen Yangtze River Bridge	2011-09	24,449	27.5 months
3	China Railway Shanhaiguan Bridge	Tianjin Urban Construction Group Co., Ltd	Purchase Contract of steel box girder and steel tower for No.4 Bridge of Wulanmulun River, Kangbashi District, Erdos	2011-04	23,583	15 months
Turnout						
1	China Railway Shanhaiguan Bridge	Foreign Capital and Technology Introduction Center, Ministry of Railways	Purchasing contract of turnouts for the Nanning-Guangzhou Railway Line project (123 high speed turnouts)	2011-02	27,798	16 months
2	China Railway Turnout & Bridge	Nanning Railway Bureau	Nanning Railway Hub, 493 normal speed turnouts	2011-04	19,062	20 months
3	China Railway Turnout & Bridge	Hubei Intercity Railway Co., Ltd	New Wuhan to Xiaogan, Huangshi and Xianning Railway (station construction)	2011-01	17,076	24 months
Construction (Track) Machinery						
1	China Railway Turnout & Bridge	Xi'an Qujiang Shengtang Material Supply Co., Ltd	Processing and manufacturing of steel rail beams, uprights, bearing, and Foundation embedment parts for Qujiang district tourist track project.	2011-10	7,699	3.5 months
2	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd	Manufacturing of turnouts for extension line of Rail Line 2 of Chongqing	2010-12	4,136	24 months
3	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd	Manufacturing of turnouts for extension line of Rail Line 3 of Chongqing	2010-12	2,882	24 months

(4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	China Railway•Yidu International	Guiyang, Guizhou	Residential	230.6
2	Bairuijing Central Living Area	Wuhan, Hupei	Residential	105.5
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	Xi'an Binfen South County	Xi'an, Shaanxi	Residential	62.7
5	China Railway•Huaxu Meibang	Qingdao, Shandong	Residential	53.45

10 Material Contracts and their Performance *(continued)*

(4) Other material contracts *(continued)*

(5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period	Operation (Repurchase) term
BOT							
1	China Railway No.2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of the Guangxi Cenxi-Xingye Expressway	2005-08	516,361	36 months	28 years
3	China Railway	Yunan Department of communications	BOT Project of the Yunan Funing-Guangnan, Guangnan-Yanshan Expressway	2005-12	644,000	36 months	27 years

(5) Material contracts signed during the reporting period:

(1) 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	Shenhua Zhunchi Railway Co., Ltd.	ZC Track Paving of Dazhun-Suhuang Railway Contact Line – Section 1	2012-02	141,642	16 months
2	China Railway No. 8 Engineering	Hohhot Railway Bureau	Station Project of the Construction of Dongwu-Baoxi Railway Contact Line	2012-06	80,285	18 months
3	China Railway No. 6 Engineering	Erdos River Railway Co., Ltd.	Track Paving and Four Power Project of the Construction of Data-Wusi Xidu Part or Data-Siyanjin Railway	2012-02	11,167	7 months
Highway						
1	China Railway Major Bridge Engineering	Hong Kong-Zhuhai-Macao Bridge Authority	Section CB05 of the Main Project, Bridge Engineering, Civil Engineering and Construction Of Composite Beams Of Hong Kong-Zhuhai-Macao Bridge	2012-06	373,885	36 months
2	China Railway Overseas Engineering	Government of Papua New Guinea	Contract of Upgrade and Maintenance of Laiagam, Enga-Porgera Highway and Mendi, Southern Highlands-Kandep Highway	2012-02	134,742	30 months
3	China Railway No. 5 Engineering	China Railway Guizhou Tourism and Culture Development Co., Ltd	Highway Project of First Construction of China Railway Guizhou International Tourism and Leisure Center	2012-03	100,000	Till the completion of performance of the contract terms
Municipal Works						
1	China Railway	Shenzhen Metro Group Co., Ltd.	BT Project of Shenzhen City Railway Line 11	2012-06	2,555,000	48 months
2	China Railway No. 8 Engineering	Guizhou Guizhou Longevity Green Resources Development Co., Ltd.	Road Works of South Tianyuan Road, Huaxi, Road Works of Xinqi Road, Huaxi and Civil Engineering of Sewage Treatment Plant in Qingyan	2012-06	105,000	24 months
3	China Railway No. 4 Engineering	Ningbo Rail Traffic Construction Headquarters	Section 1 of +0.00 Construction of Depot and Comprehensive Base of the First Construction of Ningbo Line 1	2012-02	80,964	20 months

10 Material Contracts and their Performance *(continued)*

(5) Material contracts signed during the reporting period: *(continued)*

(2) 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 Consultancy	Changji Intercity Railway Corporation	Jilin-Huichun Passenger Railway Line Survey and Design	2012-02	56,330	37 months
2	China Railway Eryuan Engineering	Pucheng Clean Energy Chemical Co., Ltd	EPC Contracting Contract of Station Construction of Railway Special Line for 1.8 million tons methanol and 0.7 million tons polyolefin Project of Pucheng Clean Energy Chemical Co., Ltd	2012-02	13,064	10 months
3	China Railway Major Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Hong Kong-Zhuhai-Macao Bridge Main Project Bridge Engineering (Section DB02) Design of Construction	2012-01	7,770	Till the completion of performance of the contract terms

(3) 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 Shanhaiguan Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Purchasing and Manufacturing Contract CB01 of steel box girder for the Bridge Project of Main Project of Hong Kong-Zhuhai-Macao Bridge	2012-04	283,912	36 months
2	China Railway Shanhaiguan Bridge	Hubei High Way Exi Express Way Co., Ltd	Manufacturing of stiffened steel truss girders of Enshi-Laifeng Expressway Zhongjian River Bridge	2012-05	12,455	18 months
Turnout						
1	China Railway Shanhaiguan Bridge	Daxi Railway Passenger Dedicated Line Co., Ltd	Purchasing contract of turnouts for the Daxi Line Railway Project	2012-05	42,774	17 months
2	China Railway Turnout & Bridge	Material Supply Contract of Jia Supply Department for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	The Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	2012-01	13,119	Implemented as planned according to the demand of client
Construction (Track) Machinery						
1	China Railway Tunneling Equipment Co., Ltd	Taiwan New Taipei Qiang Quan Co., Ltd	Manufacturing Contract of Steel Fiber	2012-03	5,800	36 months
2	China Railway Turnout & Bridge	Xi'an Qu Jiang New District Land Reserve Centre	Qu Jiang New District Orbital tour projects-Instalment of Column and Steel Structure of Orbital	2012-01	1,492	10 months

10 Material Contracts and their Performance *(continued)*

(5) Material contracts signed during the reporting period: *(continued)*

(4) Property development business

No.	Project Name	Project location	Project type	Planning area (‘0,000 sq.m.)
1	Guiyang Shier Tan	Guiyang	Residential/Office	162
2	China Railway Gongqing Lake Project	Zunyi, Guiyang	Residential	133.6
3	China Railway Rail Track Transportation Property Area	Chengdu, Sichuan	Residential	83.8
4	Jizhou Road Area of Taizhou Higher Education Zone	Taizhou, Jiangsu	Residential	34.7
5	Party School Area of Xiayanghu Street of Qingpu	Shanghai	Residential	20

(5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract Sum (RMB‘0,000)	Construction period
1	China Railway No.10 Engineering	Venezuela C.V.G. FERROMINERA ORINOCO C.A Corporation	Contract of Mining, Loading and Transporting Iron Ore of San Isidro Mine	2012-05	259,100	60 months

11 Performance Status of Undertakings

Undertakings by the Company or shareholders with more than 5% of the Company’s shares given or subsisting in the reporting period

Undertaking	Details of undertaking	Performance status
Undertaking made by CRECG upon the issuance of shares	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	CRECG has strictly complied with the above undertaking

(1) As at the date of this interim report, are there any unfulfilled performance undertakings: None

(2) As at the date of this interim report, are there any unfulfilled capital injection or asset consolidation undertakings: None

12 Appointment and Removal of Auditors

Unit: Ten Thousand Currency: RMB

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA Ltd.	Deloitte Touche Tohmatsu CPA Ltd.
Remuneration of domestic auditors	4,050	4,050
Term of domestic auditors	6 years	6 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Remuneration of international auditors	347	250
Term of international auditors	6 years	6 years

During the reporting period, the Company had not changed the auditors. Upon shareholders' approval at the 2011 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the domestic and international auditing firm of the Company for 2012, respectively (the services provided cover annual audit and interim review). At the same general meeting, the Company also appointed Deloitte Touche Tohmatsu CPA Ltd. as the auditor of internal control for 2012.

13 Penalty and Rectification Order against Listed Companies and its Directors, Supervisors, Senior Management, the Company's Shareholders and Ultimate Controller

During the reporting period, the Company and its directors, supervisors, senior management, the Company's controlling shareholders and ultimate controller were not subject to any investigation, administrative penalty, criticisms by CSRC and public reprimand by any stock exchange.

14 Other Significant Events

Not applicable

15 Major Change in Profitability, Asset Condition and Credit Status of the Underwriter for Convertible Bonds of the Company

Not applicable

16 Corporate Governance

The Company complied with all code provisions of the Code on Corporate Governance Practices (for the period from 1 January 2012 to 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (the "New Code") (for the period from 1 April 2012 to 30 June 2012) set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months period ended 30 June 2012, except the following deviation:

In respect of code provision A6.7 of the New Code, Mr. Yao Guiqing, the executive director of the Company, was unable to attend the annual general meeting of the Company held on 26 June 2012 due to other business engagement.

17 Review of Interim Financial Report

The 2012 interim financial report of the Company prepared in accordance with Chinese Accounting Standard and International Financial Reporting Standard has not been audited. The 2012 interim financial report has been reviewed by the Audit Committee of the Board.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CRECG	China Railway Engineering Corporation
4	BT	“Build-Transfer” mode
5	BOT	“Build-Operate-Transfer” mode
6	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin (*Chairman*)
BAI Zhongren
YAO Guiqing

Non-executive Director

HAN Xiuguo

Independent Non-executive Directors

HE Gong
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

WANG Qiuming (*Chairman*)
LIU Jianyuan
ZHANG Xixue
LIN Longbiao
CHEN Wenxin

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

BAI Zhongren
TAM Chun Chung *CPA, FCCA*

Audit Committee

GONG Huazhang (*Chairman*)
WANG Taiwen
SUN Patrick

Remuneration Committee

HE Gong (*Chairman*)
WANG Taiwen
SUN Patrick

Strategy Committee

LI Changjin (*Chairman*)
BAI Zhongren
YAO Guiqing
HAN Xiuguo
GONG Huazhang

Nomination Committee

LI Changjin (*Chairman*)
BAI Zhongren
HE Gong
GONG Huazhang
WANG Taiwen

Safety, Health and Environmental Protection Committee

BAI Zhongren (*Chairman*)
YAO Guiqing
HAN Xiuguo
HE Gong
SUN Patrick

Registered Office

No. 1, Xinghuo Road
Fengtai District
Beijing 100070
PRC

Principal Place of Business in Hong Kong

Unit 1201–1203
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49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic

Deloitte Touche Tohmatsu Certified Public Accountants Limited
8/F, Deloitte Tower
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

International

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

Legal Advisors

For PRC Law

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

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares

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

H Shares

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

Listing Information

A Shares

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

H Shares

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

Principal Bankers

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

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 set out on pages 50 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of 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 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended	
		30/6/2012 RMB million (Unaudited)	30/6/2011 RMB million (Unaudited/ restated)
Revenue	3	190,915	214,571
Cost of sales		(176,812)	(201,530)
Gross profit		14,103	13,041
Other income	4	774	519
Other expenses	4	(1,408)	(846)
Other gains and losses	5	(161)	(208)
Selling and marketing expenses		(681)	(794)
Administrative expenses		(7,188)	(6,959)
Interest income	6	1,083	843
Interest expenses	6	(2,845)	(1,948)
Share of profits of jointly controlled entities		20	49
Share of losses of associates		(42)	(139)
Profit before tax		3,655	3,558
Income tax expense	7	(1,115)	(864)
Profit for the period	8	2,540	2,694
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		(43)	(43)
Fair value gain on available-for-sale financial assets		211	20
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		(10)	(73)
Share of other comprehensive income of jointly controlled entities and associates		1	2
Income tax relating to fair value change on available-for-sale financial assets		(38)	7
Other comprehensive income (expense) for the period, net of income tax		121	(87)
Total comprehensive income for the period		2,661	2,607
Profit for the period attributable to:			
Owners of the Company		2,390	2,444
Non-controlling interests		150	250
		2,540	2,694
Total comprehensive income for the period attributable to:			
Owners of the Company		2,512	2,362
Non-controlling interests		149	245
		2,661	2,607
Earnings per share (Basic)	10	RMB0.112	RMB0.115

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30/6/2012 RMB million (Unaudited)	31/12/2011 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	38,308	37,668
Deposits for acquisition of property, plant and equipment		630	773
Lease prepayments		8,085	8,537
Deposits for land use rights		213	173
Deposits for investment		510	717
Investment properties	12	1,347	2,472
Intangible assets	13	33,288	33,354
Mining assets	14	4,389	4,327
Interests in jointly controlled entities		807	782
Interests in associates		2,938	2,956
Goodwill		865	865
Available-for-sale financial assets		5,009	4,580
Other loans and receivables		5,941	4,594
Deferred tax assets		3,475	3,284
Other prepayments		51	43
Trade and other receivables	16	4,438	3,336
		110,294	108,461
Current assets			
Lease prepayments		197	197
Properties held for sale		6,743	5,628
Properties under development for sale	15	61,913	52,995
Inventories		37,764	36,329
Trade and other receivables	16	154,443	143,320
Amounts due from customers for contract work	17	68,443	56,747
Current income tax recoverable		270	185
Other loans and receivables		1,070	1,055
Held-for-trading financial assets		74	60
Restricted cash		4,157	3,329
Cash and cash equivalents		54,418	60,254
		389,492	360,099
Assets classified as held for sale	18	1,563	–
		391,055	360,099
Total assets		501,349	468,560

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2012

	Notes	30/6/2012 RMB million (Unaudited)	31/12/2011 RMB million (Audited)
EQUITY			
Share capital	19	21,300	21,300
Share premium and reserves		52,060	50,549
Equity attributable to owners of the Company		73,360	71,849
Non-controlling interests		9,310	9,330
Total equity		82,670	81,179
LIABILITIES			
Non-current liabilities			
Other payables	20	548	632
Borrowings	21	86,654	73,606
Obligations under finance lease		406	295
Financial guarantee contracts		–	2
Retirement and other supplemental benefit obligations		5,284	5,522
Provisions		228	138
Deferred government grant		704	732
Deferred tax liabilities		935	882
		94,759	81,809
Current liabilities			
Trade and other payables	20	240,895	231,267
Amounts due to customers for contract work	17	17,579	14,606
Current income tax liabilities		1,012	2,019
Borrowings	21	63,199	56,490
Obligations under finance lease		263	185
Financial guarantee contracts		1	–
Retirement and other supplemental benefit obligations		764	863
Held-for-trading financial liabilities		142	142
Liabilities associated with assets classified as held for sale	18	323,855 65	305,572 –
		323,920	305,572
Total liabilities		418,679	387,381
Total equity and liabilities		501,349	468,560
Net current assets		67,135	54,527
Total assets less current liabilities		177,429	162,988

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to owners of the Company									
	Share capital RMB million (Note 19)	Share premium RMB million	Capital reserve RMB million (note (b))	Statutory reserve RMB million (note (a))	Translation reserve RMB million	Investment revaluation reserve RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total RMB million
At 1 January 2012 (audited)	21,300	33,647	(2,962)	5,682	(358)	167	14,373	71,849	9,330	81,179
Profit for the period	-	-	-	-	-	-	2,390	2,390	150	2,540
Other comprehensive income (expense) for the period	-	-	-	-	(39)	161	-	122	(1)	121
Total comprehensive income (expense) for the period	-	-	-	-	(39)	161	2,390	2,512	149	2,661
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(226)	(226)
Acquisition of a subsidiary (Note 22)	-	-	-	-	-	-	-	-	12	12
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(3)	(3)
Capital contribution	-	-	-	-	-	-	-	-	169	169
Disposal of partial interests in a subsidiary to non-controlling shareholders	-	-	21	-	-	-	-	21	15	36
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	(136)	(136)
Transfer to reserves (note (a))	-	-	-	67	-	-	(67)	-	-	-
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,022)	(1,022)	-	(1,022)
At 30 June 2012 (unaudited)	21,300	33,647	(2,941)	5,749	(397)	328	15,674	73,360	9,310	82,670
At 1 January 2011 (audited)	21,300	33,647	(2,655)	4,018	(68)	213	10,523	66,978	7,140	74,118
Profit for the period as restated	-	-	-	-	-	-	2,444	2,444	250	2,694
Other comprehensive income (expense) for the period	-	-	2	-	(37)	(47)	-	(82)	(5)	(87)
Total comprehensive income (expense) for the period	-	-	2	-	(37)	(47)	2,444	2,362	245	2,607
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(242)	(242)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	3	3
Acquisition of additional interests in subsidiaries	-	-	(41)	-	-	-	-	(41)	(246)	(287)
Capital contribution	-	-	-	-	-	-	-	-	166	166
Transfer to reserves (note (a))	-	-	-	145	-	-	(145)	-	-	-
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,171)	(1,171)	-	(1,171)
At 30 June 2011 (unaudited)	21,300	33,647	(2,694)	4,163	(105)	166	11,651	68,128	7,066	75,194

Notes:

- (a) The statutory reserves comprise principally the statutory surplus reserve. According to relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.
- (b) The balance of capital reserve mainly comprises the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the reorganisation in September 2007, capital contribution by China Railway Engineering Corporation as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC accounting standards, and reserve generated from the acquisition of subsidiaries under common control.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Notes	30/6/2012 RMB million (Unaudited)	30/6/2011 RMB million (Unaudited/ restated)
Net cash used in operating activities		(15,747)	(16,968)
Net cash used in investing activities:			
Additions of property, plant and equipment		(2,433)	(3,633)
Deposits for acquisition of property, plant and equipment		(490)	(887)
Disposal of property, plant and equipment		149	217
Deposits paid for land use rights		(40)	(490)
Additions of lease prepayments		(61)	(312)
Additions of intangible assets		(161)	(467)
Acquisition of subsidiaries in current period	22	4	29
Payment for acquisition of subsidiaries in prior years		(270)	(456)
Liquidation of a subsidiary		(136)	–
Investments in associates		(26)	(687)
Purchase of available-for-sale financial assets		(613)	(359)
Disposal of available-for-sale financial assets		395	313
New other loans and receivables		(1,686)	(753)
Repayment of other loans and receivables		309	517
Interests received		499	528
Decrease in restricted cash		2,509	1,153
Increase in restricted cash		(3,337)	(1,422)
Other investing cash flows		(56)	60
		(5,444)	(6,649)
Net cash from financing activities:			
Acquisition of additional interests in subsidiaries		(3)	(287)
Capital contributions from non-controlling shareholders of subsidiaries		169	166
New borrowings		53,614	46,256
Disposal of partial interests in a subsidiary		36	–
Repayment of borrowings		(33,701)	(17,409)
Interests paid		(4,569)	(2,467)
Dividends paid to non-controlling shareholders of subsidiaries		(188)	(182)
		15,358	26,077
Net (decrease) increase in cash and cash equivalents		(5,833)	2,460
Effect of foreign exchange rate changes		2	(20)
Cash and cash equivalents at the beginning of the period		60,254	54,927
Cash and cash equivalents at the end of the period		54,423	57,367

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. Basis of Preparation

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

Restatement due to business combination involving an entity under common control

In accordance with the Equity Transfer agreements entered into between China Railway Group Limited (the “Company”) and China Railway Engineering Corporation (“CRECG”), the Company’s ultimate holding company, on 29 September 2011, the Company acquired 100% equity interest of Henan Pingzheng Expressway Development Co., Ltd. (“HEDCL”) from CRECG for a consideration of RMB302.93 million. The acquisition of HEDCL was completed by the end of December 2011 and has been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company (the “Directors”) consider that the Company and HEDCL are under the common control of CRECG. Hence, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for six months ended 30 June 2011 have been restated to include the operating results and cash flows of HEDCL from 1 January 2011.

1. Basis of Preparation (continued)

The effect of restatements arising from acquisition of HEDCL accounted for as a combination of businesses under common control ("Adjustment") for the six months ended 30 June 2011 by line items presented according to their function is as follows:

	Six months ended 30/6/2011 (originally stated) RMB million	Adjustment RMB million	Six months ended 30/6/2011 (restated) RMB million
Revenue	214,532	39	214,571
Cost of sales	(201,511)	(19)	(201,530)
Gross profit	13,021	20	13,041
Other income	519	–	519
Other expenses	(846)	–	(846)
Other gains and losses	(208)	–	(208)
Selling and marketing expenses	(794)	–	(794)
Administrative expenses	(6,957)	(2)	(6,959)
Interest income	843	–	843
Interest expenses	(1,887)	(61)	(1,948)
Share of profits of jointly controlled entities	49	–	49
Share of losses of associates	(139)	–	(139)
Profit before tax	3,601	(43)	3,558
Income tax expense	(864)	–	(864)
Profit for the period	2,737	(43)	2,694
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations	(43)	–	(43)
Fair value gain on available-for-sale financial assets	20	–	20
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets	(73)	–	(73)
Share of other comprehensive income of a jointly controlled entity	2	–	2
Income tax relating to fair value change on available-for-sale financial assets	7	–	7
Other comprehensive expense for the period, net of tax	(87)	–	(87)
Total comprehensive income (expense) for the period	2,650	(43)	2,607
Profit for the period attributable to:			
Owners of the Company	2,487	(43)	2,444
Non-controlling interests	250	–	250
	2,737	(43)	2,694
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company	2,405	(43)	2,362
Non-controlling interests	245	–	245
	2,650	(43)	2,607
Earnings per share (Basic)	RMB0.117	RMB(0.002)	RMB0.115

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs").

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

In addition, the Group has signed a contract with a third party to dispose of a 60% interest in 成都中鐵名人置業發展有限公司 ("Chengdu Mingren") and classified the assets and liabilities of Chengdu Mingren as a disposal group held for sale (see Note 18). The accounting policy is set out as below:

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. Segment Information

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

- (i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works ("Infrastructure construction");
- (ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects ("Survey, design and consulting services");
- (iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery ("Engineering equipment and component manufacturing");
- (iv) Development, sale and management of residential and commercial properties ("Property development"); and
- (v) Mining, merchandise trading and other ancillary business ("Other businesses").

3. Segment Information (continued)

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

The segment information regarding the Group's operating segments is presented below. Segment information of infrastructure construction and other businesses for the six months ended 30 June 2011 has been restated to include the results of HEDCL.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period under review:

	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 2012						
External revenue	161,845	4,030	4,001	4,170	22,739	196,785
Inter-segment revenue	1,213	56	842	–	824	2,935
Other operating income	1,177	20	57	57	219	1,530
Inter-segment other operating income	–	–	–	–	89	89
Segment revenue	164,235	4,106	4,900	4,227	23,871	201,339
Segment results						
Profit before tax	3,171	274	234	559	537	4,775
Segment results included:						
Share of profits (losses) of jointly controlled entities	30	(5)	(5)	–	–	20
Share of losses of associates	(42)	–	–	–	–	(42)
Interest income	1,368	30	5	167	233	1,803
Interest expenses	(1,933)	(89)	(80)	(154)	(1,259)	(3,515)

	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 2011 (restated)						
External revenue	190,873	4,174	4,697	4,446	17,383	221,573
Inter-segment revenue	989	216	1,062	–	1,085	3,352
Other operating income	694	94	270	41	263	1,362
Inter-segment other operating income	–	–	–	–	271	271
Segment revenue	192,556	4,484	6,029	4,487	19,002	226,558
Segment results						
Profit before tax	2,926	413	330	705	398	4,772
Segment results included:						
Share of profits (losses) of jointly controlled entities	45	(3)	7	–	–	49
Share of losses of associates	(136)	(1)	(2)	–	–	(139)
Interest income	809	10	3	105	52	979
Interest expenses	(1,390)	(28)	(26)	(80)	(572)	(2,096)

3. Segment Information (continued)**Segment revenues and results (continued)**

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

	Six months ended	
	30/6/2012 RMB million	30/6/2011 RMB million (Restated)
Segment revenue	201,339	226,558
Inter-segment elimination	(3,024)	(3,623)
Reconciling items:		
Reclassification of sales tax (note (a))	(5,870)	(7,002)
Reclassification of other operating income (note (b))	(1,530)	(1,362)
Total consolidated revenue, as reported	190,915	214,571
Segment interest income	1,803	979
Inter-segment elimination	(720)	(136)
Total consolidated interest income, as reported	1,083	843
Segment interest expenses	(3,515)	(2,096)
Inter-segment elimination	670	148
Total consolidated interest expenses, as reported	(2,845)	(1,948)
Segment results	4,775	4,772
Inter-segment elimination	(1,216)	(1,265)
Reconciling items:		
Land appreciation tax (note (c))	96	51
Total consolidated profit before tax, as reported	3,655	3,558

Notes:

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

3. Segment Information (continued)**Segment assets and liabilities**

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

Segment assets

	30/6/2012 RMB million	31/12/2011 RMB million
Infrastructure construction	328,152	313,993
Survey, design and consulting services	10,382	11,092
Engineering equipment and component manufacturing	18,557	18,407
Property development	94,241	81,818
Other businesses	108,392	82,407
Total segment assets	559,724	507,717

Segment liabilities

	30/6/2012 RMB million	31/12/2011 RMB million
Infrastructure construction	295,957	271,218
Survey, design and consulting services	6,219	6,195
Engineering equipment and component manufacturing	12,294	12,411
Property development	78,889	58,184
Other businesses	83,433	64,541
Total segment liabilities	476,792	412,549

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

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

3. Segment Information (continued)**Segment assets and liabilities (continued)**

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

	30/6/2012 RMB million	31/12/2011 RMB million
Segment assets	559,724	507,717
Inter-segment elimination	(61,925)	(42,438)
Reconciling items:		
Deferred tax assets	3,475	3,284
Shares conversion scheme of subsidiaries (note (d))	(170)	(171)
Current income tax recoverable	270	185
Prepaid land appreciation tax included in income tax recoverable	(25)	(17)
Total consolidated assets, as reported	501,349	468,560
Segment liabilities	476,792	412,549
Inter-segment elimination	(60,154)	(27,992)
Reconciling items:		
Deferred tax liabilities	935	882
Current income tax liabilities	1,012	2,019
Prepaid land appreciation tax (land appreciation tax payable) included in current income tax liabilities	94	(77)
Total consolidated liabilities, as reported	418,679	387,381

Note:

- (d) Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and is adjusted to other gains and losses in the consolidated statement of comprehensive income in prior periods.

4. Other Income and Expenses

	Six months ended	
	30/6/2012	30/6/2011
	RMB million	RMB million
Other income from:		
Dividend income	16	8
Government subsidies (note (a))	108	96
Compensation income (note (b))	13	6
Relocation compensation	10	47
Amortisation of financial guarantee contracts	1	1
Income from sundry operations (note (c))	589	315
Others	37	46
	774	519
Other expenses on:		
Research and development expenditure	1,408	846

Notes:

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

Government subsidies related to assets include government subsidies obtained by 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 grant and credited to profit or loss on a straight-line basis.

- (b) The amounts mainly represent compensation received from counter-parties who have breached the relevant agreements.
- (c) The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income and hotel operation income etc.

5. Other Gains and Losses

	Six months ended	
	30/6/2012	30/6/2011
	RMB million	RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	(3)	8
Lease prepayments	–	4
Available-for-sale financial assets	10	73
Held-for-trading financial assets	–	2
Impairment loss (recognised) reversed on:		
Available-for-sale financial assets	(1)	–
Trade and other receivables	(85)	(252)
Other loans and receivables	2	(51)
Loss from changes in fair value of financial assets/liabilities classified as held-for-trading	(39)	(22)
Foreign exchange (losses) gains, net	(45)	30
	(161)	(208)

6. Interest Income and Expenses

	Six months ended	
	30/6/2012 RMB million	30/6/2011 RMB million (Restated)
Interest income from:		
Cash and cash equivalents and restricted cash	457	401
Imputed interest income on retention receivables	522	315
Other loans and receivables	104	127
Total interest income	1,083	843
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	2,830	1,383
Not wholly repayable within five years	657	366
Short-term debentures	31	122
Long-term debentures	644	397
Other long-term borrowings	126	215
Other short-term borrowings	121	198
Finance leases	19	9
	4,428	2,690
Imputed interest expenses on retention payables	59	60
Bank charges	48	34
Total borrowing costs	4,535	2,784
Less: amount capitalised	(1,690)	(836)
Total interest expenses	2,845	1,948

7. Income Tax Expense

	Six months ended	
	30/6/2012	30/6/2011
	RMB million	RMB million
Current tax		
Enterprise Income Tax ("EIT")	1,154	1,134
Land Appreciation Tax ("LAT")	96	51
Underprovision in prior years	16	21
Deferred tax	(151)	(342)
	1,115	864

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (six months ended 30 June 2011: 25%) is applied to them except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (six months ended 30 June 2011: 15% or 24%) during the period.

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

8. Profit for the Period

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

	Six months ended	
	30/6/2012	30/6/2011
	RMB million	RMB million (Restated)
Depreciation and amortisation of:		
Property, plant and equipment	2,492	2,807
Lease prepayments	108	98
Investment properties	61	66
Intangible assets (included in administrative expenses)	21	27
Intangible assets (included in cost of sales)	234	166
Mining assets (included in cost of sales)	4	2
Total depreciation and amortisation	2,920	3,166
Impairment loss (reversed) recognised on:		
Inventories (included in cost of sales)	–	1
Allowance for foreseeable loss on construction contracts	(10)	13

9. Dividend

On 26 June 2012, final dividend of RMB0.048 per share in respect of the year ended 31 December 2011, amounting to RMB1,022 million in aggregate, was declared and was subsequently paid in August 2012.

The final dividend of RMB0.055 per share in respect of the year ended 31 December 2010, amounting to RMB1,171 million in aggregate, was declared on 16 June 2011 and was subsequently paid in July and August 2011.

The Directors do not recommend the payment of an interim dividend (six months ended 30 June 2011: nil).

10. Earnings Per Share

Basic earnings per share for the six months ended 30 June 2012 is calculated by dividing the profit attributable to owners of the Company of RMB2,390 million (six months ended 30 June 2011: RMB2,444 million, as restated) by 21,299,900,000 ordinary shares (six months ended 30 June 2011: 21,299,900,000 shares) outstanding during the period.

No diluted earnings per share are presented as there are no potential ordinary shares outstanding during both periods.

11. Movements in Property, Plant and Equipment

During the current period, the Group incurred costs for construction in progress of RMB1,412 million (six months ended 30 June 2011: RMB1,379 million) and acquired buildings at a cost of RMB176 million (six months ended 30 June 2011: RMB282 million), infrastructure construction equipment at a cost of RMB977 million (six months ended 30 June 2011: RMB1,440 million), transportation equipment at a cost of RMB578 million (six months ended 30 June 2011: RMB684 million), manufacturing equipment at a cost of RMB120 million (six months ended 30 June 2011: RMB97 million), testing equipment and instruments at a cost of RMB67 million (six months ended 30 June 2011: RMB184 million), and other equipment at a cost of RMB128 million (six months ended 30 June 2011: RMB41 million) for the purpose of expanding the Group's business.

Bank borrowings amounting to RMB50 million (31 December 2011: RMB60 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB190 million (31 December 2011: RMB206 million) (see Note 21).

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB1,192 million (31 December 2011: RMB1,108 million) at 30 June 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

Except for property, plant and equipment secured against bank borrowings, as at 30 June 2012 the Group also has property, plant and equipment with an aggregate carrying value of RMB53 million (31 December 2011: RMB368 million) which are under restrictions imposed by courts (see Note 23(b)).

12. Investment Properties

During the current period, investment properties with an aggregate carrying value of RMB1,096 million (six months ended 30 June 2011: Nil) are reclassified as assets held for sale (see Note 18).

13. Intangible Assets

During the current period, additions to intangible assets amounted to RMB189 million (six months ended 30 June 2011: RMB481 million) which comprised adjustments to construction costs of toll roads under service concession arrangements of RMB178 million (six months ended 30 June 2011: construction costs of toll roads under service concession arrangements of RMB449 million), computer software of RMB5 million (six months ended 30 June 2011: RMB8 million) and other intangible assets of RMB6 million (six months ended 30 June 2011: RMB24 million).

The rights in respect of toll road income under seven (31 December 2011: seven) concession agreements with an aggregate carrying amount of RMB26,526 million (31 December 2011: RMB26,677 million) are pledged to obtain banking borrowings amounting to RMB17,067 million (31 December 2011: RMB17,186 million) (see Note 21).

14. Mining Assets

The amounts represent mining rights and expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Fujian, Qinghai, Guizhou, Mongolia, Australia and the Democratic Republic of the Congo.

The Group is in the process of applying for the title certificate for one of its mining right with a carrying value of RMB67 million (31 December 2011: RMB67 million) at 30 June 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use this mining right.

15. Properties under Development for Sale

At 30 June 2012, properties under development for sale amounting to RMB20,651 million (31 December 2011: RMB17,929 million) have been pledged to secure banking borrowings amounting to RMB13,050 million (31 December 2011: RMB10,610 million) granted to the Group (see Note 21).

16. Trade and Other Receivables

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

	30/6/2012 RMB million	31/12/2011 RMB million
Trade and bills receivables	101,662	100,651
Less: impairment	(1,596)	(1,557)
	100,066	99,094
Other receivables (net of impairment)	27,715	22,816
Advance to suppliers	31,100	24,746
	158,881	146,656
Less: Amount due after one year included in non-current assets	(4,438)	(3,336)
Amount due within one year included in current assets	154,443	143,320

Included in trade and bills receivables are retention receivables of RMB43,598 million (31 December 2011: RMB42,433 million). Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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:

	30/6/2012 RMB million	31/12/2011 RMB million
Less than six months	44,661	41,248
Six months to one year	25,173	28,943
One year to two years	16,122	18,766
Two years to three years	8,610	5,835
More than three years	5,500	4,302
	100,066	99,094

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

	30/6/2012 RMB million	31/12/2011 RMB million
Contract costs incurred plus recognised profits less recognised losses	1,689,345	1,559,140
Less: progress billings	(1,638,481)	(1,516,999)
	50,864	42,141
Analysed for reporting purpose as:		
Amounts due from contract customers	68,443	56,747
Amounts due to contract customers	(17,579)	(14,606)
	50,864	42,141

18. Disposal Group Classified as Held for Sale

On 8 May 2012, China Railway NO.2 Engineering Group Co., Ltd., a wholly subsidiary of the Group, signed a contract with a third party to dispose of a 60% interest in Chengdu Mingren and the disposal is expected to be completed within one year. The assets and liabilities of Chengdu Mingren have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position (see below). Chengdu Mingren is included in the Group's other business activities for segment reporting purpose (see Note 3).

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The Directors do not consider that Chengdu Mingren represented a major separate line of business for the Group and accordingly it is not disclosed as a "Discontinued Operation".

18. Disposal Group Classified as Held for Sale (continued)

Major classes of assets and liabilities of Chengdu Mingren as at the end of the current interim period are as follows:

	30/6/2012 RMB million
Investment properties	1,096
Lease prepayment	397
Trade and other receivables	65
Cash and cash equivalents	5
Total assets classified as held for sale	1,563
Deferred tax liabilities	25
Current income tax liabilities	3
Trade and other payables	37
Total liabilities associated with assets classified as held for sale	65

19. Share Capital

	At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012 Number of shares '000	At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012 Nominal value RMB million
Registered capital		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300
Issued and fully paid		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300

20. Trade and Other Payables

	30/6/2012 RMB million	31/12/2011 RMB million
Trade and bills payables	159,231	159,090
Advance from customers	41,376	35,282
Accrued payroll and welfare	2,452	2,438
Other taxes	7,356	7,888
Deposits received in advance	159	164
Dividend payables	1,204	144
Other payables	29,665	26,893
	241,443	231,899
Analysed for reporting purposes as:		
Non-current	548	632
Current	240,895	231,267
	241,443	231,899

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,974 million (31 December 2011: RMB4,911 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

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

	30/6/2012 RMB million	31/12/2011 RMB million
Less than one year	139,001	140,005
One year to two years	12,948	13,222
Two years to three years	4,401	3,877
More than three years	2,881	1,986
	159,231	159,090

21. Borrowings

	30/6/2012 RMB million	31/12/2011 RMB million
Bank borrowings:		
Secured	33,453	31,235
Unsecured	83,906	67,736
	117,359	98,971
Short-term debentures, unsecured	1,422	908
Long-term debentures, unsecured	24,536	24,221
Other short-term borrowings, unsecured	2,656	2,567
Other long-term borrowings, secured	1,923	1,457
Other long-term borrowings, unsecured	1,957	1,972
	149,853	130,096
Analysed for reporting purposes:		
Non-current	86,654	73,606
Current	63,199	56,490
	149,853	130,096

On 17 February 2012, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the medium-term note of a principal amount of RMB300 million with a maturity date of 17 February 2015. The note bears fixed interest at 6.35% per annum. Interest is payable annually in arrears.

On 28 June 2012, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the short-term financing bill of a principal amount of RMB500 million with a maturity date of 28 June 2013. The bill bears fixed interest at 4.16% per annum.

Bank borrowings carry interest at rates which range from 3.86% to 14.5% (31 December 2011: 3.86% to 14.5%) per annum.

Short-term debentures were issued at fixed rates ranging from 4.16% to 7.11% (31 December 2011: 5.92% to 7.11%) per annum.

Other short-term borrowings carry interest at rates which range from 5.13% to 9.6% (31 December 2011: 5.13% to 9.51%) per annum.

Long-term debentures were issued at fixed rates ranging from 4.34% to 6.65% (31 December 2011: 4.34% to 6.65%) per annum.

Other long-term borrowings carry interest at rates which range from 4.39% to 13.6% (31 December 2011: 4.39% to 13.6%) per annum.

22. Acquisition of a Subsidiary

Acquisition of assets through acquisition of a subsidiary

During the current period, the Group acquired certain assets through acquisition of a 60% interest in 天津金太房地產開發有限公司 for a consideration of RMB18 million. The acquisition was accounted for as acquisition of assets and liabilities as the subsidiary does not constitute a business. The net assets acquired on the completion date are as follows:

	RMB million
Fair value of net assets acquired:	
Properties under development for sale	229
Cash and cash equivalents	22
Other payables	(221)
	<hr/>
Net assets acquired	30
Non-controlling interests	(12)
	<hr/>
Total consideration	18
	<hr/>
Satisfied by:	
Cash	18
	<hr/>
Total consideration	18
	<hr/>
Net cash outflows arising from acquisition:	
Cash consideration paid	(18)
Cash and cash equivalents acquired	22
	<hr/>
	4

23. Contingent Liabilities

	30/6/2012 RMB million	31/12/2011 RMB million
Pending lawsuits		
– arising in the ordinary course of business (note (a))	296	275
– overseas lawsuit (note (b))	243	238
	<hr/>	<hr/>
	539	513

23. Contingent Liabilities (continued)

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 the management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for these pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.
- (b) Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("COVEC") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with 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 (approximately USD402 million or RMB2,741 million) and PLN116 million (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 (approximately USD38 million or RMB243 million), whereas all parties in the Consortium bear jointly liabilities. 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 commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court opened a court session for this lawsuit according to the civil procedure and the Court has conducted five hearings to certify the testimony of the supervision engineers. There is no significant progress up to the date of issuance of these condensed consolidated financial statements. At this stage, the Directors consider it premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets" and (ii) the unamortised fair value of these financial guarantees. The maximum exposure of these financial guarantees to the Group is as follows.

	30/6/2012		31/12/2011	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	983	2012-2025	983	2012-2025
Other government-related enterprises	55	2014	55	2014
Property purchasers	7,018	2012-2015	5,831	2012-2015
Investee of the Group	170	2012-2016	170	2012-2016
	8,226		7,039	

In addition to the above, as at 30 June 2012, 宜昌鴻銘置業有限公司, a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of 宜昌三峽鴻銘旅遊地產開發有限公司 ("Yichang Sanxia") to the extent of RMB114 million (31 December 2011: RMB181 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from 宜昌鴻銘置業有限公司) if Yichang Sanxia failed to repay those liabilities in future.

24. Commitments

Capital expenditure

	30/6/2012 RMB million	31/12/2011 RMB million
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	1,680	4,599

Investment commitment

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

	30/6/2012 RMB million	31/12/2011 RMB million
Investment commitment to an associate	15,612	17,899

The above 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 of date of issuance of the condensed consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between co-operation partners which is subject to change as the project and the negotiation progress in future.

25. Related Party Transactions

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRECG (CRECG and its subsidiaries are referred to as the "CRECG Group") which is controlled by the PRC government.

During the current period, the Group conducts business with government-related entities, including the provision of infrastructure construction services to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The Directors consider that transactions with these government-related entities are within normal business operations and are carried out on market terms. The Group has also developed service and product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

The following is a summary of significant related party transactions between the Group and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the period and balances arising from related party transactions at the end of the reporting period.

25. Related Party Transactions (continued)**Significant related party transactions**

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2012 RMB million	30/6/2011 RMB million
<i>Transactions with the CRECG Group</i>		
Service expenses paid	19	7
Rental expense	8	6
Purchases	–	178
<i>Transactions with jointly controlled entities</i>		
Revenue from construction contracts	10	15
Interest income	3	1
Purchases	–	1
<i>Transactions with associates</i>		
Revenue from construction contracts	64	92
Revenue from sale of goods	4	4
Interest income	9	13
Rental income	1	–
Purchases	7	2
<i>Transactions with other government-related enterprises</i>		
Revenue from construction contracts	118,289	78,141
Revenue from design and other services	9,118	9,560
Revenue from sale of goods	2,366	2,010
Purchases	39,676	25,426
Interest income on bank balances	344	245
Interest expenses on bank borrowings	2,801	1,065

25. Related Party Transactions (continued)**Balances with related parties**

	30/6/2012 RMB million	31/12/2011 RMB million
<i>Balances with the CRECG Group</i>		
Trade receivables	–	6
Trade payables	6	8
Other payables	40	52
Advance to suppliers	–	8
<i>Balances with jointly controlled entities</i>		
Trade receivables	42	72
Trade payables	–	1
Other receivables	16	35
Advance from customers	4	36
Dividend receivables	39	39
<i>Balances with associates</i>		
Trade receivables	149	255
Other receivables	528	492
Advance to suppliers	17	17
Trade payables	7	3
Other payables	49	83
Advance from customers	72	79
Loans receivable	2,596	1,209
Dividends receivable	1	1
<i>Balances with other government-related enterprises</i>		
Trade receivables	61,901	66,356
Other receivables	22,113	21,026
Bank balances	34,043	35,398
Trade payables	35,282	31,964
Other payables	36,810	34,915
Bank borrowings	88,144	63,490
Other borrowings	19,870	31,110

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by two associates, an investee of the Group and a government-related enterprise, the maximum exposure of which are disclosed in Note 23.

25. Related Party Transactions *(continued)***Compensation of key management personnel**

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

	Six months ended	
	30/6/2012 RMB million	30/6/2011 RMB million
Basic salaries, allowances and other benefits-in-kind	2,434	1,837
Contributions to pension plans	418	538
Discretionary bonus	240	114
	3,092	2,489

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Guarantees and security

At the end of the reporting period, details of amount of borrowings of the Group guaranteed by a related party were as follows:

	30/6/2012 RMB million	31/12/2011 RMB million
CRECG	12,000	12,000

26. Events After the Reporting Period

Subsequent to 30 June 2012, the Group doesn't take place any significant events.



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