



# 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

## 2013

### INTERIM REPORT





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# Company Profile

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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 102 in Fortune Global 500 for 2013. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development, mining development, expressway operation, merchandise trading and financial trust.

We have outstanding advantages in the construction of infrastructure facilities such as railway, 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.



# Financial Summary

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

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

	For the six months ended 30 June					Change
	2013	2012 (Restated)	2011 (Restated)	2010 (Restated)	2009 (Restated)	2013 vs 2012 (%)
	RMB million					
<b>Revenue</b>						
Infrastructure Construction	204,450	164,235	192,556	170,213	133,201	24.5
Survey, Design and Consulting Services	4,226	4,106	4,484	4,283	3,197	2.9
Engineering Equipment and Component Manufacturing	6,316	4,900	6,029	5,876	5,248	28.9
Property Development	7,579	4,227	4,487	4,334	1,688	79.3
Other Businesses	30,276	23,871	19,002	12,283	7,106	26.8
Inter-segment Eliminations and Adjustments	(13,891)	(10,424)	(11,987)	(8,395)	(8,092)	
<b>Total</b>	<b>238,956</b>	<b>190,915</b>	<b>214,571</b>	<b>188,594</b>	<b>142,348</b>	<b>25.2</b>
<b>Gross Profit</b>	<b>16,676</b>	<b>14,103</b>	<b>13,041</b>	<b>11,980</b>	<b>9,030</b>	<b>18.2</b>
<b>Profit before Tax</b>	<b>5,277</b>	<b>3,655</b>	<b>3,602</b>	<b>4,446</b>	<b>4,045</b>	<b>44.4</b>
<b>Profit for the Period</b>	<b>3,682</b>	<b>2,540</b>	<b>2,727</b>	<b>3,463</b>	<b>3,196</b>	<b>45.0</b>
<b>Profit for the Period Attributable to Owners of the Company</b>	<b>3,488</b>	<b>2,390</b>	<b>2,477</b>	<b>3,195</b>	<b>3,061</b>	<b>45.9</b>
<b>Basic Earnings per Share (RMB)</b>	<b>0.164</b>	<b>0.112</b>	<b>0.117</b>	<b>0.152</b>	<b>0.146</b>	<b>46.4</b>

## Summary of Consolidated Statement of Financial Position

	30 June 2013	As at		Change	
		31 December 2012 (Restated) RMB million	30 June 2012 (Restated)	30 June 2013 vs 31 December 2012 (%)	30 June 2013 vs 30 June 2012 (%)
<b>Assets</b>					
Current Assets	484,383	434,855	391,055	11.4	23.9
Non-current Assets	121,131	115,806	110,457	4.6	9.7
<b>Total Assets</b>	<b>605,514</b>	550,661	501,512	10.0	20.7
<b>Liabilities</b>					
Current Liabilities	403,975	366,119	323,920	10.3	24.7
Non-current Liabilities	111,205	96,552	95,570	15.2	16.4
<b>Total Liabilities</b>	<b>515,180</b>	462,671	419,490	11.3	22.8
<b>Total Equity</b>	<b>90,334</b>	87,990	82,022	2.7	10.1
<b>Total Equity and Liabilities</b>	<b>605,514</b>	550,661	501,512	10.0	20.7

Note: In the current interim period, the Group has applied IAS 19 Employee Benefits (as revised in 2011) for the first time and restated the comparative amounts on a retrospective basis.

# Chairman's Report

Since the beginning of this year, China and global macro-economies have been in a critical stage of adjustment. The Group has calmly, proactively and bravely weathered the difficulties and challenges arising from the economic situation, demonstrating great momentum in the steady improvement in its operations. Major economic indicators such as the value of new contracts secured by the Group, revenue and profit all made new breakthroughs in the first half of the year, laying a solid foundation for steady development for the second half of the year and fulfilling the Company's operational targets for the year. The Company was recently ranked 102nd in the Fortune Global 500 for 2013.

In the first half of the year, the Group focused on the main goal it set early in the year to "stress on six focuses and achieve six breakthroughs", centred on transformational upgrade and improving management. On one hand, proactively taking advantage of the adjustments in national macro policies and reforms in the railway management mechanism, the Group has continued to boost marketing efforts to expand its market share. On the other hand, the Group has continued to enhance comprehensive budget management and risk control and further promoted standardized projects and streamlined management. The Group also strengthened site management, allocated resources in a rational manner and fully explored the potential production yield in an attempt to improving profitability. A number of the Group's newly contracted key projects such as the Baoji – Lanzhou Railway, Lanzhou – Xinjiang Railway, Guiyang – Guangzhou Railway, Shenzhen Metro, Chengdu Metro and Hong Kong – Zhuhai – Macau Bridge progressed smoothly, while newly developed businesses such as property development, expressway operations and financial trust maintained their upward momentum.

In the first half of the year, in strict accordance with the requirements of the relevant laws and regulations such as the Company Law and the Securities Law, as well as those of regulatory authorities in Hong Kong and the PRC, the Company brought about continual improvement in its governance. The Company proactively adapted to the new changes in information disclosure requirements of the regulatory authorities, acting in strict compliance with the new requirements by further strengthening its communications with investors to uphold the good corporate image of the Company with integrity and transparency. It received awards such as "Excellent Board of Directors" and was recognised by regulatory authorities, the capital market and public investors.

In the second half of the year, though downward pressure on the national economy persists, China's economy will continue to maintain steady growth momentum. Recently, on several occasions, Premier of the State Council Li Keqiang has stressed the vital importance of maintaining the scale of investment in railway infrastructure, accelerating railway construction in central and western China and poverty-stricken areas, further pushing the investment and financing reforms in the railway sector and strengthening urban infrastructure construction. Therefore, there is still tremendous growth potential for the Group. The management of the Company will be resolute in the face of challenges and will not retreat. By further enhancing our sense of responsibility, sense of urgency and sense of crisis, we will capture opportunities and overcome difficulties with the aim of achieving our target for the year, creating greater value for the shareholders of the Company and making a greater contribution to the realization of the "Chinese dream" with a more proactive attitude and more solid and effective measures.

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 2013

# 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.

Unit: Shares

	Before movement		Increase/decrease (+/-)					After movement	
	Number of Shares	Percentage (%)	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of Shares	Percentage (%)
<b>(1) Shares with selling restrictions</b>	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
<b>(2) Tradable shares without selling restrictions</b>	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
<b>(3) Total</b>	21,299,900,000	100	0	0	0	0	0	21,299,900,000	100

## 2 Number of Shareholders and Their Shareholdings

### (1) Information on shareholders and their shareholdings

As at 30 June 2013, the Company had a total of 695,738 shareholders. Based on the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float 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**”).

### (2) 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	Number of pledged or frozen shares	State of shares	Quantity
1	CRECG	State-owned	56.10	11,950,010,000	0	0	Nil		0
2	HKSCC Nominees Limited (Note 1)	Other	19.45	4,141,923,949	+1,545,393	0	Unknown		0
3	No.3 Transfer Account of National Council for Social Security Fund	Other	2.19	467,500,000	0	467,500,000	Nil		0
4	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.15	31,130,671	-9,509,829	0	Pledged/ Frozen		27,600
5	China Construction Bank Co., Ltd. – Boshi Yufu CSI 300 Index Securities Investment Fund	Other	0.12	26,294,456	-10,627,799	0	Nil		0
6	Bill & Melinda Gates Foundation Trust	Other	0.12	25,000,090	0	0	Nil		0
7	Chongqing International Trust Co., Ltd – Series Rongxintong Stand-Alone Trust No.10	Other	0.12	24,786,643	+24,786,643	0	Nil		0
8	Dalian Huaxin Trust Co., Ltd.	Other	0.11	24,325,586	+24,325,586	0	Nil		0
9	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	Other	0.10	22,301,938	+1,591,688	0	Nil		0
10	Taikang Life Insurance Co., Ltd. – Dividend – Individual Dividend – 019L – FH002 Shanghai	Other	0.10	22,265,870	-35,228,933	0	Nil		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. The Company is not aware of any connected relationships or concerted action relationships between the above 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 2013.

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

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

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and 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>	4,141,923,949	Overseas listed foreign shares	4,141,923,949
3	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	31,130,671	RMB-denominated ordinary shares	31,130,671
4	China Construction Bank Co., Ltd. – Boshi Yufu CSI 300 Index Securities Investment Fund	26,294,456	RMB-denominated ordinary shares	26,294,456
5	Bill & Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares	25,000,090
6	Chongqing International Trust Co., Ltd – Series Rongxintong Stand-Alone Trust No.10	24,786,643	RMB-denominated ordinary shares	24,786,643
7	Dalian Huaxin Trust Co., Ltd.	24,325,586	RMB-denominated ordinary shares	24,325,586
8	ICBC – Fuguo SSE-SZSE 300 Index Enhanced Securities Investment Fund	22,301,938	RMB-denominated ordinary shares	22,301,938
9	Taikang Life Insurance Co., Ltd. – Dividend – Individual Dividend – 019L – FH002 Shanghai	22,265,870	RMB-denominated ordinary shares	22,265,870
10	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	20,337,500	RMB-denominated ordinary shares	20,337,500

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. The Company is not aware of any connected relationships or concerted action relationships between the above 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 2013.*

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

### (4) Number of shares held by and selling restrictions of the top ten shareholders with 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		
			Trading commencement date	Additional number of approved tradable shares	Selling restrictions
1	No.3 Transfer Account of National Council for Social Security Fund	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			Nil		

### (5) 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.

### (6) 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 Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Save as disclosed below, as at 30 June 2013, 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 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 issued A shares (%)	Approximate percentage of total issued shares (%)
<b>Directors</b>				
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
<b>Supervisors</b>				
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000007	0.000006

#### 5 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 2013 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 issued A shares (%)	Approximate percentage of total issued shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

## 5 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 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
Blackrock, Inc. (note 1)	Interest of controlled corporations	214,304,970	Long position	5.09	1.01
	Interest of controlled corporations	5,653,000	Short position	0.13	0.03
Lehman Brothers Holdings Inc. (note 2)	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

#### Notes:

- According to the Corporate Substantial Shareholder Notice filed by Blackrock, Inc. with the Hong Kong Stock Exchange dated 17 May 2013, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC. (which held 2,592,283 H Shares of the Company), BlackRock Institutional Trust Company, N.A. (which held 79,960,000 H Shares of the Company and 5,653,000 short position in H Shares of the Company) and BlackRock Fund Advisors (which held 56,271,000 H Shares of the Company). BlackRock, Inc. indirectly wholly owns BlackRock Advisors, LLC (which held 343,000 H Shares of the Company) and BR Jersey International LP which in turn wholly owns BlackRock Japan Co. Ltd. (which held 57,000 H Shares of the Company), BlackRock Asset Management Canada Limited (which held 1,084,000 H Shares of the Company), BlackRock Asset Management Australia Limited (which held 256,000 H Shares of the Company), BlackRock Asset Management North Asia Limited (which held 13,446,158 H Shares of the Company), BlackRock (Netherlands) B.V. (which held 55,000 H Shares of the Company), Black Advisors (UK) Limited (which held 24,818,907 H Shares of the Company), BlackRock International Limited (which held 4,014,595 H Shares of the Company), BlackRock Asset Management Ireland Limited (which held 17,257,000 H Shares of the Company), BlackRock (Luxembourg) S.A. (which held 2,281,000 H Shares of the Company) and BlackRock Fund Managers Ltd (which held 712,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.
- 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 2013, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

# Directors, Supervisors and Senior Management

## 1 Directors

The directors of the Company during the six months ended 30 June 2013 are as follows:

Name	Age	Position
LI Changjin (李長進)	54	Chairman and Executive Director
BAI Zhongren (白中仁)	52	Executive Director and President
YAO Guiqing (姚桂清)	58	Vice Chairman and Executive Director
HAN Xiuguo (韓修國)	67	Non-executive Director
HE Gong (賀恭)	69	Independent Non-executive Director
GONG Huazhang (貢華章)	67	Independent Non-executive Director
WANG Taiwen (王泰文)	66	Independent Non-executive Director
SUN Patrick (辛定華)	54	Independent Non-executive Director

## 2 Supervisors

The supervisors of the Company during the six months ended 30 June 2013 are as follows:

Name	Age	Position
WANG Qiuming (王秋明)	60	Chairman of the Supervisory Committee
LIU Jianyuan (劉建媛)	51	Supervisor
ZHANG Xixue (張喜學)	60	Supervisor
LIN Longbiao (林隆彪)	55	Supervisor
CHEN Wenxin (陳文鑫)	49	Supervisor

## 3 Senior Management

The senior management of the Company during the six months ended 30 June 2013 are as follows:

Name	Age	Position
LI Jiansheng (李建生)	59	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui (劉輝)	53	Vice President and Chief Engineer
MA Li (馬力)	55	Vice President
ZHOU Mengbo (周孟波)	48	Vice President
DAI Hegen (戴和根)	47	Vice President
DUAN Xiubin (段秀斌)	59	Vice President
ZHANG Xian (章獻)	52	Vice President
XU Tingwang (許廷旺)	57	Chief Economist
YU Tengqun (于騰群)	43	Secretary to the Board and Joint Company Secretary
TAM Chun Chung (譚振忠)	40	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 appointment or dismissal 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. The remuneration of the Group's employees 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 existing employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans, for both existing 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 directors 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 price and in accordance with applicable regulations.

As at 30 June 2013, the number of employees hired by the Group was 284,158. The following table sets forth a breakdown of the Group's employees by divisions as at 30 June 2013:

Division	Number of employees as at 30 June 2013
Production	137,531
Sales and Marketing	20,901
Engineering and Technology	95,713
Finance	13,531
Administration	16,482
Total	284,158

## 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 2013 to 30 June 2013.

# 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 2013, the Group's revenue increased by 25.2% from the corresponding period of 2012 to RMB238.956 billion. The Group realized profit for the period of RMB3.682 billion, representing an increase of 45.0% compared to the same period last year. For the six months ended 30 June 2013, profit for the period attributable to owners of the Company was RMB3.488 billion, representing an increase of 45.9% compared to the same period last year, while the basic earnings per share of the Company were RMB0.164, representing an increase of 46.4% compared to the same period last year. A comparison of the financial results for the six months ended 30 June 2013 and the corresponding period of 2012 is set forth below.

## 2 Consolidated Results of Operations

### Revenue

In the first half of 2013, due to the promising growth of railway and municipal works business, the Group's total revenue increased by 25.2% to RMB238.956 billion for the six months ended 30 June 2013 from RMB190.915 billion in the corresponding period of 2012. In the first half of 2013, new contracts increased by 26.6% from the corresponding period of 2012 to RMB367.65 billion. New contracts for infrastructure construction business amounted to RMB289.01 billion, comprises of RMB105.33 billion of railway (representing a year-on-year increase of 501%), RMB40.86 billion of highway (representing a year-on-year increase of 24.1%) and RMB142.82 billion of municipal and other works (representing a year – on-year decrease of 5%). New contracts for survey, design and consulting services business increased by 11% to RMB6.0 billion and that for engineering equipment and component manufacturing business decreased by 18.9% to RMB7.66 billion. At 30 June 2013, contract backlog increased by 8.5% to RMB1,411.539 billion compared to the end of 2012. Among which, RMB1,148.309 billion is from infrastructure construction business, RMB18.292 billion is from survey, design and consulting services business and RMB16.045 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 2013, our cost of sales increased by 25.7% to RMB222.280 billion from RMB176.812 billion for the first half of 2012. In the first half of 2013, gross profit of the Group increased by RMB2.573 billion or 18.2% to RMB16.676 billion from RMB14.103 billion for the corresponding period of 2012. The gross profit margin for the first half of 2013 was 7.0%, representing a decrease from 7.4% for the first half of 2012. The decrease in gross profit margin for the first half of 2013 compared to same period of last year was primarily due to (1) the comparative lower gross profit margin for certain railway projects acquired in the first half of the year which are under initial construction stage; (2) delay in compensation claim for changes in railway construction projects resulted from the newly establishment of China Railway Corporation.

### 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 2013, the Group's other income increased by 6.5% to RMB0.824 billion from RMB0.774 billion for the corresponding period of last year. The increase of other income was due to the increase of income from relocation compensation and subsidies from government.

### Other expenses

The Group's other expenses primarily includes expenditures on research and development. For the six months ended 30 June 2013, other expenses increased by 50.6% from RMB1.408 billion of the same period of last year to RMB2.120 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/decrease in the fair value of held-for-trading financial assets, gains/losses on disposal of fixed assets, available-for-sale financial assets and interest in a subsidiary. The other gains of RMB0.115 billion for the first half of 2013 (six months ended 30 June 2012: other losses of RMB0.161 billion) included gain on disposal of a subsidiary of RMB0.188 billion, foreign exchange gains of RMB0.087 billion and an impairment loss on trade and other receivables of RMB0.168 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 2013, the Group's selling and marketing expenses was RMB1.010 billion, representing an increase of 48.3% from RMB0.681 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 2013, same as that for the first half of 2012.

### 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 2013, the Group's administrative expenses increased by 5.8% to RMB7.604 billion from RMB7.188 billion for the corresponding period of 2012. Administrative expenses as a percentage of total revenue was 3.2%, a decrease from 3.8% for the first half of 2012. It was mainly due to the effective control on expenses resulted from the Group's strengthened management.

### Interest income

For the six months ended 30 June 2013, the interest income increased by 37.3% to RMB1.487 billion from RMB1.083 billion for the corresponding period of 2012. 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 2013, the interest expenses increased by 8.1% to RMB3.076 billion from RMB2.845 billion for the first half of 2012. The increase in interest expense was primary due to the Group's deepened adjustment in business mix resulting into the expansion of BT, property development and mining development businesses. The increase in funding requirements caused the increase in interest-bearing liabilities to RMB190.429 billion as at 30 June 2013, a 16.8% increase from the end of last year.

### Profit before tax

As a result of the foregoing factors, the profit before tax for the six months ended 30 June 2013 increased by 44.4% to RMB5.277 billion from RMB3.655 billion for the corresponding period of 2012.

### Income tax expense

For the six months ended 30 June 2013, the income tax expense increased by 43.0% to RMB1.595 billion from RMB1.115 billion for the corresponding period of 2012. The effective tax rate of the Group was 30.2% for the first half of 2013, basically the same as 30.5% for the corresponding period of 2012.

### 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 2013 increased by 45.9% to RMB3.488 billion from RMB2.390 billion for the corresponding period of 2012. The profit margin of the profit for the period attributable to owners of the Company for the first half of 2013 increased to 1.5% from 1.3% for the corresponding period of 2012.

### 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 2013 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 <sup>1</sup> (%)	Segment revenue as a percentage of total <sup>2</sup> (%)	Profit before tax as a percentage of total <sup>2</sup> (%)
Infrastructure Construction	204,450	24.5	4,039	27.4	2.0	80.8	61.6
Survey, Design and Consulting Services	4,226	2.9	366	33.6	8.7	1.7	5.6
Engineering Equipment and Component Manufacturing	6,316	28.9	316	35.0	5.0	2.5	4.8
Property Development	7,579	79.3	1,157	107.0	15.3	3.0	17.6
Other Businesses	30,276	26.8	679	26.4	2.2	12.0	10.4
Inter-segment Eliminations and Adjustments	(13,891)		(1,280)				
<b>Total</b>	<b>238,956</b>	<b>25.2</b>	<b>5,277</b>	<b>44.4</b>	<b>2.2</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Profit before tax margin is the profit before tax divided by the segment revenue.

<sup>2</sup> Amount before inter-segment eliminations and adjustments.

#### 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 2013, the revenue from the infrastructure construction business accounted for 80.8% of the total revenue of the Group (first half of 2012: 81.6%). Segment revenue of the infrastructure construction business for the six months ended 30 June 2013 was RMB204.450 billion, representing an increase of 24.5% as compared to the same period of last year. Profit before tax margin of the infrastructure construction segment for the first half of 2013 was 2.0%, basically the same as 1.9% for the first half of 2012.

#### Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. Segment revenue of survey, design and consulting services business increased by 2.9% year on year to RMB4.226 billion for the six months ended 30 June 2013 from RMB4.106 billion for the corresponding period of last year. For the first half of 2013, profit before tax margin for the segment was 8.7%, an increase from 6.7% for the first half of 2012. It was mainly due to (1) increase in number of survey and design projects at completion stage where less investment is required; (2) increase in number of survey and design projects of urban railways in the current period, which have a comparative higher gross profit margin.

### 3 Segment Results *(continued)*

#### **Engineering equipment and component manufacturing business**

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway related equipment, bridge steel structures and engineering machinery. Segment revenue of the engineering equipment and component manufacturing business of the Group increased by 28.9% to RMB6.316 billion for the six months ended 30 June 2013 from RMB4.900 billion for the corresponding period of 2012. Profit before tax margin increased from 4.8% for the first half of 2012 to 5.0% for the corresponding period of 2013. This is because the rate of growth in cost and expenses is lower than that of revenue brought by the active measures implemented for strengthened management.

#### **Property development business**

Revenue from our property development business primarily derives from the development, sale and management of a wide range of residential properties and commercial properties in the PRC. In the first half of 2013, the Group optimized the construction and sales plan of its property development projects and obtained satisfactory sales record for residential flats in second and third tier cities such as Dalian, Sanya and Xian. For the six months ended 30 June 2013, segment revenue from property development business increased by 79.3% to RMB7.579 billion from RMB4.227 billion for the corresponding period of 2012. Profit before tax margin increased from 13.2% for the first half of 2012 to 15.3% for corresponding period of 2013. Such increase was mainly due to economies of scale brought by the significant increase in revenue; and effective control on administrative expenses, selling expenses and interest expenses resulted from reinforcement in management. At 30 June 2013, the Group's gross site and construction area under development was 19.96 million square metres and 39.58 million square metres respectively.

#### **Other businesses**

The Group's operating scale has expanded continuously by progressive implementation of the "limited and interrelated" diversification strategy. Segment revenue from other businesses increased by 26.8% from RMB23.871 billion for the first half of 2012 to RMB30.276 billion for the same period of 2013. Profit before tax margin was 2.2% for the first half of 2013, same as that for the corresponding period of 2012. In the first half of 2013, the Group's expressway operation business recorded revenue of RMB0.997 billion, an increase of 7.4% from same period of last year; due to the changes in market condition and reduction in demand of coal, the revenue of mining development business recorded RMB0.209 billion, representing a 64.3% decrease from same period of last year; the revenue of merchandise trading business reached RMB24.045 billion, an increase of 23.5% from same period of last year; the revenue of financial trust business recorded RMB0.863 billion, increased by 21.2% as compared to same period of last year.

#### 4 Cash Flow

For the six months ended 30 June 2013, the net cash outflow from operating activities of the Group amounted to RMB7.091 billion, a decrease from net cash outflow from operating activities of RMB15.747 billion for the corresponding period of 2012. It was mainly due to better recoverability of construction projects in the current period. However, due to the total net investments of RMB9.8 billion in BT, property development and mining development businesses, there was still a net cash outflow from operating activities. For the six months ended 30 June 2013, the net cash outflow from investing activities of the Group amounted to RMB6.816 billion, an increase from RMB5.444 billion for the corresponding period of 2012. It was mainly due to increase in investment of production equipment and equity investment. For the six months ended 30 June 2013, the net cash inflow from financing activities of the Group amounted to RMB22.054 billion, an increase from RMB15.358 billion for the same period in 2012. The increase in net cash inflow from financing activities was primarily due to the increase in funding requirements resulted from the Group's active adjustment in business mix and implementation of diversification strategy.

#### 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 2013 was RMB3.745 billion (among which, RMB1.705 billion is for construction in progress, RMB1.931 billion is for purchase of fixed assets, RMB0.087 billion is for purchase of intangible assets and RMB0.022 billion is for purchase of investment properties), remained similar to RMB3.635 billion for the corresponding period of 2012.

#### Working capital

	As at	
	30 June 2013 RMB million	31 December 2012 RMB million
Inventories	44,009	41,906
Properties under development for sale	74,143	65,287
Trade and bills receivables	119,671	107,234
Trade and bills payables	189,321	180,058
Turnover of inventory (days)	35	33
Turnover of trade and bills receivables (days)	85	80
Turnover of trade and bills payables (days)	150	142

In line with the Group's continuous development, inventories slightly increased by 5.0% to RMB44.009 billion as at 30 June 2013 from RMB41.906 billion as at the end of 2012 while the inventory turnover days for the first half of 2013 increased to 35 days from 33 days for 2012.

As at 30 June 2013, properties under development for sale increased by 13.6% from RMB65.287 billion as at the end of 2012 to RMB74.143 billion. It was primarily due to increase in investment for the development of the Group's property development business.

#### 4 Cash Flow (continued)

##### Working capital (continued)

As at 30 June 2013, trade and bills receivables was RMB119.671 billion, an increase of 11.6% from RMB107.234 billion as at the end of 2012. The turnover days of trade and bills receivables increased from 80 days for 2012 to 85 days for the first half of 2013. It was mainly due to (1) increase in retention receivables which are not yet due; and (2) increase in receivables from BT projects which are not yet entered into the buy-back period. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 30.2% (31 December 2012: 34.9%) of the total amount, reflecting the sound receivables management capability of the Group.

Trade and bills receivables	As at	
	30 June 2013 RMB million	31 December 2012 RMB million
Less than six months	52,120	47,076
Six months to one year	31,425	22,737
One year to two years	19,104	22,284
Two years to three years	9,163	9,684
More than three years	7,859	5,453
<b>Total</b>	<b>119,671</b>	<b>107,234</b>

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 2013, the Group's trade and bills payables was RMB189.321 billion, an increase of 5.1% from RMB180.058 billion as at the end of 2012. The turnover days of trade and bills payables for the first half of 2013 was 150 days, representing an increase from 142 days for 2012. According to the ageing analysis of the trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 11.2% (31 December 2012: 12.2%) of the total amount.

Trade and bills payables	As at	
	30 June 2013 RMB million	31 December 2012 RMB million
Less than one year	168,114	158,072
One year to two years	11,919	13,884
Two years to three years	5,449	5,252
More than three years	3,839	2,850
<b>Total</b>	<b>189,321</b>	<b>180,058</b>

## 5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2013 and 31 December 2012. As at 30 June 2013, 45.7% (31 December 2012: 45.6%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2013 RMB million	31 December 2012 RMB million
Bank borrowings		
Secured	37,790	36,587
Unsecured	106,005	90,199
	<b>143,795</b>	126,786
Short-term debentures, unsecured	–	539
Long-term debentures, unsecured	35,211	27,049
Other short-term borrowings, unsecured	3,681	4,157
Other short-term borrowings, secured	303	1,007
Other long-term borrowings, unsecured	4,172	710
Other long-term borrowings, secured	2,154	1,413
	<b>189,316</b>	161,661
Total	<b>189,316</b>	161,661
Long-term borrowings	102,867	87,899
Short-term borrowings	86,449	73,762
	<b>189,316</b>	161,661
Total	<b>189,316</b>	161,661

Bank borrowings carry interest rates ranging from 1.97% to 9.66% (31 December 2012: 2.24% to 13.6%) per annum. Long-term debentures carry fixed interest rates ranging from 3.85% to 6.65% (31 December 2012: 4.34% to 6.65%) per annum. Other short-term borrowings carry interest rates ranging from 5.9% to 11.8% (31 December 2012: 6% to 13.5%) per annum. Other long-term borrowings carry interest rates ranging from 4.39% to 13.5% (31 December 2012: 4.39% to 13.6%) per annum.

As at 30 June 2013 and 31 December 2012, the Group's borrowings comprised of fixed-rate borrowings amounting to RMB39.869 billion and RMB29.082 billion and floating-rate borrowings amounting to RMB149.447 billion and RMB132.579 billion, respectively.

## 5 Borrowings (continued)

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2013 and 31 December 2012. 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
<b>As at 30 June 2013</b>	<b>4,773</b>	<b>214</b>	<b>124</b>
As at 31 December 2012	4,528	236	10

As at 30 June 2013, approximately RMB37.99 billion (31 December 2012: RMB37.683 billion) of total bank borrowings, other short-term borrowings and other long-term borrowings were pledged by assets of the Group with an aggregate value of RMB66.638 billion (31 December 2012: RMB67.903 billion). The Group also pledged its rights to collect cash flows in relation to certain backlog construction projects with contract value of RMB4.228 billion (31 December 2012: RMB1.502 billion) to secure bank borrowings and other long-term borrowings amounting to RMB1.698 billion (31 December 2012: RMB1.017 billion) as well as pledged its rights of return on equity investment in two subsidiaries with an aggregate investment cost of RMB510 million (31 December 2012: Nil) to secure bank borrowings amounting to RMB250 million (31 December 2012: Nil). In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB311 million (31 December 2012: RMB307 million) have been discounted with recourse to secure short-term bank borrowings amounting to RMB309 million (31 December 2012: RMB307 million) and these bills receivable have been eliminated in the condensed consolidated financial statements. As at 30 June 2013, the Group had unutilized banking credit facilities in the amount of RMB214.115 billion (31 December 2012: RMB118.770 billion).

As at 30 June 2013, the Group's gearing ratio (total liabilities/total assets) was 85.1%, an increase of 1.1 percentage points as compared with 84.0% as at 31 December 2012. 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. In the first half year of 2013, the Group has completed the issue of a note amounting to USD500 million and six medium term notes and private placement notes amounting to RMB5.1 billion.

## 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 2013 RMB million	31 December 2012 RMB million
Pending lawsuits		
– arising in the ordinary course of business (Note 1)	694	761
– overseas lawsuit (Notes 2 and 3)	1,106	1,121
<b>Total</b>	<b>1,800</b>	<b>1,882</b>

## 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 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 (“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 notice dated 3 June 2011 to PGDNRM and PGDNRM sent termination notice 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 of an aggregate amount of PLN129 million (approximately USD42 million or RMB263 million) and statutory interests, 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 commenced proceedings for this lawsuit according to the civil procedures, currently there is no significant progress. At this stage, the directors of the Company consider it premature to assess the outcome of this case.

Note 3: Exploitations Artisanales Au Congo (“EXACO”) was a former shareholder of La Miniere De Kalumbwe Myunga sprl (“MKM”), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited (“CRRG”) (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (equivalent to approximately RMB843 million). Currently, it is pending the court’s ruling on the jurisdictional dispute. The Group considers that it is premature to assess the outcome of this case.

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

	As at 30 June 2013		As at 31 December 2012	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilized by:				
Associates	2,342	2013-2025	1,838	2013-2025
Other government-related enterprises	55	2013	55	2013
Property purchasers	10,443	2013-2017	8,622	2013-2017
Investees of the Group	13	2016	13	2016
<b>Total</b>	<b>12,853</b>		<b>10,528</b>	

In addition to the above, as at 30 June 2013, Yichang Hongming Real Estate Co., Ltd., a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd (“Yichang Sanxia”) to the extent of RMB50 million (31 December 2012: RMB50 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd.) 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 market where the Group operates, such as expectation on growth level of both national and regional economy, 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 largely affected by market competition. Meanwhile, there are also certain operation risks for the Group to control the cost and to engage labour subcontractors.

**Management risk:** With the Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, plus high risk of the construction industry, and the rapid growth in the business scale of the Group in recent years as well as the gradually wider span of its 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 policies for real estates industry in the PRC could have certain adverse impacts 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 mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by non-governmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.

**Interest rate risk:** Currently, the Group's size of financing is relatively large, changes in interest rate policies therefore will have an impact on the Group's financial costs and economic benefits.

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

# Significant Events

## 1 Material Litigation, Arbitration and Matters Generally Concerned by Media

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

Summary and Nature	Information link
Poland A2 Highway construction disputes: The Consortium, comprising China Overseas Engineering Group Co., Ltd. (a subsidiary of the Company), China Railway Tunnel Group Co., Ltd. and two third party companies, had dispute in relation to termination of contract with Director-General of National Roads and Motorways (GDDKiA), the project owner, in respect of the bid won for sections A and C of Poland A2 motorway project.	2011 Interim Report and subsequent periodic reports of China Railway Group Limited. Available at Shanghai Stock Exchange: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>

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

Not applicable

- (3) **Litigation and arbitration which were not disclosed in an announcement and might have subsequent progress**

Not applicable

## 2 Events Regarding Bankruptcy and Restructuring

Not applicable

## 3 Assets Transactions and Merger

- (1) **Acquisition, assets disposal and merger by the Company which were disclosed in an announcement without subsequent progress**

Not applicable

- (2) **Matters which were not disclosed in an announcement and might have subsequent progress**

(1) **Acquisition of assets**

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

**3 Assets Transactions and Merger (continued)**

(2) Matters which were not disclosed in an announcement and might have subsequent progress (continued)

**(2) Disposal of assets**

Unit: Thousand Currency: RMB

Counterparty	Assets sold	Date of sale	Selling Price	Contribution to the net profit of the listed company from the beginning of the year to the date of sale	Gains and losses arising from the sales	Related party transaction? (if yes, specify pricing method)	Pricing principle of assets sold	Are all the property rights concerning assets transferred to the other party?	Are all the claims and liabilities concerning assets transferred to the other party?	Contribution of the net profit arising from sale of concerning assets as a percentage of the net profit of the listed company (%)	Related party relationship
Xiamen Townowner Real Estate Development Co., Ltd.	Chengdu Tongji Real Estate Co. Ltd.	2013-6-23	276,980	0	187,953	No	Asset Valuation	Yes	Yes	5.39	N/A
Xiamen Longbang Real Estate Investment Co., Ltd.											

**(3) Asset swap**

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

**(4) Merger**

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

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

Not applicable

#### 5 Significant Related Party Transactions

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

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

Not applicable

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

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 party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease office premises etc.	Contract price	7,955	7,955	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	17,842	17,842	Less than 1
Total					25,797	25,797	

Description of related party transactions

The implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 28 March 2013 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 19th meeting of the second session of the Board, which complied with the relevant requirements of "The Rules Governing the Listing of Stock on Shanghai Stock Exchange". Meanwhile, as the annual caps of these two transactions are within the de minimis exemption under the Hong Kong Listing Rules, these two transactions were exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval.

##### (3) Matters which were not disclosed in a provisional announcement

Not applicable

**5 Significant Related Party Transactions (continued)**

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

Not applicable

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

Not applicable

**(4) Amount due from/to related parties**

**(1) Matters which were disclosed in an announcement with no subsequent progress or changes**

Not applicable

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

Not applicable

**(3) Matters which were not disclosed in an announcement**

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Funds provided to related party		Funds provided to listed company by related party	
		Balance at the beginning of the period	Balance at the end of the period	Balance at the beginning of the period	Balance at the end of the period
CRECG	Controlling shareholder			3,378	5,672
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company			83,672	72,146
Total				87,050	77,818
Reason for amounts due from/to related parties		Amounts due from/to related parties between the Company and related parties are operational in nature.			

## 5 Significant Related Party Transactions (continued)

### (5) Other related parties transactions

#### (1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
China Railway (Note 1)	Lince Railway Co.,Ltd.	783,000	June 2008	June 2025	No
CRECG (Note 2)	China Railway	1,000,000	January 2010	January 2015	No
CRECG (Note 2)	China Railway	5,000,000	January 2010	January 2020	No
CRECG (Note 2)	China Railway	2,500,000	October 2010	October 2020	No
CRECG (Note 2)	China Railway	3,500,000	October 2010	October 2025	No

Note 1: At the 2007 annual general meeting of the shareholders of the Company held on 25 June 2008, the proposal of "Provision of a Guarantee with Respect to the Loans for Linhai-Ceke Railway Co.,Ltd and China Railway Engineering Sunite Railway Co., Ltd." was considered and approved, thereby it was agreed that a guarantee should be provided with respect to the bank loan for Linhai-Ceke Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a Guarantee Contract agreeing that a guarantee in the total amount of RMB783 million (resulted from the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2025 should be provided to Linhai-Ceke Railway Co.,Ltd. The relevant lending to Linhai-Ceke Railway Co.,Ltd. was fully drawn and used up in 2009 and the Company had ceased to provide the guarantee for Linhai-Ceke Railway Co., Ltd. afterwards.

Note 2: 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 2013, the total balance of the above-mentioned bonds payable was RMB11,948.343 million (31 December 2012: RMB11,945.267 million).

#### (2) Fund Borrowing by Related Party

Unit: Thousand Currency: RMB

Related Party	Related Party relationship	Particulars of transaction	Accounting category	Borrowing amount	Commencement date	Due date	Interest rate (%)	Balance at year end
CRECG	Controlling shareholder	Fund borrowing	Short-term borrowing	626,160	December 2012	December 2013	4.20	626,160

Note: The proposal of "China Railway Group Limited applied for entrusted loan in the amount not exceeding RMB2 billion from China Railway Engineering Corporation" was considered and approved in the 16th meeting of the second session of the Board of Directors of the Company, and was exempted from disclosure by the Shanghai Stock Exchange. According to this resolution, by the end of 30 June 2013, the Company applied to CRECG for entrusted loan amounted to RMB626.16 million based on its operational needs.

## 5 Significant Related Party Transactions (continued)

### (5) Other related parties transactions (continued)

#### (3) Dividends payable

*Unit: Thousand    Currency: RMB*

Item	Related party	30 June 2013	31 December 2012
Dividends payable	CRECG	621,401	–
Total		621,401	–

*Note: These are the dividends attributable to shareholders arising from the Company's profit distribution of 2012, which have been fully paid to CRECG on 9 August 2013.*

**6 Material Contracts and Their Performance**  
**(1) Trusteeship, contracting and leasing**

Not applicable

**(2) Guarantees**

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)												
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the Related party
												parties? relationship
												associate
China Railway	The same entity	Lince Railway Co., Ltd.	788,000,000.00	2008-6-30	2008-6-30	2025-6-20	Suretyship of joint and several liability	No	No	-	No	Yes
China Railway No.2 Engineering Group Co., Ltd.	Wholly-owned subsidiary	China Railway Botai Train Ferry Co., Ltd.	12,885,100.00	2004-12-24	2004-12-24	2016-12-23	Suretyship of joint and several liability	No	No	-	No	No
Daxian Qijing Mountain Real Estate Development Company	Wholly-owned subsidiary	Property owners of Dazhou Longjun Project	141,430,900.00	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 China Railway Beideng Beideng Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Yuef Bay Phase I Project	12,870,000.00	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 China Railway Beideng Beideng Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Xiangxuejing Phase I Project	1,350,000.00	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 Xinchuanzang Road Construction Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Rucheng Xinjie Project	158,680,000.00	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 China Railway No.2 Hongquan Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Rucheng Shujun Project	11,470,000.00	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 Rucheng Real Estate Co., Ltd. Ziqong Tarmulin Branch	Wholly-owned subsidiary	Property owners of Tarmulin Guobifun Project	218,297,200.00	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 China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Xijun Yinghua Project	319,569,000.00	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 Yingting Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueying Long Beach Project	195,553,000.00	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

## 6 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)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the Related party
Chengdu Huaxintianyu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan International New City District H Project	170,000,000.00	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
Dujiangyan City Qingcheng Tourism Development Co. Ltd.	Wholly-owned subsidiary	Property owners of Qingcheng 365 Zheyuan Project	12,340,000.00	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
China Railway No.2 Engineering Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Shenghe New Town Project	32,800,000.00	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
Huamen Yangguangcheng Construction Co. Ltd.	Wholly-owned subsidiary	Property owners of Huanren Yangguangcheng Project	17,896,939.46	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
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Rainbow New City Project	12,922,996.77	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
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bimunding Project	12,067,312.69	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
Guylang Tiewan Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Xinlong Phase II Project	1,368,118.80	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
Wuhan City Bolin Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bolin Community Project	45,050,000.00	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
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Xi Xianghe Project	17,000,000.00	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
Chengdu Liang Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Qishigonggan Project	391,490,000.00	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
Chengdu Guochuang Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Tamiya Project	425,961,000.00	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

## Significant Events (Continued)

### 6 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)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related party?	Related party relationship
Chengdu Tongyin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Aomao Project	41,666,000.00	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	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijimingcheng 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	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijimingcheng Phase II Project	251,901,000.00	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	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijimingcheng Phase II Project	210,734,000.00	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	No
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijimingcheng Project	124,784,000.00	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	No
Chengdu Tongyin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Lijing Shuxiang Phase I Project	228,002,000.00	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	No
Chengdu Lujiang Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Lijing Shuxiang Phase II & III Project	82,482,000.00	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	No
Sichuan Jiansheng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Yantanshan Project	24,659,000.00	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	No
China Railway No.10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Jnan Hua Yang Nan Hua Project	1,154,234.08	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	No

## 6 Material Contracts and Their Performance (continued)

### (2) Guarantees (continued)

Unit: Yuan      Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)											
Guarantor	Relationship between guarantor and listed company	Guaranteee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the Related party
China Railway No.10 Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongying Sheng Shi Long Cheng Project	128,416,566.72	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
China Railway No.10 Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Jinan China Railway • Hu Zhan International Project	91,709,212.81	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
China Railway No.10 Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zibo Dong Hai Chuan Cheng Project	8,370,000.00	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
China Railway No.10 Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Hujuan Project	48,839,080.00	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
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	1,588,600,000.00	2012-2-13	2012-7-24	2018-4-22	Suretyship of joint and several liability	No	-	No	Associate
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic Technological Cooperation	55,812,400.00	2011-12-29	2011-12-29	2013-9-30	Suretyship of joint and several liability	No	-	No	No
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Guangzhou Nobel Mingdu Project City	913,266,000.00	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
Beijing Noble Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Nobel Center Project	409,830,000.00	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
Baotou China Railway Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Baotou Nobel International Garden Project	96,640,000.00	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
Qingdao Jinyu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Qingdao Nobel Plaza Project	63,730,000.00	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

Significant Events (Continued)

6 Material Contracts and Their Performance (continued)  
(2) Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guaranteee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
Shandong China Railway Nobel Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Standing Nobel Mingcheng Project	98,309,000.00	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
Beijing China Railway Huasheng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Nobel Plaza Project	56,210,000.00	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
Beijing Jingqu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongting Sij Huacheng Project	277,926,595.00	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
Beijing Jingqu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongting Jiangshantun Project	280,127,000.00	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
Beijing Jingqu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Weisizantu Project	227,516,516.12	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
Hengshui Jingqu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Tianxi Xiangyuan Project	66,636,000.00	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
Xi'an China Railway Changfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Xi'an Binlun South County Project	830,049,500.00	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
Hunan Qingzhu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Chenggata Lakeshore Jiazhou Project	176,164,000.00	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
Guojing China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Gujyang • Yidu International Project	730,995,700.00	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
Shenyang China Railway Shengq Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Shenyang Benjie Lakeshore Project	266,995,000.00	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

6 Material Contracts and Their Performance (continued)  
(2) Guarantees (continued)

Unit: Yuan      Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)											
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commemencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the Related party
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Shenyang Dingxiang Lakeshore Project	205,160,000.00	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
Chengdeu China Railway Fongfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway West City Project	447,852,000.00	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
Qingdao China Railway Xiangfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Huaxu Meibang Project	4,000,000.00	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
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of Shanghai China Railway Yulu Project	6,186,000.00	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
Beijing China Railway Runfeng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	China Railway Huaxidu Project	113,560,000.00	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
Jinan China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Jinan China Railway Shanhe City Project	243,642,000.00	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
Qinghuangdao China Railway Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Qinghuangdao Guizhai Project	95,720,000.00	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
Qingdao Zhongjin Yuneng Property Co., Ltd.	Non-wholly owned subsidiary	Property owners of Qingdao International Trade Centre Project	322,630,000.00	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
Zunyi Yuanfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Zunyi China Railway Gongqinghu Project	48,881,652.57	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
Senya China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Senya Ziyuelai Project	45,750,000.00	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
Xiamen City China Railway Yunchang Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Xiamen China Railway Yuanwan Project	31,846.00	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

**6 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)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related party
Yantai China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Yantai China Railway Yidu Project	153,922,000.00	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
Sichuan Xinui Industrial Investment Co., Ltd.	Non-wholly owned subsidiary	Property owners of Shuijingcheng Project	4,290,000.00	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.2 (Chengdu) Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Isabella Project	155,697,000.00	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
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												2,335,911,006.41
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												12,377,510,901.92
<b>Guarantee provided by the Company to its subsidiaries</b>												
Total guarantee to subsidiaries incurred during the reporting period												4,940,012,500.00
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)												16,543,844,200.00
<b>Aggregate guarantee of the Company (including those provided to subsidiaries)</b>												
Aggregate guarantee (A+B)												28,921,355,101.92
Percentage of aggregate guarantee to net assets of the Company (%)												32.02
Representing:												
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)												-
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)												14,611,213,900.00
Excess amount of aggregate guarantee over 50% of net assets (E)												-
Aggregate amount of the above three categories (C+D+E)												14,611,213,900.00
Statement on the contingent joint and several liability in connection with unexpired guarantee												-
Statement on guarantee												-

## 6 Material Contracts and Their Performance *(continued)*

### (3) Other material contracts or transactions

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

#### (1) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Railway</b>						
1	China Railway	Cambodia Iron and Steel Mining Industry Group	Cambodia Preah Vihear Mine Railway and Shamir Port Project	2012-12	6,024,126	72 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-Xi'an Passenger Railway Line Co., Ltd.	Line Section 9 of Datong-Xi'an Passenger Railway	2010-03	636,953	42 months
<b>Highway</b>						
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 No.1 Engineering	Xinjiang Uygur Autonomous Region Communications Construction Administrative Bureau	Section SS-3 of Xinjiang S215 Line Sanchakou – Shache Expressway	2011-06	208,669	29 months
3	China Railway Major Bridge Engineering	Hubei Gaolu Exi Expressway Co., Ltd	Section TJ-6 of the First Phase Civil Engineering Construction of Xuanen-Xianfeng (boundary between Hubei and Chongqing) Hubei Enshi-Xianfeng Expressway and Hubei Enshi-Chongqing Qianjiang Expressway	2011-06	190,775	33 months
<b>Municipal works</b>						
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	Transportation Department of Shenyang	Construction of Shenyang Fourth Ring Highway-BT Project	2011-05	770,000	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

## 6 Material Contracts and Their Performance (continued)

### (3) Other material contracts or transactions (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	Yunnan-Guizhou Railway Yunnan Co., Ltd.	The new Yunnan-Guizhou Railway (Yunnan section) Project Survey and Design	2011-05	81,000	72 months

#### (3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Steel structure</b>						
1	China Railway Shanhaiguan Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Purchasing and Manufacturing Contract CBO1 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 Turnout & Bridge	Dalian Southern Binhai Avenue Development Construction Investment Co., Ltd.	Processing of steel truss girder and bridge deck of Bin Hai Da Dao construction in south of Dalian city	2012-05	45,998	15.5 months
3	China Railway Shanhaiguan Bridge	Liaoning Province Communications Department of the Highway Bureau	China-Korea Yalu River Border Highway Bridge	2011-12	36,340	31 months
<b>Turnout</b>						
1	China Railway Shanhaiguan Bridge	Datong-Xian Passenger Railway Line Co., Ltd.	Purchasing contract of turnouts for the Daxi Line Railway Project	2012-05	42,774	17 months
2	China Railway Turnout & Bridge	Lanzhou-Xinjiang Railway Ganqing Co., Ltd.	Lanzhou-Xinjiang Railway 2nd double line (Gan Qing section) turnout purchase contract	2012-11	38,964	36 months
3	China Railway Shanhaiguan Bridge	Xiamen-Shenzhen Railway Guangdong Co., Ltd.	Xiamen-Shenzhen Railway	2010-04	34,288	42 months
<b>Construction machinery</b>						
1	China Railway Tunneling Equipment	MMC-GAMUDA Company	Malaysia CTE6630 model shield production contract	2012-07	10,280	7 months
2	China Railway Tunneling Equipment	Taiwan Xinpei City Qiang Quan Co., Ltd.	Manufacturing Contract of Steel Fiber	2012-03	5,800	36 months
3	China Railway Turnout & Bridge	Tongling Jinghu Property Development Co., Ltd.	The contract of the manufacturing, transportation and installation of Tongling Jinghu Sightseeing Line railway and overpass	2012-09	3,125	6 months

## 6 Material Contracts and Their Performance *(continued)*

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

#### (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, Hubei	Residential	105.5
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	China Railway • Huaxu Meibang	Qingdao, Shandong	Residential	53.45
5	Dalian Nobel Seashore Garden	Dalian, Liaoning	Residential	52.09

#### (5) Other businesses

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

## 6 Material Contracts and Their Performance (continued)

### (4) 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
<b>Railway</b>						
1	China Railway No. 1 Engineering	Zhengxi Passengers Railway Co., Ltd.	New Zhengzhou-Xuzhou passenger railway line ZXZQ-6 Section	2013-01	367,356	48 months
2	China Railway Electrification Bureau	Shanghai-Kunming passengers Railway Jiangxi Co., Ltd.	Jiangxi & Hunan section E&M system integration, disaster prevention & safety monitoring, information & related works of new Hangzhou-Changsha passenger railway line HCGXSD section	2013-02	321,801	14 months
3	China Railway No. 9 Engineering China Railway Construction Engineering	Shenyang Railway Bureau	Part of the new Shenyang South Station works house (SYNS-3) section	2013-03	281,213	35 months
<b>Highway</b>						
1	China Railway No. 8 Engineering	Sichuan Xinfu Expressway Investment Co., Ltd.	J2-1 section of Suining-Ziyang-Meishan expressway Meishan section	2013-05	93,085	24 months
2	China Railway No. 7 Engineering	Hunan Province Expressway Construction & Development Corporation	Hunan Province Yongji expressway project civil works section 15 and section 16	2013-03	68,339	30 months
3	China Railway & Airport	Ningdeshenhai Complex Line Ninglin Expressway Co., Ltd.	A1 section of Haixi expressway network Shenyang-Haikou Double-track Ningde Zhangwan-Lianjiang Fukou expressway Ningde section roadbed civil works	2013-02	60,818	27 months
<b>Municipal works</b>						
1	China Railway Tunnel	Wuhan Metro Group Co., Ltd.	Wuhan City rail transit line 6 first-stage project section 11 (The Second Installment)	2013-05	96,500	25 months
2	China Railway Major Bridge Engineering	Taiyuan City Infrastructure Pre-construction Office	Taiyuan City northern central bridge construction works	2013-05	83,677	7 months
3	China Railway No.3 Engineering	Tianjing Subway Construction Development Co., Ltd.	Section R1 contract of civil works to Tianjin Metro line 5 project	2013-02	83,233	32 months

## 6 Material Contracts and Their Performance *(continued)*

### (4) 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	Shaanxi Yulin Coal Transportation and Sale (Group) Co., Ltd.	Jingbian-Shenmu railway integration distributing channel	2013-04	11,316	Till the completion of the project
2	China Railway Consultancy	Inner Mongolia Xinghu Railway Co., Ltd.	New local railway of line Zhalantun-Arxan	2013-01	10,000	Till the completion of the project
3	China Railway Eryuan Engineering	China Railway Addis Ababa – Project Manager of Meiso Railway	Supplemental contract of EPC project for Addis Ababa-Djibouti Railway (Sections 1 and 2); SEBETA-ADAMA-MIESO survey and design subcontract	2013-03	5,331	48 months

#### (3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
<b>Steel structure</b>						
1	China Railway Science and Technology Engineering	No.2 Engineering Co., Ltd of China Railway No.18 Engineering	Contract of Nanning City Wuxiang Bridge steel box girder manufacturing and installation	2013-01	14,877	20 months
2	China Railway Turnout & Bridge	Headquarters of Major Road and Bridge Construction in Nanjing	Ancillary facilities for channel across the river of Nanjing Jiangshan Street (footbridge project)	2013-01	14,871	17 months
<b>Turnout</b>						
1	China Railway Shanhaiguan Bridge	Chengyu Passenger Railway Line Co., Ltd	New Chengdu-Chongqing Passenger Railway Line project	2013-06	27,891	16 months
2	China Railway Turnout & Bridge	Beijing-Fuzhou & Fujian-Jiangxi Passenger Railway Co., Ltd.	Railway A of Beijing-Fuzhou & Fujian-Jiangxi railway materials purchase contracts	2013-01	19,399	22 months
<b>Construction machinery</b>						
1	China Railway Tunnel Equipment	China Construction and Civil Engineering Corp.	China Railway No.103 and 104 Shenzhen Metro	2013-06	8,670	8 months
2	China Railway Tunnel Equipment	China Construction Fifth Engineering Division Co., Ltd.	China Railway No.107 and 108 Shenzhen Metro	2013-02	8,376	8 months

## 6 Material Contracts and Their Performance *(continued)*

### (4) 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	China Railway Tixiangjun	Xi’an, Shaanxi	Residential	38
2	Land parcel of Tianjin Nobel Mingyuan	Tianjin	Residential	21
3	Block No.04 of Panyu Wanbo City, Guangzhou	Guangzhou, Guangdong	Office building, commercial	10.8

### (5) Particulars of material properties

#### (1) Property held for investment

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

## 6 Material Contracts and Their Performance *(continued)*

### (5) Particulars of material properties *(continued)*

#### (2) Property held for development and/or for selling

Name of building or project	Location	Existing land use	Site area (sq. m.)	Floor area (sq. m.)	Stage of completion	Expected completion date	Interest of the Company and subsidiaries
China Railway Ziyuetai	No. 165, Yingbin Road, Sanya	Residential, Commercial	74,670	237,700	Under construction (already sold)	2015	100%
China Railway West City	Guanghuadongsan Road, Qing Yang District, Chengdu City	Residential	192,010	526,119	Under construction (already sold)	2015	80%
Bridge Living Capital	No.586, Wu Luo Road, Wuchang District, Wuhan City	Residential	528,000	1,060,000	Under construction (already sold)	2015	67%
China Railway Yidu International	No.1, North Section, Jinyang Avenue, Jinyang District, Guiyang	Residential	1,060,000	2,306,000	Under construction (already sold)	2015	80%
Jinan Hanyu	East of Fenghuang Road, Dahanyu Neighbourhood, Gaoxin District, Jinan	Residential	192,517	960,800	Under construction (already sold)	2015	100%

## 7 Performance Status of Undertakings

(1) Undertakings by the listed company or shareholders with more than 5% of the Company's shares, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the report 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

## 8 Appointment and Removal of Auditors

During the reporting period, the Company had not changed the auditors.

## 9 Penalty and Rectification Order Against Listed Companies and its Directors, Supervisors, Senior Management, Shareholders Holding 5% or Above Shares, Ultimate Controller and Acquirer

Not applicable

## 10 Convertible Corporate Bonds

Not applicable

## 11 Corporate Governance

During the reporting period, the Group continued operating its business in compliance with relevant laws and regulations such as the Company Law, the Securities Law, as well as the regulations of securities regulatory authorities in Hong Kong and the PRC. 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, in which protected the interest of the company and shareholders. The operation of the Company is in compliance with relevant laws and regulations such as the Company Law, the Securities Law and the relevant regulations of the securities regulatory authorities in Hong Kong and the PRC.

The Company complied with all code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months ended 30 June 2013.

## 12 Other Significant Events

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

Substances of and reasons for the changes in accounting policies	Procedures for approval	Affected items and amounts in the statements	
<p>Before 1 January 2013, actuarial evaluation on the defined retirement benefit plan was conducted on each balance sheet date by the Group to determine the benefit cost by estimated accumulative benefit unit method. 10% of the amount by which the actuarial profit and loss exceed the higher of present value of defined benefit liabilities and planned asset fair value shall be amortized over the expected average remaining life of the participating employees. The cost for past service are recognized immediately upon receipt of the benefit by employees, otherwise, such cost for past service shall be amortized with equal installments by straight-line method within the period before the employee's benefit become vested.</p>	<p>As required by the Accounting Standards for Business Enterprises Interpretation No.2, the Group has applied the relevant regulations.</p>	31 December 2012	RMB'000
		Deferred tax assets	Increase 104,846
		Long-term payable	Increase 508,029
		Undistributed profit	Increase 230,558
		Capital reserve	Decrease 631,912
		Minority interests	Decrease 1,829
		From January to June 2013	
		Administrative expenses	Decrease 16,000
		Income tax expenses	Increase 4,000
		Other comprehensive incomes	Increase 1,000

## 12 Other Significant Events (continued)

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

Substances of and reasons for the changes in accounting policies	Procedures for approval	Affected items and amounts in the statements
<p>International Financial Reporting Standards 19 – Employee Benefits was revised in 2011. It required all the actuarial profits and losses to be included in the other comprehensive income immediately, such that liabilities of the employee’s retirement benefit recognized in the balance sheet reflects the full amount of the defined benefit scheme. Pursuant to the Notice on the Roadmap of Continuous Convergence between Accounting Standard for Business Enterprises of China and International Financial Reporting Standards issued by the Department of Finance in 2010 and the 1st requirement in Accounting Standard Interpretation for Business Enterprises No.2, in respect of the above same issue, the Group shall ensure the consistency of manner in processing between Accounting Standard for Business Enterprises of China and International Financial Reporting Standards.</p> <p>The Group has accounted for the aforesaid accounting policies on a retrospective adjustment basis.</p>		

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

Not applicable

## 13 Review of Interim Financial Report

The 2013 interim financial report of the Company prepared in accordance with Chinese Accounting Standard and International Financial Reporting Standard has not been audited. The 2013 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, PRC  
100070

## Principal Place of Business in Hong Kong

Unit 1201-1203  
12/F, APEC Plaza  
49 Hoi Yuen Road, Kwun Tong  
Kowloon, Hong Kong

## Auditors

### Domestic

Deloitte Touche Tohmatsu Certified Public Accountants LLP  
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, PRC  
100031

### 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 51 to 86, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2013

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

For the six months ended 30 June 2013

	Notes	Six months ended 30/6/2013 RMB million (Unaudited)	30/6/2012 RMB million (Unaudited/ restated)
Revenue	3	238,956	190,915
Cost of sales		(222,280)	(176,812)
Gross profit		16,676	14,103
Other income	4	824	774
Other expenses	4	(2,120)	(1,408)
Other gains and losses	5	115	(161)
Selling and marketing expenses		(1,010)	(681)
Administrative expenses		(7,604)	(7,188)
Interest income	6	1,487	1,083
Interest expenses	6	(3,076)	(2,845)
Share of profits of joint ventures		24	20
Share of losses of associates		(39)	(42)
Profit before tax		5,277	3,655
Income tax expense	7	(1,595)	(1,115)
Profit for the period	8	3,682	2,540
<b>Other comprehensive income (expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit obligation		2	–
Income tax relating to remeasurement of defined benefit obligation that will not be reclassified to profit or loss		(1)	–
		1	–
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		(198)	(43)
Net fair value (loss) gain on available-for-sale financial assets		(65)	211
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		(12)	(10)
Share of other comprehensive (expense) income of joint ventures and associates		(7)	1
Income tax relating to fair value change on available-for-sale financial assets		15	(38)
		(267)	121
Other comprehensive (expense) income for the period, net of income tax		(266)	121
Total comprehensive income for the period		3,416	2,661
Profit for the period attributable to:			
Owners of the Company		3,488	2,390
Non-controlling interests		194	150
		3,682	2,540
Total comprehensive income for the period attributable to:			
Owners of the Company		3,241	2,512
Non-controlling interests		175	149
		3,416	2,661
		RMB	RMB
Earnings per share (Basic)	10	0.164	0.112

# Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30/6/2013 RMB million (Unaudited)	31/12/2012 RMB million (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	42,385	41,513
Deposits for acquisition of property, plant and equipment		868	458
Lease prepayments		8,034	8,062
Deposits for land use rights		216	235
Deposits for investment		–	–
Investment properties		1,407	1,410
Intangible assets	12	32,935	33,189
Mining assets	13	4,304	4,361
Interests in joint ventures		983	870
Interests in associates		3,872	3,618
Goodwill		852	857
Available-for-sale financial assets		7,356	5,897
Other loans and receivables		4,891	4,701
Deferred tax assets		3,944	3,901
Other prepayments		64	56
Trade and other receivables	15	9,020	6,678
		<b>121,131</b>	<b>115,806</b>
<b>Current assets</b>			
Lease prepayments		194	191
Properties held for sale		10,709	12,313
Properties under development for sale	14	74,143	65,287
Inventories		44,009	41,906
Trade and other receivables	15	179,904	159,649
Amounts due from customers for contract work	16	88,008	78,522
Current income tax recoverable		510	408
Other loans and receivables		2,439	2,012
Held-for-trading financial assets		216	205
Restricted cash		6,514	4,753
Cash and cash equivalents		75,814	67,738
		<b>482,460</b>	<b>432,984</b>
Assets classified as held for sale	17	1,923	1,871
		<b>484,383</b>	<b>434,855</b>
<b>Total assets</b>		<b>605,514</b>	<b>550,661</b>

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2013

	Notes	30/6/2013 RMB million (Unaudited)	31/12/2012 RMB million (Restated)
<b>EQUITY</b>			
Share capital	18	21,300	21,300
Share premium and reserves		58,586	56,493
Equity attributable to owners of the Company		79,886	77,793
Non-controlling interests		10,448	10,197
<b>Total equity</b>		<b>90,334</b>	87,990
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	19	511	450
Borrowings	20	102,867	87,899
Obligations under finance lease		484	733
Financial guarantee contracts		1	1
Retirement and other supplemental benefit obligations		5,353	5,619
Provisions		237	206
Deferred government grant		747	655
Deferred tax liabilities		1,005	989
		111,205	96,552
<b>Current liabilities</b>			
Trade and other payables	19	296,813	272,534
Amounts due to customers for contract work	16	16,853	15,028
Current income tax liabilities		1,077	1,988
Borrowings	20	86,449	73,762
Obligations under finance lease		629	632
Financial guarantee contracts		–	1
Retirement and other supplemental benefit obligations		629	701
Provisions		37	37
Held-for-trading financial liabilities		203	203
Liabilities associated with assets classified as held for sale	17	402,690 1,285	364,886 1,233
		403,975	366,119
<b>Total liabilities</b>		<b>515,180</b>	462,671
<b>Total equity and liabilities</b>		<b>605,514</b>	550,661
<b>Net current assets</b>		<b>80,408</b>	68,736
<b>Total assets less current liabilities</b>		<b>201,539</b>	184,542

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Equity attributable to owners of the Company								Non-controlling interests RMB million	Total RMB million
	Share capital RMB million (Note 18)	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		
At 1 January 2013 as previously reported (audited)	21,300	33,647	(3,056)	7,300	(398)	314	19,087	78,194	10,199	88,393
Adjustments (see Note 2)	-	-	(632)	-	-	-	231	(401)	(2)	(403)
At 1 January 2013 as restated	21,300	33,647	(3,688)	7,300	(398)	314	19,318	77,793	10,197	87,990
Profit for the period	-	-	-	-	-	-	3,488	3,488	194	3,682
Other comprehensive income (expense) for the period	-	-	1	-	(186)	(62)	-	(247)	(19)	(266)
Total comprehensive income (expense) for the period	-	-	1	-	(186)	(62)	3,488	3,241	175	3,416
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(206)	(206)
Acquisition of additional interests in subsidiaries	-	-	(45)	-	-	-	-	(45)	(10)	(55)
Deemed acquisition of additional interest in a subsidiary	-	-	5	-	-	-	-	5	(5)	-
Capital contribution	-	-	-	-	-	-	-	-	297	297
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,108)	(1,108)	-	(1,108)
Transfer to reserves (note (a))	-	-	-	106	-	-	(106)	-	-	-
At 30 June 2013 (unaudited)	21,300	33,647	(3,727)	7,406	(584)	252	21,592	79,886	10,448	90,334
At 1 January 2012 as previously reported (audited)	21,300	33,647	(2,962)	5,682	(358)	167	14,373	71,849	9,330	81,179
Adjustments (see Note 2)	-	-	(841)	-	-	-	195	(646)	(2)	(648)
At 1 January 2012 as restated	21,300	33,647	(3,803)	5,682	(358)	167	14,568	71,203	9,328	80,531
Profit for the period as restated	-	-	-	-	-	-	2,390	2,390	150	2,540
Other comprehensive income (expense) for the period as restated	-	-	-	-	(39)	161	-	122	(1)	121
Total comprehensive income (expense) for the period as restated	-	-	-	-	(39)	161	2,390	2,512	149	2,661
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(226)	(226)
Acquisition of a subsidiary (Note 21)	-	-	-	-	-	-	-	-	12	12
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(3)	(3)
Capital contribution	-	-	-	-	-	-	-	-	169	169
Disposal of partial interests in subsidiaries to non-controlling shareholders	-	-	21	-	-	-	-	21	15	36
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	(136)	(136)
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,022)	(1,022)	-	(1,022)
Transfer to reserves (note (a))	-	-	-	67	-	-	(67)	-	-	-
At 30 June 2012 as restated (unaudited)	21,300	33,647	(3,782)	5,749	(397)	328	15,869	72,714	9,308	82,022

## Notes:

- (a) The statutory reserve comprises 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 statutory reserve 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 amount 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 2013

	Notes	30/6/2013 RMB million (Unaudited)	30/6/2012 RMB million (Unaudited)
<b>Net cash used in operating activities</b>		<b>(7,091)</b>	(15,747)
<b>Net cash used in investing activities</b>			
Additions of property, plant and equipment		<b>(3,118)</b>	(2,433)
Deposits for acquisition of property, plant and equipment		<b>(892)</b>	(490)
Disposal of property, plant and equipment		<b>297</b>	149
Deposits paid for land use rights		<b>(7)</b>	(40)
Additions of lease prepayments		<b>(82)</b>	(61)
Additions of intangible assets		<b>(8)</b>	(161)
Acquisition of a subsidiary		<b>–</b>	4
Payment for acquisition of subsidiaries in prior years		<b>–</b>	(270)
Deemed disposal of a subsidiary	22	<b>(62)</b>	–
Liquidation of a subsidiary		<b>–</b>	(136)
Investments in associates		<b>(37)</b>	(26)
Purchase of available-for-sale financial assets		<b>(2,149)</b>	(613)
Disposal of available-for-sale financial assets		<b>629</b>	395
New other loans and receivables		<b>(933)</b>	(1,686)
Repayment of other loans and receivables		<b>412</b>	309
Interests received		<b>852</b>	499
Withdrawal of restricted cash		<b>3,681</b>	2,509
Placement of restricted cash		<b>(5,442)</b>	(3,337)
Other investing cash flows		<b>43</b>	(56)
		<b>(6,816)</b>	(5,444)
<b>Net cash from financing activities</b>			
Acquisition of additional interest in subsidiaries		<b>(55)</b>	(3)
Capital contributions from non-controlling shareholders of subsidiaries		<b>297</b>	169
Proceeds on disposal of partial interest in subsidiaries		<b>–</b>	36
Net proceeds from issue of debentures		<b>8,138</b>	800
Repayment of debentures		<b>(500)</b>	–
New bank borrowings		<b>55,478</b>	50,696
Repayment of bank borrowings		<b>(38,116)</b>	(32,306)
New other borrowings		<b>6,908</b>	2,118
Repayment of other borrowings		<b>(4,214)</b>	(1,395)
Interests paid		<b>(5,046)</b>	(4,569)
Repayments of obligations under finance leases		<b>(632)</b>	–
Dividends paid to non-controlling shareholders of subsidiaries		<b>(204)</b>	(188)
		<b>22,054</b>	15,358
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,147</b>	(5,833)
<b>Effect of foreign exchange rate changes</b>		<b>(83)</b>	2
<b>Cash and cash equivalents at the beginning of the period</b>		<b>67,764</b>	60,254
<b>Cash and cash equivalents at the end of the period</b>		<b>75,828</b>	54,423

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 1. Basis of Preparation

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

## 2. Principal Accounting Policies

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

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Company and its subsidiaries (collectively referred to as the “Group”) has applied, for the first time, the following new and revised International Financial Reporting Standards, amendments and interpretation (“new and revised IFRSs”) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

### Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current interim period. The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

## 2. Principal Accounting Policies (continued)

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards that is relevant to the Group is set out below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

## 2. Principal Accounting Policies (continued)

### New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

The application of these standards has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. However, the directors of the Company (the "Directors") consider that the application of IFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ending 31 December 2013.

### IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 25.

### IAS 19 Employee Benefits (as revised in 2011)

In the current interim period, the Group has applied IAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see below for details).

**2. Principal Accounting Policies (continued)**

Impact on profit or loss and other comprehensive income for the period:

	Six months ended	
	30/6/2013 RMB million	30/6/2012 RMB million
<b>Impact on profit for the period</b>		
Decrease in administrative expenses	16	–
Increase in income tax expense	(4)	–
Increase in profit for the period	12	–
<b>Impact on other comprehensive income for the period</b>		
Increase in gain arising from remeasurement of defined benefit obligations	2	–
Increase in income tax relating to remeasurement of defined benefit obligations	(1)	–
Increase in other comprehensive income for the period	1	–
Increase in total comprehensive income for the period	13	–
Increase in profit for the period attributable to:		
Owners of the Company	12	–
Non-controlling interests	–	–
Increase in total comprehensive income for the period attributable to:	12	–
Owners of the Company	13	–
Non-controlling interests	–	–
	13	–

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 2. Principal Accounting Policies (continued)

Impact on assets, liabilities and equity as at 1 January 2012:

	As at 1/1/2012 RMB million (as previously reported)	Adjustments RMB million	As at 1/1/2012 RMB million (as restated)
Deferred tax assets	3,284	141	3,425
Retirement and other supplemental benefit obligations	5,522	789	6,311
Total effect on net assets	(2,238)	(648)	(2,886)
Share premium and reserves	50,549	(646)	49,903
Non-controlling interests	9,330	(2)	9,328
Total effect on equity	59,879	(648)	59,231

Impact on assets, liabilities and equity as at 31 December 2012:

	As at 31/12/2012 RMB million (as previously reported)	Adjustments RMB million	As at 31/12/2012 RMB million (as restated)
Deferred tax assets	3,796	105	3,901
Retirement and other supplemental benefit obligations	5,111	508	5,619
Total effect on net assets	(1,315)	(403)	(1,718)
Share premium and reserves	56,894	(401)	56,493
Non-controlling interests	10,199	(2)	10,197
Total effect on equity	67,093	(403)	66,690

**2. Principal Accounting Policies (continued)**

Impact on assets, liabilities and equity as at 30 June 2013:

	30/6/2013 RMB million
Increase in deferred tax assets	100
Increase in retirement and other supplemental benefit obligations	490
	<b>(390)</b>
Decrease in net assets	<b>(388)</b>
Decrease in share premium and reserves	(2)
Decrease in non-controlling interests	<b>(390)</b>
Decrease in equity	<b>(390)</b>

Impact on basic earnings per share for the period:

	Six months ended	
	30/6/2013 RMB	30/6/2012 RMB
Basic earnings per share before adjustments	0.163	0.112
Adjustments arising from change in accounting policy in relation to application of IAS 19 (as revised in 2011)	0.001	–
Reported basic earnings per share	<b>0.164</b>	0.112

The application of IAS 19 (as revised in 2011) has no impact on cash flows for both periods.

The application of the other new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

**3. Segment Information**

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

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 3. Segment Information (continued)

- (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”).

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. The application of IAS 19 (as revised in 2011) in the current interim period has had no material effect on the segment information of the Group.

#### 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
<b>Six months ended 30 June 2013</b>						
External revenue	200,721	4,118	5,487	7,480	28,472	246,278
Inter-segment revenue	2,734	78	733	9	1,604	5,158
Other operating income	995	30	96	90	161	1,372
Inter-segment other operating income	-	-	-	-	39	39
Segment revenue	204,450	4,226	6,316	7,579	30,276	252,847
Segment results						
Profit before tax	4,039	366	316	1,157	679	6,557
Segment results included:						
Share of profits (losses) of joint ventures	27	(4)	1	-	-	24
Share of losses of associates	(37)	-	-	-	(2)	(39)
Interest income	1,679	26	6	360	142	2,213
Interest expenses	(1,937)	(73)	(90)	(367)	(1,238)	(3,705)

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 3. Segment Information (continued)

#### Segment revenues and results (continued)

	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
<b>Six months ended 30 June 2012</b>						
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 joint ventures	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)

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 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	
	30/6/2013 RMB million	30/6/2012 RMB million
Segment revenue	252,847	201,339
Inter-segment elimination	(5,197)	(3,024)
Reconciling items:		
Reclassification of sales tax (note (a))	(7,322)	(5,870)
Reclassification of other operating income (note (b))	(1,372)	(1,530)
Total consolidated revenue, as reported	238,956	190,915
Segment interest income	2,213	1,803
Inter-segment elimination	(726)	(720)
Total consolidated interest income, as reported	1,487	1,083
Segment interest expenses	3,705	3,515
Inter-segment elimination	(629)	(670)
Total consolidated interest expenses, as reported	3,076	2,845
Segment results	6,557	4,775
Inter-segment elimination	(1,419)	(1,216)
Reconciling item:		
Land appreciation tax (note (c))	139	96
Total consolidated profit before tax, as reported	5,277	3,655

Notes:

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

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

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

**Segment assets**

	30/6/2013 RMB million	31/12/2012 RMB million
Infrastructure construction	401,340	377,779
Survey, design and consulting services	9,836	10,460
Engineering equipment and component manufacturing	22,253	21,079
Property development	113,997	108,994
Other businesses	117,301	90,321
Total segment assets	<b>664,727</b>	608,633

**Segment liabilities**

	30/6/2013 RMB million	31/12/2012 RMB million (restated)
Infrastructure construction	355,939	338,098
Survey, design and consulting services	5,833	6,328
Engineering equipment and component manufacturing	15,573	14,401
Property development	105,744	93,275
Other businesses	92,797	66,420
Total segment liabilities	<b>575,886</b>	518,522

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

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 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:

	30/6/2013 RMB million	31/12/2012 RMB million (restated)
Segment assets	664,727	608,633
Inter-segment elimination	(63,440)	(62,072)
Reconciling items:		
Deferred tax assets	3,944	3,901
Shares conversion scheme of subsidiaries (note (d))	(170)	(170)
Current income tax recoverable	510	408
Prepaid land appreciation tax included in current income tax recoverable	(57)	(39)
<b>Total consolidated assets, as reported</b>	<b>605,514</b>	<b>550,661</b>
Segment liabilities	575,886	518,522
Inter-segment elimination	(63,052)	(58,783)
Reconciling items:		
Deferred tax liabilities	1,005	989
Current income tax liabilities	1,077	1,988
Prepaid land appreciation tax (Land appreciation tax payable) included in current income tax liabilities	264	(45)
<b>Total consolidated liabilities, as reported</b>	<b>515,180</b>	<b>462,671</b>

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 profit or loss and other comprehensive income in prior years.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 4. Other Income and Expenses

	Six months ended	
	30/6/2013	30/6/2012
	RMB million	RMB million
Other income from:		
Dividend income	50	16
Government subsidies ( <i>note (a)</i> )	135	108
Compensation income	7	13
Relocation compensation	105	10
Amortisation of financial guarantee contracts	1	1
Income from sundry operations ( <i>note (b)</i> )	466	589
Others	60	37
	<b>824</b>	774
Other expenses on:		
Research and development expenditure	<b>2,120</b>	1,408

Notes:

- (a) Government subsidies relating to expenses include various government subsidies received by the 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 and when the related expenses incurred.

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

- (b) 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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 5. Other Gains and Losses

	Six months ended	
	30/6/2013	30/6/2012
	RMB million	RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	27	(3)
Lease prepayments	3	–
Investment properties	(1)	–
Available-for-sale financial assets	4	–
Cumulative gain reclassified from equity to profit or loss on disposal of investments classified as available-for-sale	12	10
Impairment loss (recognised) reversed on:		
Goodwill	(5)	–
Available-for-sale financial assets	–	(1)
Trade and other receivables	(168)	(85)
Other loans and receivables	(1)	2
Gain on disposal of a subsidiary (Note 22)	188	–
Gain on disposal of interest in an associate	2	–
Loss on disposal of interest in a joint venture	(1)	–
Loss from changes in fair value of financial assets/liabilities classified as held-for-trading	(32)	(39)
Foreign exchange gains (losses), net	87	(45)
	<b>115</b>	<b>(161)</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 6. Interest Income and Expenses

	Six months ended	
	30/6/2013 RMB million	30/6/2012 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	634	457
Imputed interest income on retention receivables	523	522
Other loans and receivables	330	104
	<b>1,487</b>	1,083
Total interest income		
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	3,230	2,830
Not wholly repayable within five years	551	657
Short-term debentures	37	31
Long-term debentures	540	644
Other long-term borrowings	320	126
Other short-term borrowings	254	121
Finance leases	35	19
	<b>4,967</b>	4,428
Imputed interest expenses on retention payables	97	59
Bank charges	42	48
	<b>5,106</b>	4,535
Total borrowing costs		
Less: amount capitalised	(2,030)	(1,690)
	<b>3,076</b>	2,845
Total interest expenses		

### 7. Income Tax Expense

	Six months ended	
	30/6/2013 RMB million	30/6/2012 RMB million (Restated)
Current tax		
Enterprise Income Tax ("EIT")	1,440	1,154
Land Appreciation Tax ("LAT")	139	96
Underprovision in prior years	23	16
Deferred tax	(7)	(151)
	<b>1,595</b>	1,115

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 7. Income Tax Expense (continued)

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (six months ended 30 June 2012: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5%, 15%, or 20% (six months ended 30 June 2012: 12.5% or 15%) during the current interim 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	
	30/6/2013	30/6/2012
	RMB million	RMB million
Depreciation and amortisation of:		
Property, plant and equipment	2,710	2,492
Lease prepayments	92	108
Investment properties	42	61
Intangible assets (included in administrative expenses)	16	21
Intangible assets (included in cost of sales)	246	234
Mining assets (included in cost of sales)	25	4
Total depreciation and amortisation	3,131	2,920
Impairment loss recognised (reversed) on:		
Inventories (included in cost of sales)	1	–
Trade and other receivables	168	85
Allowance for foreseeable loss on construction contracts	(10)	(10)
Goodwill (included in other losses)	5	–

### 9. Dividend

On 26 June 2013, final dividend of RMB0.052 per share in respect of the year ended 31 December 2012, amounting to RMB1,108 million in aggregate, was declared and subsequently paid in August 2013.

The 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 on 26 June 2012 and subsequently paid in August 2012.

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2012: nil).

## 10. Earnings Per Share

Basic earnings per share for the six months ended 30 June 2013 is calculated by dividing the profit attributable to owners of the Company of RMB3,488 million (six months ended 30 June 2012: RMB2,390 million) by 21,299,900,000 shares (six months ended 30 June 2012: 21,299,900,000 shares) in issue 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 interim period, the Group incurred costs for construction in progress of RMB1,638 million (six months ended 30 June 2012: RMB1,412 million) and acquired buildings at a cost of RMB114 million (six months ended 30 June 2012: RMB176 million), infrastructure construction equipment at a cost of RMB1,258 million (six months ended 30 June 2012: RMB977 million), transportation equipment at a cost of RMB568 million (six months ended 30 June 2012: RMB578 million), manufacturing equipment at a cost of RMB87 million (six months ended 30 June 2012: RMB120 million), testing equipment and instruments at a cost of RMB101 million (six months ended 30 June 2012: RMB67 million), and other equipment at a cost of RMB176 million (six months ended 30 June 2012: RMB128 million) for the purpose of expanding the Group's business.

Bank borrowings amounting to RMB96 million (31 December 2012: RMB62 million) are secured by certain property, plant and equipment with an aggregate carrying amount of RMB236 million (31 December 2012: RMB222 million) (see Note 20).

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB1,165 million (31 December 2012: RMB1,360 million) at 30 June 2013. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

## 12. Intangible Assets

During the current interim period, addition to intangible assets amounting to RMB8 million related to computer software (six months ended 30 June 2012: additions to intangible assets amounted to RMB189 million, which comprised construction costs of toll roads under service concession arrangements of RMB178 million, computer software of RMB5 million and other intangible assets of RMB6 million).

The rights in respect of toll road income under seven (31 December 2012: seven) concession agreements with an aggregate carrying amount of RMB26,430 million (31 December 2012: RMB26,639 million) are pledged to obtain bank borrowings amounting to RMB16,581 million (31 December 2012: RMB16,702 million) (see Note 20).

## 13. Mining Assets

The amounts represent the expenditure on exploration and evaluation of mine projects in 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 its mining rights with a carrying amount of RMB21 million (31 December 2012: RMB87 million) and in the process of renewing the title certificate for its mining right with a carrying amount of RMB936 million (31 December 2012: Nil) at 30 June 2013. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these mining rights.

## 14. Properties Under Development for Sale

As at 30 June 2013, properties under development for sale amounting to RMB33,629 million (31 December 2012: RMB35,263 million) and RMB1,002 million (31 December 2012: Nil) have been pledged to secure bank borrowings amounting to RMB16,450 million (31 December 2012: RMB16,119 million) which were granted to the Group (see Note 20), and other long term borrowings of RMB400 million (31 December 2012: Nil) respectively.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 15. 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.

	30/6/2013 RMB million	31/12/2012 RMB million
Trade and bills receivables	121,620	109,128
Less: impairment	(1,949)	(1,894)
	<b>119,671</b>	107,234
Other receivables (net of impairment)	34,574	30,517
Advance to suppliers	34,679	28,576
	<b>188,924</b>	166,327
Less: Amount due after one year included in non-current assets	(9,020)	(6,678)
	<b>179,904</b>	159,649

Included in trade and bills receivables are retention receivables of RMB47,157 million (31 December 2012: RMB44,447 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.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date, presented based on the date of delivery of goods or services or the billing date of contract works:

	30/6/2013 RMB million	31/12/2012 RMB million
Less than six months	52,120	47,076
Six months to one year	31,425	22,737
One year to two years	19,104	22,284
Two years to three years	9,163	9,684
More than three years	7,859	5,453
	<b>119,671</b>	107,234

Included in trade and bills receivables are bills discounted with recourse amounting to RMB166 million (31 December 2012: RMB489 million) to secure bank borrowings amounting to RMB161 million (31 December 2012: RMB483 million) (see Note 20). The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received as secured bank borrowings. In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB311 million (31 December 2012: RMB307 million) have been discounted with recourse to secure short-term bank borrowings amounting to RMB309 million (31 December 2012: RMB307 million) and these bills receivable have been eliminated in the condensed consolidated financial statements (see Note 20).

**15. Trade and Other Receivables (continued)**

Trade receivables of RMB2,970 million (31 December 2012: RMB2,647 million), RMB1,682 million (31 December 2012: RMB1,413 million) and RMB339 million (31 December 2012: RMB1,007 million) were pledged or factored to secure bank borrowings amounting to RMB2,316 million (31 December 2012: RMB1,810 million), other long-term borrowings amounting to RMB1,583 million (31 December 2012: RMB1,413 million) and other short-term borrowings amounting to RMB303 million (31 December 2012: RMB1,007 million) (see Note 20).

**16. Amounts Due from (to) Customers for Contract Work**

	30/6/2013 RMB million	31/12/2012 RMB million
Contract costs incurred plus recognised profits less recognised losses	2,039,256	1,917,321
Less: progress billings	(1,968,101)	(1,853,827)
	<b>71,155</b>	63,494
Analysed for reporting purpose as:		
Amounts due from contract customers	88,008	78,522
Amounts due to contract customers	(16,853)	(15,028)
	<b>71,155</b>	63,494

**17. Disposal Group Classified as Held for Sale**

On 21 December 2012, China Railway Electrification Engineering Group Co., Ltd., a wholly-owned subsidiary of the Group, signed a contract with a third party to dispose of a 100% interest in 南京中鐵電化投資管理有限公司 (“Nanjing Investment”) and the disposal is expected to be completed within one year. As at 30 June 2013, all administrative procedures relevant to the disposal transactions have yet to be completed. Nanjing Investment was still controlled by the Group and was included in the Group’s condensed consolidated financial statements. The assets and liabilities of Nanjing Investment have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position (see below). Nanjing Investment is included in the Group’s infrastructure construction business activities for segment reporting purpose (see Note 3).

The sales proceed is 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 Nanjing Investment represented a separate major line of business or geographical area of operations for the Group and accordingly it is not disclosed as a “Discontinued Operation”.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 17. Disposal Group Classified as Held for Sale (continued)

Major classes of assets and liabilities of Nanjing Investment are as follows:

	30/6/2013 RMB million	31/12/2012 RMB million
Trade and other receivables – non-current	1,909	1,845
Cash and cash equivalents	14	26
<b>Total assets classified as held for sale</b>	<b>1,923</b>	<b>1,871</b>
Borrowings – current	85	109
Trade and other payables	442	366
Borrowings – non-current	758	758
<b>Total liabilities associated with assets classified as held for sale</b>	<b>1,285</b>	<b>1,233</b>

### 18. Share Capital of the Company

	At 1 January 2012, 31 December 2012 and 30 June 2013 Number of shares '000	At 1 January 2012, 31 December 2012 and 30 June 2013 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
	<b>21,299,900</b>	<b>21,300</b>
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
	<b>21,299,900</b>	<b>21,300</b>

**19. Trade and Other Payables**

	30/6/2013 RMB million	31/12/2012 RMB million
Trade and bills payables	189,321	180,058
Advance from customers	62,035	49,685
Accrued payroll and welfare	2,452	2,629
Other taxes	8,673	8,444
Deposit received in advance	152	157
Dividend payables	1,294	184
Other payables	33,397	31,827
	<b>297,324</b>	272,984
Analysed for reporting purposes as:		
Non-current	511	450
Current	296,813	272,534
	<b>297,324</b>	272,984

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,877 million (31 December 2012: RMB4,639 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 end of the reporting period, based on the date of goods or services received or the billing date of contract works:

	30/6/2013 RMB million	31/12/2012 RMB million
Less than one year	168,114	158,072
One year to two years	11,919	13,884
Two years to three years	5,449	5,252
More than three years	3,839	2,850
	<b>189,321</b>	180,058

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 20. Borrowings

	30/6/2013 RMB million	31/12/2012 RMB million
Bank borrowings:		
Secured	37,790	36,587
Unsecured	106,005	90,199
	<b>143,795</b>	126,786
Short-term debentures, unsecured	–	539
Long-term debentures, unsecured	35,211	27,049
Other short-term borrowings, unsecured	3,681	4,157
Other short-term borrowings, secured	303	1,007
Other long-term borrowings, unsecured	4,172	710
Other long-term borrowings, secured	2,154	1,413
	<b>189,316</b>	161,661
Analysed for reporting purposes:		
Non-current	102,867	87,899
Current	86,449	73,762
	<b>189,316</b>	161,661

On 5 February 2013, an indirect wholly owned subsidiary of the Group, China Railway Resources Huitung Limited (“Huitung”) which is incorporated in Hong Kong, issued notes in the aggregate principal amount of USD500,000,000 (approximately RMB3,089 million) which were included in “Long-term debentures, unsecured” and are guaranteed by the Company. The notes, bearing interest at the rate of 3.85% per annum, will be matured on 5 February 2023 unless early redeemed or purchased and cancelled in whole at their principal amount together with interest accrued, on giving not less than 30 and nor more than 60 days’ notice to the Note holders. The interest will be paid semi-annually.

On 25 March 2013, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the medium-term note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB300 million with a maturity date of 25 March 2016. The note bears fixed interest at 5.18% per annum. Interest is payable annually in arrears.

On 25 May 2013, a wholly owned subsidiary of the Group, China Railway NO.8 Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB500 million with a maturity date of 25 May 2016. The note bears fixed interest at 6.15% per annum. Interest is payable annually in arrears.

On 13 May 2013, a wholly owned subsidiary of the Group, China Railway NO.6 Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB500 million with a maturity date of 13 May 2016. The note bears fixed interest at 5.6% per annum. Interest is payable annually in arrears.

## 20. Borrowings (continued)

On 17 May 2013, a wholly owned subsidiary of the Group, China Railway Major Bridge Engineering Group Co., Ltd., issued the first tranche of the private placement note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB800 million with a maturity date of 17 May 2016. The note bears fixed interest at 5.59% per annum. Interest is payable annually in arrears.

On 24 May 2013, a wholly owned subsidiary of the Group, China Railway Construction Group Co., Ltd., issued the first tranche of the private placement note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB1 billion with a maturity date of 24 May 2016. The note bears fixed interest at 5.60% per annum. Interest is payable annually in arrears.

On 19 June 2013, a wholly owned subsidiary of the Group, China Railway Resources Group Co., Ltd., issued the first tranche of the private placement note, which was included in “Long-term debentures, unsecured”, of a principal amount of RMB2 billion with a maturity date of 19 June 2018. The note bears fixed interest at 6.30% per annum. Interest is payable annually in arrears.

Bank borrowings carry interest at rates ranging from 1.97% to 9.66% (31 December 2012: 2.24% to 13.6%) per annum.

Short-term debentures were issued at fixed rate of 4.16% per annum at 31 December 2012 and fully redeemed in the current interim period.

Long-term debentures were issued at fixed rates ranging from 3.85% to 6.65% (31 December 2012: 4.34% to 6.65%) per annum.

Other short-term borrowings carry interest at variable rates ranging from 5.9% to 11.8% (31 December 2012: 6% to 13.5%) per annum.

Other long-term borrowings carry interest at fixed or variable rates ranging from 4.39% to 13.5% (31 December 2012: 4.39% to 13.6%) per annum.

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

As at 30 June 2013, the Group pledged its rights to collect cash flows in relation to certain backlog construction projects with contract value of RMB4,228 million (31 December 2012: RMB1,502 million) to secure bank borrowings amounting to RMB1,527 million (31 December 2012: RMB1,017 million) and other long-term borrowings RMB171 million (31 December 2012: Nil).

As at 30 June 2013, the Group transferred its rights of return on its equity investments in two subsidiaries with an aggregate investment cost of RMB510 million (31 December 2012: Nil) to secure bank borrowings amounting to RMB250 million (31 December 2012: Nil). The bank borrowing will be matured after one year and the Group will repurchase the rights of return on these equity investments at a pre-determined price from the bank.

As at 30 June 2013, inventories amounting to RMB184 million (31 December 2012: Nil) have been pledged to secure bank borrowings amounting to RMB100 million (31 December 2012: Nil).

As at 30 June 2013, no deposit certificate (31 December 2012: USD35 million, approximately RMB223 million) has been pledged to secure bank borrowings (31 December 2012: amounting to USD14 million, approximately RMB87 million).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 21. Acquisition of a Subsidiary

#### Acquisition of assets through acquisition of a subsidiary

During the current interim period, there is no acquisition of any subsidiary.

On 1 January 2012, the Group acquired certain assets through acquisition of a 60% interest in 天津金太房地產開發有限責任公司 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 and the information are set out in the Group's consolidated financial statements for the year ended 31 December 2012.

### 22. Disposal of a Subsidiary

During the current interim period, 成都同基置業有限公司 ("Tongji Property", a wholly-owned subsidiary of the Company) raised new capital from two independent third parties. After completion of the new capital injection amounting to RMB300 million, the equity interest in Tongji Property held by the Group decreased from 100% to 48%, the Group lost control over Tongji Property. The remaining 48% equity interest in Tongji Property was measured at fair value at the date the control was lost, and accounted for as an interest in an associate from that date onwards. The disposal was completed on 26 June 2013.

During the prior interim period, the Group did not dispose any subsidiary.

The net assets of Tongji Property at the date of disposal were as follows:

	Six months ended 30/6/2013 RMB million
Net assets disposed of:	
Property, plant and equipment	1
Properties under development for sale	165
Cash and cash equivalents	62
Trade and other payables	(139)
	89
Transfer to interest in an associate at fair value when control was lost	277
	(188)
Gain on disposal recognised in other gains and losses	
Net cash outflows arising on disposal:	
Bank balances and cash disposed of	(62)
	(62)

## 23. Contingent Liabilities

	30/6/2013 RMB million	31/12/2012 RMB million
Pending lawsuits		
– arising in the ordinary course of business ( <i>note (a)</i> )	694	761
– overseas lawsuit ( <i>note (b) &amp; note (c)</i> )	1,106	1,121
	<b>1,800</b>	<b>1,882</b>

### Notes:

- (a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

No provision has been made for 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 USD42 million or RMB263 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 have since commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court commenced proceedings for this lawsuit according to the civil procedures. There is no significant progress up to the date of issuance of these condensed consolidated financial statements. At this stage, the Directors of the Company consider it premature to assess the outcome of this case.

- (c) Exploitations Artisanales Au Congo (“EXACO”) was a former shareholder of La Miniere De Kalumbwe Myunga sprl (“MKM”), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited (“CRRG”) (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (approximately RMB843 million). Currently, it is pending the court’s ruling on the jurisdictional dispute. The Directors consider that it is premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. 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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 23. Contingent Liabilities (continued)

	30/6/2013		31/12/2012	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	2,342	2013-2025	1,838	2013-2025
Other government-related enterprises	55	2013	55	2013
Property purchasers	10,443	2013-2017	8,622	2013-2017
Investees of the Group	13	2016	13	2016
	<b>12,853</b>		10,528	

In addition to the above, as at 30 June 2013, 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 RMB50 million (31 December 2012: RMB50 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 the future.

### 24. Commitments

#### Capital expenditure

	30/6/2013	31/12/2012
	RMB million	RMB million
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	1,797	2,176

#### Investment commitment

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

	30/6/2013	31/12/2012
	RMB million	RMB million
Investment commitment to an associate	15,109	15,509

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

## 25. Fair Value Measurements of Financial Instruments

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 25. Fair Value Measurements of Financial Instruments (continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB in million)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/6/2013		31/12/2012					
1) Interest rate swaps classified as held-for-trading financial assets/liabilities	<b>Assets/Liabilities</b>	<b>Amount</b>	<b>Assets/Liabilities</b>	<b>Amount</b>	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	2	Assets	2				
	Liabilities	203	Liabilities	203				
2) Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	103	Finance	86				
	Mining	72	Mining	79				
	Transportation	22	Transportation	22				
	Others	17	Others	16				
	Total	214	Total	203				
3) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	393	Finance	359				
4) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 2	Comparison to similar instruments for which quoted bid prices exist.	N/A	N/A
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Mining	12	Mining	12				
			Finance	143				
	Total	12	Total	155				
5) Unlisted open-end equity funds classified as available-for-sale financial assets	Unlisted open- end equity funds in Mainland China:		Unlisted open- end equity funds in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Finance	38	Finance	57				
6) Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow. The key input is the yield rate of the similar products	The yield rate of the similar products in similar industries.	The higher the yield rate of the similar products, the lower the fair value.
	<b>Industry</b>	<b>Amount</b>	<b>Industry</b>	<b>Amount</b>				
	Real estate	1,484	Real estate	867				
	Construction	946	Construction	496				
	Finance	518	Finance	430				
	Manufacture	241	Manufacture	158				
	Mining	154	Mining	110				
	Others	336	Others	67				
	Total	3,679	Total	2,128				

**25. Fair Value Measurements of Financial Instruments (continued)****Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)**

The Group owns equity interest in 西部證券股份有限公司 (“Western Security”) that is classified as available-for-sale investment and is measured at fair value at each reporting date. The fair value of the investment as at 30 June 2013 amounted to RMB113 million (31 December 2012: RMB143 million). The restricted period for stock trading of Western Security was from May 2012 to May 2013. The fair value of the investment as at 31 December 2012 was measured based on quoted prices (adjusted) to reflect liquidity risk and was classified as Level 2 of the fair value hierarchy. The restricted period of Western Security has been ended since May 2013. Therefore, the fair value of the investment as at 30 June 2013 was determined based on a quoted price on Shenzhen Stock Exchange and was classified as Level 1 of the fair value hierarchy.

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

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

	30/6/2013		31/12/2012	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
<b>Financial assets</b>				
Loan receivables – fixed rate	7,330	7,279	6,713	6,606
<b>Financial liabilities</b>				
Bank borrowings – fixed rate	447	471	499	526
Long-term debentures – fixed rate	35,211	34,732	27,049	26,609
Other long-term borrowings – fixed rate	4,211	4,176	1,534	1,499

## Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted entrusted products million
At 1 January 2013	2,128
Total gains:	
– in other comprehensive income	31
– cumulative gain reclassified from equity to profit or loss on disposal	(6)
Purchases	2,106
Settlements	(580)
At 30 June 2013	3,679

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 26. 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 interim 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. 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.

#### Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2013 RMB million	30/6/2012 RMB million
<i>Transactions with the CRECG Group</i>		
Service expenses paid	18	19
Rental expense	8	8
<i>Transactions with joint ventures</i>		
Revenue from construction contracts	7	10
Revenue from sales of goods	3	–
Interest income	8	3
<i>Transactions with associates</i>		
Revenue from construction contracts	94	64
Revenue from sales of goods	51	4
Transportation income	22	–
Interest income	9	9
Rental income	1	1
Purchases	–	7
<i>Transactions with other government-related entities</i>		
Revenue from construction contracts	129,321	118,289
Revenue from design and other services	9,418	9,118
Revenue from sales of goods	5,353	2,366
Purchases	42,800	39,676
Interest income on bank balances	385	344
Interest expenses on bank borrowings	2,962	2,801

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

	30/6/2013 RMB million	31/12/2012 RMB million
<i>Balances with the CRECG Group</i>		
Trade payables	6	12
Other payables	71	75
Borrowings – current	626	626
Dividends payable	621	–
<i>Balances with joint ventures</i>		
Trade receivables	56	63
Other receivables	344	61
Other payables	4	4
Advance from customers	39	163
Dividends receivable	53	53
<i>Balances with associates</i>		
Trade receivables	66	150
Other receivables	538	516
Trade payables	–	6
Other payables	59	58
Advance from customers	73	18
Loans receivable	2,568	2,601
Dividends receivable	3	3
<i>Balances with other government-related entities</i>		
Trade receivables	81,398	80,944
Other receivables	29,985	23,683
Bank balances	36,122	33,450
Trade payables	43,408	42,974
Other payables	45,659	44,745
Bank borrowings	77,682	66,232
Other borrowings	45,518	34,876

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 entity, the maximum exposure of which are disclosed in Note 23.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 26. 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	
	30/6/2013 RMB'000	30/6/2012 RMB'000
Basic salaries, allowances and other benefits-in-kind	2,434	2,434
Contributions to pension plans	335	418
Discretionary bonus	138	240
	<b>2,907</b>	3,092

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:

	30/6/2013	31/12/2012
	RMB million	RMB million
CRECG	12,000	12,000

### 27. Events After the End of the Reporting Period

Subsequent to 30 June 2013, there is no significant events occurred.



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