



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



2009 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 (the "Company Law") on 12 September 2007. The A shares and H shares issued by the Company were listed on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 3 December 2007 and 7 December 2007 respectively.

We are the largest multi-functional integrated construction group in the PRC and Asia, and the third largest construction contractor in the world, based on total contracting revenue, and rank 242 in Fortune Global 500. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining.

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

Summary of income statement

	For the six months ended 30 June			Change 2009 vs 2008 (%)	Change 2008 vs 2007 (%)
	2009	2008	2007		
		RMB million			
Revenue					
Infrastructure Construction	127,992	84,927	68,598	50.7	23.8
Survey, Design and Consulting Services	3,066	1,887	1,507	62.5	25.2
Engineering Equipment and Component Manufacturing	5,097	3,566	2,222	42.9	60.5
Property Development	1,584	1,528	1,408	3.7	8.5
Others	6,691	6,780	4,043	(1.3)	67.7
Inter-segment Eliminations	(2,289)	(5,600)	(4,328)	N/A	N/A
Total	142,141	93,088	73,450	52.7	26.7
Gross Profit	9,016	7,442	5,556	21.2	33.9
Profit before Taxation	4,065	2,859	1,193	42.2	139.6
Profit for the Period	3,222	2,208	815	45.9	170.9
Profit Attributable to Owners of the Company	3,087	1,919	657	60.9	192.1
Basic Earnings per Share (RMB)	0.145	0.090	0.051	61.1	76.5



Financial Summary *(continued)*

Summary of statement of financial position

	30 June 2009	At		Change	
		31 December 2008	30 June 2008	30 June 2009 vs 31 December 2008 (%)	30 June 2009 vs 30 June 2008 (%)
		RMB million			
Assets					
Current Assets	216,698	192,404	187,966	12.6	15.3
Non-current Assets	65,127	59,515	47,331	9.4	37.6
Total Assets	281,825	251,919	235,297	11.9	19.8
Liabilities					
Current Liabilities	188,143	165,548	150,074	13.6	25.4
Non-current Liabilities	29,342	25,447	23,544	15.3	24.6
Total Liabilities	217,485	190,995	173,618	13.9	25.3
Total Equity	64,340	60,924	61,679	5.6	4.3
Total Equity and Liabilities	281,825	251,919	235,297	11.9	19.8

Chairman's Report

Dear Shareholders,

I am pleased to present the 2009 interim report of China Railway on behalf of the Board of Directors.

In the first half of 2009, due to the government's increased investment in infrastructure construction, support from shareholders and the dedication of management and all staffs, China Railway Group Limited continued to maintain strong growth and made desirable progress on all business segments with operation indicators recorded significant growth. The Group's ranking in the Fortune Global 500 has climbed up from 341 in 2008 to 242 in 2009.

1 Financial results

During January to June 2009, the value of new contracts entered into by the Group reached RMB257.04 billion, representing an increase of 43.0% over the same period of last year. Revenue increased by 52.7% over the same period of last year to RMB142.141 billion. During the same period, profit attributable to owners of the Company reached RMB3.087 billion, representing an increase of 60.9% over the same period of last year.

2 Business development

During the first half of 2009, the Group actively responded to the operating risks stemmed from the financial crisis and accelerated its adjustment to business structure and changes in its development approach. The Group strives to pursue its coordinated "upstream, middle-stream and downstream" development direction, properly balanced the mutual development of its principal and ancillary businesses, seized the opportunities to strengthen its principal businesses while adjusting the development strategy to cater for market changes. We also strived to set an optimum development pace, strengthened our risk precautions, strictly controlled investment scale to ensure investment security. The Group also captured potential opportunities by turning challenges into opportunities, appropriately initiated projects that are essential to corporate strategic development and with relatively low risk, short turnover period and high yield, optimized product structure and sustained rapid growth.

In the infrastructure construction business, the value of new contracts entered into during the first half of 2009 amounted to RMB234.14 billion in total, which includes a number of railway passenger line construction projects such as Hangzhou to Ningbo passenger line project. These construction projects further consolidated the Group's leading position in infrastructure construction industry.

In the survey, design and consulting services business, commencement of a large number of infrastructure construction projects had driven the development of this business. During the first half of 2009, the value of new contracts in respect of survey, design and consulting services business entered into by the Group amounted to RMB3.04 billion.

In respect of the engineering equipment and component manufacturing business, the significant investment in infrastructure construction projects led to the continuous increase in market demand for engineering equipment for railway, bridge and other project constructions. The engineering equipment and component manufacturing business segment of the Group principally focuses on railways, specialized bridge equipment and large engineering equipment, which is in line with market development trend. The Group obtained new contracts with an aggregate value of RMB6.51 billion during the first half of 2009.

In terms of property development business, the Group captured the opportunities arising from market rebound by relying on the business platform of "China Railway Real Estate", and devoted more resources on project development to expand its market share.

With regard to other businesses, leveraging on "China Railway Resources" as its platform, the Group continued to take advantage of its corporate operations to achieve the economies of scale. Meanwhile, the Group's mining business has progressed smoothly.

Chairman's Report *(continued)*

3 Corporate governance

The Company continues to improve its corporate governance structure in strict compliance with the requirements of relevant laws and regulations such as the Company Law and the Securities Law as well as the regulations of relevant authorities such as the China Securities Regulatory Commission. Through improving its organization structures and establishing new systems, the Group has laid a strong foundation for corporate governance. By full compliance with and active implementation of regulatory requirements, the Group strived to innovate and upgrade its corporate governance mechanism. The Group also continues to promote a more scientific and sound corporate governance approach through reinforcement of internal control management. By standardizing work routines, the Group continued to raise the effectiveness of the corporate governance. Through regulating information disclosure and building positive investor relationship, the Group has established an image of integrity and transparency and created favourable conditions for sustainable development of our corporate governance.

4 Prospective outlook

The second half of this year will be critical for China's economy to stabilize and regain momentum. The Group will firmly seize the strategic opportunity arising from the increased investment in infrastructure construction and continues to adhere to its predetermined development strategy. The Group will stick to its "adhere to one thought, properly execute two enhancement strategy and implement three focuses strategy" direction, continue to strengthen its project management, enhance its technology innovation, accelerate structural adjustment, foster profitable businesses, leverage on the boom of railway construction and expansion of the infrastructure scale of the state to accelerate the development of its survey, design and consulting services as well as the engineering equipment and component manufacturing businesses, seize the opportunity arising from the recovery of the property development market and devote more resources to property development business to expand its market share. By using "China Railway Resources" as its platform, the Group gradually implements centralized management on its resources business and takes full advantage of corporate operations to achieve the economies of scale. The Group will enhance its internationalized operation capability, accelerate the pace of its outward expansion, effectively prevent and control the risk of overseas projects and expand its overseas business in an orderly manner.

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

SHI Dahua
Chairman

Beijing, the PRC
27 August 2009



Changes in Share Capital and Information on Shareholders

1 Changes in share capital

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 (%)
(1) Shares with selling restrictions									
1. State-owned shares	12,417,510,000	58.30	—	—	—	—	—	12,417,510,000	58.30
2. Shares held by state-owned legal persons	—	—	—	—	—	—	—	—	—
3. Shares held by domestic investors	—	—	—	—	—	—	—	—	—
Of which: shares held by domestic non-state-owned legal persons	—	—	—	—	—	—	—	—	—
Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Shares held by foreign investors	—	—	—	—	—	—	—	—	—
Of which: Shares held by foreign legal persons	—	—	—	—	—	—	—	—	—
Shares held by foreign natural persons	—	—	—	—	—	—	—	—	—
Total number of shares with selling restrictions	12,417,510,000	58.30	—	—	—	—	—	12,417,510,000	58.30
(2) Tradable shares without selling restrictions									
1. RMB-denominated ordinary shares	4,675,000,000	21.95	—	—	—	—	—	4,675,000,000	21.95
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	4,207,390,000	19.75	—	—	—	—	—	4,207,390,000	19.75
4. Others	—	—	—	—	—	—	—	—	—
Total number of tradable shares without selling restrictions	8,882,390,000	41.70	—	—	—	—	—	8,882,390,000	41.70
(3) Total	21,299,900,000	100.00	—	—	—	—	—	21,299,900,000	100.00

Note: During the reporting period, there was no change in share capital of the Company.

Changes in Share Capital and Information on Shareholders *(continued)*

2 Number of shareholders and their shareholdings

As at 30 June 2009, the Company had a total of 920,105 shareholders, of which 886,897 were holders of A Shares (including CRECG) and 33,208 were holders of H Shares. Based on the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float which is in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

Shareholdings of the top ten shareholders

Unit: Shares

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
1 CRECG	State-owned	58.30	12,417,510,000	0	12,417,510,000	467,500,000 (Note 1)
2 HKSCC Nominees Limited (Note 2)	Other	19.43	4,138,750,075	+1,184,968	0	0
3 ICBC — Lion Equity Security Investment Fund	Other	0.80	170,858,918	+166,858,918	0	0
4 China Life Insurance Company Limited — Bonus — Individual Bonus — 005L-FH002 Hu	Other	0.53	112,245,554	+65,504,915	0	0
5 Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Fund	Other	0.50	105,435,685	+74,746,670	0	0
6 Bank of Communications — Huaan Strategic Selected Equity Securities Investment Fund	Other	0.29	61,945,235	+42,945,235	0	0
7 China Life Insurance Company Limited — Traditional — General Insurance — 005L-CT001 Hu	Other	0.28	58,699,944	+48,699,944	0	0
8 ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	Other	0.27	57,939,015	+57,370,108	0	0
9 Bank of China — Harvest Stable Open-end Securities Investment Fund	Other	0.26	55,156,214	+55,156,214	0	0
10 Bank of Communications — Yi Fang Da 50 Index Security Investment Fund	Other	0.24	51,800,740	-10,000,000	0	0

Note 1: According to the "Implementation measure for the transfer of part of the state-owned shares to the Social Security fund in domestic securities market" jointly promulgated by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, CRECG, as a state-owned shareholder, is obliged to transfer part of state-owned shares held by it to the National Council for Social Security Fund. The number of shares to be transferred shall represent 10% of the A Shares of the Company issued under the initial public offerings of the Company (i.e. 467,500,000 shares), and those A Shares have been frozen on 19 June 2009.

Note 2: H Shares held by HKSCC Nominees Limited are held on behalf of its various clients.

Note 3: The numbers shown in the table are based on the register of members of the Company as at 30 June 2009.

Changes in Share Capital and Information on Shareholders *(continued)*

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

Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

	Name of shareholder	Number of shares held without selling restrictions	Type of shares
1	HKSCC Nominees Limited <i>(Note 1)</i>	4,138,750,075	Overseas listed foreign shares
2	ICBC — Lion Equity Security Investment Fund	170,858,918	RMB-denominated ordinary shares
3	China Life Insurance Company Limited — Bonus — Individual Bonus — 005L-FH002 Hu	112,245,554	RMB-denominated ordinary shares
4	Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Fund	105,435,685	RMB-denominated ordinary shares
5	Bank of Communications — Huaan Strategic Selected Equity Securities Investment Fund	61,945,235	RMB-denominated ordinary shares
6	China Life Insurance Company Limited — Traditional — General Insurance — 005L-CT001 Hu	58,699,944	RMB-denominated ordinary shares
7	ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	57,939,015	RMB-denominated ordinary shares
8	Bank of China — Harvest Stable Open-end Securities Investment Fund	55,156,214	RMB-denominated ordinary shares
9	Bank of Communications — Yi Fang Da 50 Index Security Investment Fund	51,800,740	RMB-denominated ordinary shares
10	Bank of China — Harvest Theme Selected Securities Investment Mixed Fund	48,999,935	RMB-denominated ordinary shares

Statement on the connected relations and concerted actions between the shareholders above

China Life Insurance Company Limited — Bonus — Individual Bonus — 005L-FH002 Hu and China Life Insurance Company Limited — Traditional — General Insurance — 005L-CT001 Hu are bonus accounts of China Life Insurance Company Limited. Harvest Stable Open-end Securities Investment Fund and Harvest Theme Selected Securities Investment Mixed Fund are both managed by Harvest Fund Management Co. Ltd. Save as disclosed above, the Company is not aware of any connected relationships between other 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 2009.

Number of shares held by and selling restriction of the top ten shareholders with selling restrictions

Unit: Shares

	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		Selling restriction conditions
			Trading commencement date	Additional number of approved tradable shares	
1	CRECG	12,417,510,000	3 December 2010	—	Subject to a lock-up period of 36 months from the date of listing of the A Shares

Note: As at 30 June 2009, CRECG is the only shareholder of the Company with selling restrictions.

Changes in Share Capital and Information on Shareholders *(continued)*

3 Particulars of controlling shareholder and ultimate controller

Controlling shareholder

Name of controlling shareholder:	China Railway Engineering Corporation
Legal representative:	SHI Dahua
Date of establishment:	7 March 1990
Registered capital:	RMB10,814,925,000
Registered address:	No. 1 Xinghuo Road, Fengtai District, Beijing 100070, PRC
Major scope of business:	Construction works and related technological research, survey, design and consulting services, manufacturing of specialized equipment, development and operation of real estate.

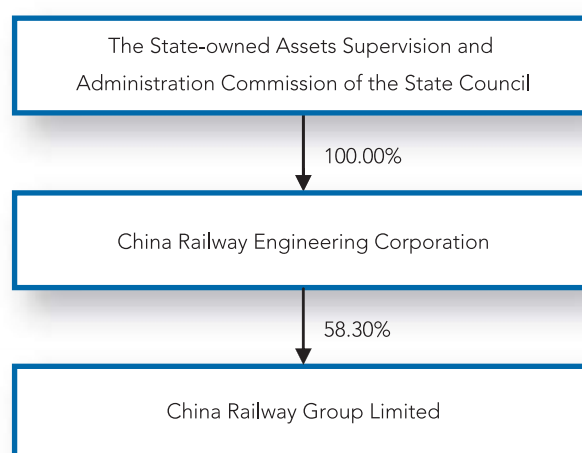
Ultimate controller

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

Changes in the controlling shareholder and the ultimate controller

There was no change in the controlling shareholder and the ultimate controller during the six months ended 30 June 2009.

The interests and controlling relationships between the Company and the ultimate controller



4 Other shareholders with 10% or above shareholding

As at 30 June 2009, save for HKSCC Nominees Limited, there are no other shareholders of the Company holding more than 10% of shareholding.

Changes in Share Capital and Information on Shareholders *(continued)*

5 Directors', chief executive's and supervisors' interest and short positions in shares, underlying shares and debentures

Save as disclosed below, as at 30 June 2009, 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) (Shares)	Approximate percentage of issued A Shares (%)	Approximate percentage of total issued shares (%)
Directors				
SHI Dahua	Beneficial owner	100,000	0.0006	0.0005
LI Changjin	Beneficial owner	105,700	0.0006	0.0005
BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Supervisor				
YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005

6 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 2009 as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholder	Capacity	Number of A Shares held (Shares)	Nature of interest	Approximate percentage of issued A Shares (%)	Approximate percentage of total issued shares (%)
CRECG	Beneficial owner	12,417,510,000	Long position	72.65	58.30

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H Shares held (Shares)	Nature of interest	Approximate percentage of issued H Shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund of the People's Republic of China	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman Brothers Holdings Inc. (Note 1)	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
Barclays PLC (Note 2)	Interest of controlled corporations	326,039,500	Long position	7.75	1.53

Changes in Share Capital and Information on Shareholders *(continued)*

6 Substantial shareholders' and other persons' interests and short positions in shares and underlying shares *(continued)*

Holders of H Shares *(continued)*

Notes:

1. 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 Brother 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 positions 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 positions 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 to be interested in the long positions and short positions held by each of the entities as set out above.
2. According to the Corporate Substantial Shareholder Notice filed by Barclays PLC with the Hong Kong Stock Exchange dated 29 May 2009, Barclays Global Investors UK Holdings Limited, an indirect subsidiary of Barclays PLC, directly or indirectly wholly owns Barclays Global Investors (Deutschland) AG (which held 494,000 H Shares of the Company), Barclays Global Investors Ltd (which held 29,590,000 H Shares of the Company) and Barclays Global Investors, N.A. (which held 18,406,500 H Shares of the Company). Barclays Global Investors, N.A. in turn wholly owns Barclays Global Fund Advisors (which held 277,549,000 H Shares of the Company). Accordingly, Barclays PLC is deemed to be interested in the long positions held by each of the entities as set out above.

Apart from the foregoing, as at 30 June 2009, no person or corporation had any interest in the shares or underlying shares of the Company as recorded in the registers required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

7 Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

8 Change in use of part of proceeds from A Share offering and remittance of part of proceeds from H Share offering

In accordance with the disclosure in the A Share prospectus of the Company in respect of the use of proceeds from the offering, an amount of RMB1.04 billion of the A Share proceeds was to be used for a residential property development project of the Company referred to as "An Qing Xin Cheng Dong Yuan". Given the current situation of the project, the Company changed the use of an amount of RMB540 million of the proceeds from the A Share offering which had not been invested in the project to supplement the Company's working capital, which has been approved by the Company's 2008 annual general meeting on 25 June 2009.

In addition, as at 30 June 2009, a total amount of USD866.72 million of the proceeds from the H Share offering of the Company was remitted to the PRC, of which USD600 million was converted and used.

Directors, Supervisors and Senior Management

1 Directors

The directors of the Company during the six months ended 30 June 2009 are as follows:

Name	Age	Position
SHI Dahua (石大華)	57	Chairman, Executive Director and Secretary to the Communist Party Committee
LI Changjin (李長進)	50	Executive Director, President and Deputy Secretary to the Communist Party Committee
BAI Zhongren (白中仁)	48	Executive Director, Vice-President and Chief Economist
WANG Qiuming (王秋明)	56	Non-executive Director, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee
HE Gong (賀恭)	65	Independent Non-executive Director
ZHANG Qinglin (張青林)	66	Independent Non-executive Director
GONG Huazhang (貢華章)	63	Independent Non-executive Director
WANG Taiwen (王泰文)	62	Independent Non-executive Director
SUN Patrick (辛定華)	50	Independent Non-executive Director

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2009 are as follows:

Name	Age	Position
YAO Guiqing (姚桂清) <i>(appointed on 25 June 2009)</i>	54	Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Chairman of the Labour Union
JI Zhihua (季志華)	47	Supervisor and Deputy Chief Engineer
ZHANG Xixue (張喜學)	56	Supervisor
ZHOU Yuqing (周玉清)	58	Supervisor
LIN Longbiao (林隆彪)	51	Supervisor and Director of Internal Audit Department
GAO Shutang (高樹堂) <i>(resigned on 24 June 2009)</i>	60	Chairman of the Supervisory Committee

3 Senior management

The senior management of the Company during the six months ended 30 June 2009 are as follows:

Name	Age	Position
LI Jiansheng (李建生)	55	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui (劉輝)	49	Vice President and Chief Engineer
MA Li (馬力)	51	Vice President
ZHOU Mengbo (周孟波)	44	Vice President
DAI Hegen (戴和根)	43	Vice President
DUAN Xiubin (段秀斌)	55	Vice President
YU Tengqun (于騰群)	39	Secretary to the Board and Joint Company Secretary
TAM Chun Chung (譚振忠)	36	Joint Company Secretary and Qualified Accountant

Directors, Supervisors and Senior Management *(continued)*

4 The engagement or dismissal of directors, supervisors and members of the senior management

Mr. Yao Guiqing was appointed as a shareholder representative supervisor of the Company at the annual general meeting of the Company held on 25 June 2009 and was elected as the Chairman of the Supervisory Committee at the ninth meeting of the first session of the Supervisory Committee held on 25 June 2009. His term of office shall expire upon the expiry of the term of the first session of the Supervisory Committee of the Company and his remuneration is subject to approval by the shareholders' general meeting of the Company. Mr. Gao Shutang has reached retirement age and has resigned from his positions as supervisor and Chairman of the Supervisory Committee of the Company with effect from 24 June 2009.

Save as disclosed above, there was neither engagement nor dismissal of new directors, supervisors and senior management during the six months ended 30 June 2009.

5 Changes in the personal information of directors and supervisors

Mr. Bai Zhongren, Executive Director of the Company, serves concurrently as the director and vice chairman of the board of directors of Lince Railway Co., Ltd. effective from June 2009; Mr. Gong Huazhang, Independent Non-executive Director of the Company, serves as the external director of Dongfang Electric Corporation effective from April 2009 and as the independent director of China Shenhua Energy Company Limited effective from June 2009; Mr. He Gong, Independent Non-executive Director of the Company, serves as the external director of Dongfang Electric Corporation effective from April 2009.

On 24 June 2009, the composition of special committees of the Board changed as follow: Mr. Wang Qiuming ceased to be a member of Audit Committee, Remuneration Committee and Nomination Committee, and was appointed as a member of Strategy Committee; Mr. Wang Taiwen was appointed as a member of Audit Committee; Mr. Bai Zhongren ceased to be a member of Strategy Committee and Remuneration Committee; Mr. Shi Dahua was appointed as the chairman of Nomination Committee in place of Mr. He Gong.

6 Human resources and emolument policy

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

In accordance with applicable regulations, the Group make 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 make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provide 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 annuities 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.



Directors, Supervisors and Senior Management *(continued)*

6 Human resources and emolument policy *(continued)*

The annual remuneration of executive and non-executive directors of the Company consists of a basic salary and a performance-linked bonus. The remuneration of independent non-executive directors is fixed and paid monthly. Remuneration of the directors is determined with reference to the prevailing market conditions.

As at 30 June 2009, the number of employees hired by the Group was 266,965. The following table sets forth a breakdown of the Group's employees by divisions as at 30 June 2009:

Division	Number of employees as at 30 June 2009
Production	135,756
Sales and Marketing	19,521
Engineering and Technology	83,702
Finance	12,543
Administration	15,443
Total	266,965

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 2009 to 30 June 2009.

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. For the six months ended 30 June 2009, the Group's revenue increased by 52.7% from the corresponding period of 2008 to RMB142.141 billion. The Group realized profit for the period of RMB3.222 billion, representing an increase of 45.9% over the same period of last year, of which the profit attributable to owners of the Company increased by 60.9% over the same period of last year to RMB3.087 billion. For the six months ended 30 June 2009, the basic earnings per share of the Company were RMB0.145. A comparison of the financial results for the six months ended 30 June 2009 and the corresponding period of 2008 is set forth below.

2 Consolidated results of operations

Revenue

The Group's total revenue increased by 52.7% to RMB142.141 billion for the six months ended 30 June 2009 from RMB93.088 billion in the corresponding period of 2008. The increase in the Group's revenue was primarily attributable to the encouraging business development in the first half of 2009 as a result of the seizing opportunities from the increase in domestic demand and investment in infrastructure construction of the PRC. In the first half of 2009, the value of new contracts entered into by the Group increased by 43.0% from the corresponding period of 2008 to RMB257.04 billion. At 30 June 2009, contract backlog increased by 25.2% to RMB526.967 billion compared with that at the end of 2008, among which, RMB501.304 billion is from infrastructure construction business, RMB7.536 billion is from survey, design and consulting services business and RMB6.478 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 amortisation expenses. For the six months ended 30 June 2009, our cost of sales increased by 55.4% to RMB133.125 billion from RMB85.646 billion for the first half of 2008. In the first half of 2009, gross profit of the Group increased by RMB1.574 billion or 21.2% to RMB9.016 billion from RMB7.442 billion for the corresponding period of 2008. The gross profit margin decreased from 8.0% for the first half of 2008 to 6.3% for the corresponding period of 2009 primarily due to the increase of investment in projects arising from the PRC's policy of increasing domestic demand and investment in infrastructure construction led to the increase in new projects for which the conditions for recognising gross profit cannot be fulfilled. Besides, the decrease in gross profit margin of the Group was also attributable to the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw material prices).

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government. For the six months ended 30 June 2009, the Group's other income decreased by 44.9% to RMB0.317 billion from RMB0.575 billion for the corresponding period of last year. The decrease of other income was due to the decrease in profits from sundry operations (sales of material) and relocation compensation from government.

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 available-for-sale financial assets, gains/losses on disposal of interests in subsidiaries and gains/losses on disposal of fixed assets. The other gains of RMB0.624 billion for the first half of 2009 (Six months ended 30 June 2008: other losses of RMB0.273 billion) included an exchange gain of RMB0.660 billion arising from the change in foreign exchange rate, which improved significantly from the exchange loss of RMB0.670 billion in the first half of 2008.



Management Discussion and Analysis *(continued)*

2 Consolidated results of operations *(continued)*

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 2009, the Group's selling and marketing expenses was RMB0.495 billion, which remained at a similar level compared to RMB0.497 billion for the same period of last year. Selling and marketing expenses as a percentage of total revenue was decreased to 0.3% in the first half of 2009 from 0.5% in the first half of 2008, demonstrating the noticeable results of the Group's efforts on cost control.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits, impairment in trade and other receivables and depreciation and amortisation of its assets related to administration. For the six months ended 30 June 2009, the Group's administrative expenses increased by 17.3% to RMB4.883 billion from RMB4.163 billion for the corresponding period of 2008. Administrative expenses as a percentage of total revenue decreased from 4.5% for the first half of 2008 to 3.4% for the corresponding period of 2009, which was primarily due to optimisation of the administrative costs through various measures such as streamlining the management hierarchy and enhancing control over administrative expenses.

Interest income

For the six months ended 30 June 2009, the interest income decreased by 22.7% to RMB0.508 billion from RMB0.657 billion for the corresponding period of 2008. The decrease of the interest income was primarily due to the decrease in deposit interest rate resulting in a decrease in the interest income from bank deposits.

Interest expenses

For the six months ended 30 June 2009, the interest expenses increased by 17.7% to RMB1.044 billion from RMB0.887 billion for the first half of 2008, primarily due to the increase in the amount of bank borrowings as a result of the increased working capital requirement with the Group's expansion of business scale.

Profit before taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2009 increased by RMB1.206 billion, or 42.2% to RMB4.065 billion from RMB2.859 billion for the corresponding period of 2008.

Income tax expense

For the six months ended 30 June 2009, the income tax expense increased by 29.5% to RMB0.843 billion from RMB0.651 billion for the corresponding period of 2008. The effective tax rate of the Group reduced to 20.7% for the first half of 2009 from 22.8% for the corresponding period of 2008 which was primarily attributable to the increase in non-taxable income and the preferential tax treatment entitled by certain subsidiaries of the Group during the first half of 2009.

Minority interests

For the six months ended 30 June 2009, the profit attributable to minority interests of the Group amounted to RMB0.135 billion, representing a decrease of 53.3% from RMB0.289 billion for the corresponding period of 2008. Such decrease was primarily due to the ongoing acquisition of minority interests by the Group in its subsidiaries.

Profit attributable to owners of the Company

As a result of the foregoing factors, the profit attributable to owners of the Company for the six months ended 30 June 2009 increased by 60.9% to RMB3.087 billion from RMB1.919 billion for the corresponding period of 2008. The profit margin of the profit attributable to owners of the Company for the first half of 2009 increased to 2.2% from 2.1% for the corresponding period of 2008.

Management Discussion and Analysis *(continued)*

3 Segment results

The revenue, results and operating profit margin of each segment of the Group's business for the six months ended 30 June 2009 are set forth in the table below.

Business segments	Segment revenue RMB million	Growth rate (%)	Operating profit ¹ RMB million	Growth rate (%)	Operating profit margin ² (%)	Segment revenue as a percentage of total (%)	Operating profit as a percentage of total (%)
Infrastructure Construction	127,992	50.7	2,937	33.6	2.3	88.6	75.8
Survey, Design and Consulting Services	3,066	62.5	323	35.1	10.5	2.1	8.3
Engineering Equipment and Component Manufacturing	5,097	42.9	292	79.1	5.7	3.5	7.5
Property Development	1,584	3.7	274	(45.1)	17.3	1.1	7.1
Other Businesses	6,691	(1.3)	49	(61.4)	0.7	4.7	1.3
Adjustment ³	(2,289)		(1)				
Total	142,141	52.7	3,874	22.1	2.7	100.0	100.0

1 Figures provided in this column are derived from segment results in respect of business segments.

2 Operating profit margin is the operating profit divided by the segment revenue.

3 Inter-segment transactions are eliminated.

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 2009, the revenue from the infrastructure construction business accounted for 88.6% of the total revenue of the Group. For the six months ended 30 June 2009, segment revenue of the infrastructure construction business was RMB127.992 billion, representing an increase of 50.7% over the same period of last year. Operating profit margin of the infrastructure construction segment decreased to 2.3% for the first half of 2009 from 2.6% for the first half of 2008, primarily due to the increase of investment in projects arising from the PRC's policy of increasing domestic demand and investment in infrastructure construction led to the increase in new projects for which the conditions for recognising gross profit cannot be fulfilled. Besides, the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw material prices) was another reason which caused the decrease in operating profit margin.

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, including integrated "one-stop" solutions as well as specialised services in the areas of railway electrification, bridge, tunnel and machinery design. In the first half of 2009, the vast investment in infrastructure construction and the commencement of various significant projects created a favourable opportunity for the development of survey, design and consulting services business. For the six months ended 30 June 2009, segment revenue of survey, design and consulting services business increased by 62.5% to RMB3.066 billion from RMB1.887 billion for the corresponding period of last year. Operating profit margin for the segment decreased to 10.5% as compared to 12.7% for the first half of 2008. This is mainly due to the increase in outsourcing projects resulted from significant increase in scale of survey and design services business, as well as the increase in proportion of compliance certification services business which has a lower 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. In the first half of 2009, the significant investment in railway construction and other infrastructure projects led to the continuous increase in market demand for engineering equipment of railway, bridge and other project constructions, especially large specialised equipments. For the six months ended 30 June 2009, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 42.9% to RMB5.097 billion from RMB3.566 billion for the corresponding period of 2008. Operating profit margin increased from 4.6% for the first half of 2008 to 5.7% for the corresponding period of 2009. This is mainly due to the decrease in operating expenses resulted from the Group's continuous enhancement in expense control.

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. By relying on the business platform of "China Railway Real Estate", the Group further consolidated its property resources in the first half of 2009. For the six months ended 30 June 2009, segment revenue from property development business increased by 3.7% to RMB1.584 billion from RMB1.528 billion for the corresponding period of 2008. Operating profit margin decreased from 32.7% for the first half of 2008 to 17.3% for corresponding period of 2009. Such decrease was mainly due to the fact that PRC's property market growth was dragged down by the macro economic conditions. As at 30 June 2009, the Group's gross site and construction area under development was 12.2175 million square metres and 17.8955 million square metres, respectively.

Other businesses

In the first half of 2009, the Group's mining businesses and BOT projects achieved certain positive development. Segment revenue from other businesses decreased by 1.3% from RMB6.780 billion for the first half of 2008 to RMB6.691 billion for the corresponding period of 2009. Operating profit margin decreased from 1.9% for the first half of 2008 to 0.7% for the same period of 2009. The decrease in operating profit margin was primarily due to the losses incurred by the BOT projects newly launched since late 2008 which are still in the early stage of operation.

4 Cash flow

For the six months ended 30 June 2009, the net cash generated from operating activities amounted to RMB5.331 billion, a noticeable improvement from the cash used in operating activities of RMB3.528 billion for the corresponding period of 2008. Such improvement in cash flow from operating activities was mainly due to the increase in profit to RMB3.222 billion for the six months ended 30 June 2009 from RMB2.208 billion for the same period of last year and the Group's continuous effort on enhancing management of trade receivables and inventories.

For the six months ended 30 June 2009, the net cash used in investing activities of the Group amounted to RMB7.060 billion, representing an increase of 4.1% as compared to RMB6.779 billion for the corresponding period of 2008. Such increase was mainly due to an increase in balance of restricted cash of RMB0.278 billion during the first half of 2009.

For the six months ended 30 June 2009, the net cash generated from financing activities of the Group amounted to RMB5.874 billion, representing an increase of 4.1% from RMB5.640 billion for the same period in 2008. The increase in net cash inflow from financing activities was primarily due to new bank borrowings and short-term debentures.

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 on the purchase of fixed assets, plant and equipment for the first half of 2009 was RMB4.969 billion, roughly the same level compared to RMB4.976 billion for the corresponding period of 2008.

Management Discussion and Analysis *(continued)*

4 Cash flow *(continued)*

Working capital

	At	
	30 June 2009 RMB million	31 December 2008 RMB million
Inventories	21,349	18,482
Cost of property development	22,320	19,948
Trade and bills receivables	44,262	50,685
Trade and bills payables	79,922	67,075
Turnover of inventory (days)	27	25
Turnover of trade and bills receivables (days)	61	73
Turnover of trade and bills payables (days)	101	105

As at 30 June 2009, the Group's inventories increased by 15.5% from RMB18.482 billion as at the end of 2008 to RMB21.349 billion, primarily due to the Group's increase in its purchase of raw materials along with its business expansion, resulting in a rise in raw materials inventory level. For the six months ended 30 June 2009, the Group's inventory turnover was 27 days, a similar level to 25 days in 2008.

The increase in cost of property development was mainly due to the continuous growth in the property development business as well as the increase in land reserves and unit development cost. As at 30 June 2009, the cost of property development increased by 11.9% to RMB22.320 billion from RMB19.948 billion as at 31 December 2008.

As at 30 June 2009, trade and bills receivables decreased by 12.7% from RMB50.685 billion as at the end of 2008 to RMB44.262 billion. The number of turnover days for the first half of 2009 was 61 days as compared to 73 days for 2008. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than six months and the trade and bills receivables of more than one year accounted for 24.3% (31 December 2008: 19.0%) of the total amount. The decrease in turnover days and ageing analysis reflected the sound receivables management capability of the Group.

Trade and bills receivables	At	
	30 June 2009 RMB million	31 December 2008 RMB million
Less than six months	23,650	26,621
Six months to one year	9,868	14,436
One year to two years	6,916	6,687
Two years to three years	2,812	2,217
More than three years	1,016	724
Total	44,262	50,685

Management Discussion and Analysis *(continued)*

4 Cash flow *(continued)*

Working capital *(continued)*

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 2009, the Group's trade and bills payables increased by 19.2% from RMB67.075 billion as at the end of 2008 to RMB79.922 billion. The number of turnover days for the first half of 2009 was 101 days which remained at the similar level as compared to 105 days for 2008. 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 11.6% (31 December 2008: 12.5%) of the total amount.

Trade and bills payables	At	
	30 June 2009 RMB million	31 December 2008 RMB million
Less than one year	70,635	58,670
One year to two years	6,413	6,403
Two years to three years	2,466	1,316
More than three years	408	686
Total	79,922	67,075

5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2009 and 31 December 2008. As at 30 June 2009, 65.6% (31 December 2008: 68.5%) of our borrowings were short-term borrowings which financed the Group's working capital. The Group is generally capable of making timely repayments.

	At	
	30 June 2009 RMB million	31 December 2008 RMB million
Bank loans:		
Secured	10,954	11,165
Unsecured	44,477	38,224
Short-term debentures, unsecured	55,431	49,389
Other short-term loans, secured	2,906	600
Other short-term loans, unsecured	520	42
Other long-term loans, unsecured	380	1,986
Other long-term loans, unsecured	848	1,406
Total	60,085	53,423
Long-term borrowings	20,676	16,829
Short-term borrowings	39,409	36,594
Total	60,085	53,423

Bank loans carry interest rates ranging from 2.6% to 9.2% (31 December 2008: 2.4% to 11.6%) per annum. Short-term debentures carry interest rates ranging from 1.7% to 2.7% (31 December 2008: 7.1%) per annum. Other short-term loans carry interest rates ranging from 1.5% to 7.5% (31 December 2008: 5.6% to 10.5%) per annum. Other long-term loans carry interest rates ranging from 0.8% to 13.0% (31 December 2008: 2.0% to 7.5%) per annum.

Management Discussion and Analysis *(continued)*

5 Borrowings *(continued)*

As at 30 June 2009 and 31 December 2008, the Group's bank loans comprised fixed-rate bank loans amounting to RMB3.043 billion and RMB1.142 billion and floating-rate bank loans amounting to RMB52.388 billion and RMB48.247 billion, respectively.

The following table sets forth the carrying amounts of the Group's bank loans by currencies as at 30 June 2009 and 31 December 2008. The Group's bank loans are primarily denominated in Renminbi and the Group's foreign currency bank loans are primarily denominated in U.S. dollar and Euro.

	Borrowings in U.S. dollar RMB million	Borrowings in Euro RMB million	Borrowings in other currencies RMB million
At 30 June 2009	879	263	25
At 31 December 2008	1,015	632	20

As at 30 June 2009, approximately RMB10.954 billion (31 December 2008: RMB11.165 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB15.313 billion (31 December 2008: RMB17.284 billion). As at 30 June 2009, the Group had unutilised credit facilities with an aggregate amount of approximately RMB168.726 billion (31 December 2008: RMB75.562 billion).

As at 30 June 2009, the Group's gearing ratio (total liabilities/total assets) was 77.2%, an increase of 1.4 percentage points as compared with 75.8% as at 31 December 2008. 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. As a result of the changes in the financial market during 2008, the efficiency and return rate of the funds can be increased through the utilisation of bank loans with a lower funding cost as the Group's working capital. During the past financial reporting periods, apart from applying the proceeds arising from the A-share offering and the global offering of the Company's shares to working capital, the Group primarily relied on operating income, bank loans and the issuance of debentures to finance the Group's working capital requirements. The Group will continue to rely on internally generated funds, and intends to utilise the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other convertible securities) and the Group's credit history with banks to secure financing for business development. The Group will continue to adjust its financing policies and centralise cash management to minimise financing costs and shorten liquidity turnover period, thereby utilising operating capital more efficiently. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in U.S. dollar, Australian dollar and Euro.

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:

	At	
	30 June 2009 RMB million	31 December 2008 RMB million
Pending lawsuits (Note)	861	315

Note: 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 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.

Management Discussion and Analysis *(continued)*

6 Contingent liabilities *(continued)*

In addition to the above, the Group has provided guarantees to banks in respect of banking facilities utilised 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.

	At 30 June 2009		At 31 December 2008	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilised by:				
Jointly controlled entities and associates	4,403	2009–2027	5,757	2009–2027
Other State-owned enterprises	948	2009–2011	926	2009–2011
Property purchasers	2,320	2009–2011	1,545	2009–2011
Investees of the Group	184	2009–2016	219	2009–2016
Other independent parties	—		220	2009
Total	7,855		8,667	

7 Business risks

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

Market risk

The Group's business largely depends on the investment by the PRC government in transportation and other infrastructure and is affected by the level of growth in the national and regional economies in the PRC and the general level of growth in the relevant industries. Increasingly significant competition in the markets and the fluctuation of raw material prices could adversely affect our business. Our overseas operations are subject to foreign economic and political uncertainties.

Operational risk

For the infrastructure construction business, our ability to obtain favorable prices is limited, our costs and scope of work might not be estimated or controlled accurately and we might not be able to engage labour subcontractors in construction work. Our property development business might be exposed to risks associated with the development, sales and quality of the properties.

Management risk

The Group's complicated organisational structure and incapability to completely control all the actions of its non-wholly owned subsidiaries could result in management risks.

Policy risk

Changes in the administration system of foreign exchange and PRC government policies of preferential taxation, and real estate industry could adversely impact on the Group.

Financial risk

Delay in payment by its customers could affect the Company's working capital and cash flow, and the Company's failure to obtain sufficient funding could affect the expansion plan and prospect of the Company.

Management Discussion and Analysis *(continued)*

7 Business risks *(continued)*

Investment risk

Investment risk is mainly associated with advance payments for projects, decrease of non-governmental investment in infrastructure construction projects resulting from changes in policies, and significant outlay of our working capital over extended periods.

Interest rate risk

The Group's revenue and operating cash flows are substantially independent of changes in market interest rates as we have no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at floating rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not have any interest rate hedging policy. However, the management continuously monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign exchange risk

The Group's functional currency is the Renminbi as most of its transactions are settled in Renminbi. However, the Group uses foreign currencies to settle its invoices from overseas operations, purchases of machinery and equipment from overseas suppliers and for certain expenses. In addition, some of the Group's bank borrowings and the proceeds raised through the public offering of H Shares at the end of 2007 were denominated in foreign currencies. The Renminbi is not freely convertible into other foreign currencies as it is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Fluctuations in foreign exchange currency rates could adversely affect the Group by effectively decreasing any revenues from the Group's sales which are denominated in foreign currencies and increasing the Group's borrowings which are denominated in foreign currencies. For the purpose of the proceeds raised through the public offering of H Shares, the Group mitigates the impacts caused by fluctuations in exchange rates by depositing such proceeds in multiple currencies. Meanwhile, the Group's application to convert part of the proceeds raised through the public offering of H Shares into Renminbi and remit such proceeds back to the PRC has been approved by the relevant authorities of the PRC. As at 30 June 2009, a total amount of USD866.72 million of the proceeds from the H Share offering of the Company was remitted to the PRC, of which USD600.00 million was converted and used. Save for the above arrangements, the Group currently does not have a foreign exchange hedging policy. However, the management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arises.

Significant Events

1 Corporate governance of the Company

During the reporting period, as a company dual-listed in Mainland China and Hong Kong, the Company continued to improve its corporate governance and disclosure transparency in strict compliance with the laws and regulations such as the Company Law, the Securities Law and the Corporate Governance Standards for Listed Companies, as well as the relevant regulations of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. In June 2009, the Company became a sample share of the SSE 180 Corporate Governance index on the SSE Corporate Governance Board. At present, the Company's corporate governance structure and internal control system are well established and its operations are adequately regulated. There are no significant issues or errors with respect to these areas.

1. Further enhance the relevant system of the Company's corporate governance. Pursuant to the "Decision on Amending Certain Provisions on Cash Dividends by Listed Company" issued by the China Securities Regulatory Commission (the "CSRC"), the amended "Stock Listing Rules of the Shanghai Stock Exchange" and "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd." and the corporate governance rectification requirements, the Company had made amendments to the relevant articles of its "Articles of Association" and made correlated amendments to 7 systems including the "Terms of Reference for Shareholders' Meeting" and the "Terms of Reference for Directors". Meanwhile, in accordance with relevant disclosure requirements regarding the 2008 annual report laid down by CSRC and the Shanghai Stock Exchange, the Group has further refined its "Annual Report Work Procedures of Independent Directors" and "Procedural Rules of the Audit Committee of the Board of Directors". The above amendments have provided further system support to the Company's compliance and scientific operations.
2. Consummate the final rectification work of the Company's corporate governance project. During the reporting period, the Company focused on implementing the Company's corporate governance project for 2008. Up to 25 June 2009, the date on which the general meeting 2008 was held, the rectification of the Company's corporate governance was basically completed. Through the rectification of corporate governance, the Company has improved the decision-making procedures regarding directors and supervisors remuneration, tightened the authorization mechanism of entrusting financial management of the Company and enhanced the information confidentiality among the three committees. In addition, the independence of audit work and the control and administration within the Company were also enhanced.
3. Further strengthen Internal Control System within the Company. The Group has been actively and consistently applying "The Basic Standard of Enterprise Internal Control" jointly promulgated by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission. During the first half of 2009, the Company has streamlined the overall internal control system, revised and re-issued 119 regulations, established a self-assessment system for internal control; this self-assessment is used to evaluate the effectiveness of the Company's internal control system. The Company has released the internal control self-assessment report for 2008.

2 Implementation of the profit distribution resolution during the reporting period

Pursuant to the relevant financial policies and the resolutions of the first interim general meeting in 2007, net profit generated from the date of asset valuation for the establishment of the Company (31 December 2006) to the date of establishment of the Company (12 September 2007) would be paid to China Railway Engineering Corporation, the Company's controlling shareholder, in the form of special dividend. The special dividend was calculated based on the data provided in the consolidated financial statements prepared in accordance with the Chinese Accounting Standard. Deloitte Touche Tohmatsu CPA Ltd has conducted a special audit on the consolidated income statement for the period from 1 January to 30 September 2007. The board determined and confirmed that the amount of the special dividend was RMB2,404.896 million based on the special audit and in accordance with the principles disclosed in the Prospectus dated 6 November 2007. According to the relevant laws, the special dividend will be declared when the Company has adequate accumulated profits. No profit distribution has been made during the report period.

Significant Events *(continued)*

3 Half year proposed profit distribution plan and reserves-to-equity transfer plan

The Company does not have any half year profit distribution plan and reserves-to-equity transfer plan.

4 Implementation of the cash dividend policy during the reporting period

During the reporting period, there are no profit distribution and payout of cash dividend.

5 Material litigation and arbitration

Progress of the material litigation (which had previously been disclosed by the Company in its 2008 Annual Report), in respect of the guarantee provided by China Railway Construction Group Co., Ltd. ("China Railway Construction") for the loan of RMB220 million of Shenzhen Wanghai Yikang Industry Development Co., Ltd. ("Wanghai Yikang") lent by Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch during the reporting period is as follows:

On 19 January 2009, China Railway Construction entered into a written agreement with Shenzhen Lvgem Co., Ltd. ("Lvgem Group"), Shenzhen Lvgem Estate Development Co., Ltd. ("Lvgem Estate Development"), Shenzhen Jinshunlai Investment Co., Ltd. ("Shenzhen Jinshunlai"), Wanghai Yikang and Wanghai Yikang Restructuring Office relating to the release of China Railway Construction from its guarantee responsibility or the replacement of the guarantor, and the counter-guarantee. The parties to the agreement agreed to replace the guarantee provided by China Railway Construction for the loan of RMB220 million of Wanghai Yikang lent by Shenzhen Development Bank, by pre-selling the properties of the Zhong Cheng Tian Yi project owned by Lvgem Estate Development to Shenzhen Development Bank or by other manner, and Shenzhen Bao'an Sub-branch shall issue the letter of release from the guarantee responsibility to China Railway Construction. Shenzhen Lvgem Group, Lvgem Estate Development and Shenzhen Jinshunlai had undertaken joint liabilities to provide counter-guarantee to China Railway Construction until the guarantee responsibility of China Railway Construction has been released. If China Railway Construction discharges its guarantee responsibility to Shenzhen Bao'an Sub-branch, China Railway Construction shall be entitled to claim for the full amount so discharged from any of the three counterparties to the aforementioned agreement.

On 20 February 2009, Shenzhen Bao'an Sub-branch has delivered the Letter of Release of Guarantee to China Railway Construction regarding such guarantee and the main contents are as follows: Shenzhen Bao'an Sub-branch has released China Railway Construction from its joint and several liabilities in respect of its guarantee for the aforementioned loan and China Railway Construction shall cease to undertake the guarantee responsibility affirmed in the Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35 issued by Guangdong Provincial High People's Court and the Written Order (2008) Min Yi Zhong Zi No. 89 issued by the Supreme People's Court, with effect from 20 February 2009. And such release is unconditional and irrevocable.

As a result, the responsibility of China Railway Construction under the guarantee provided for the loan of RMB220 million of Wanghai Yikang to Shenzhen Bao'an Sub-branch had been released and the litigation was concluded.

Significant Events *(continued)*

6 Shares issued by other listed companies and financial institutions held by the company

Securities investments

No.	Types of securities	Stock code	Simplified stock name	Amount of Initial investment (RMB)	Number of securities held (share)	Carrying value at the end of the period (RMB)	Percentage of securities investment at the end of the period (%)	Gain/loss in the reporting period (RMB)
1	Stock	0368.HK	Sinotrans Ship	104,853,458.01	14,535,000.00	43,325,756.49	78.61	18,073,762.32
2	Stock	600100	Tsinghua Tongfang	25,600,000.00	247,000.00	3,887,780.00	7.05	1,435,070.00
3	Stock	000050	Shenzhen Tianma (A)	1,724,414.75	466,200.00	2,410,254.00	4.37	979,020.00
4	Stock	000936	H.X.C.	1,524,000.00	300,000.00	2,055,000.00	3.73	531,000.00
5	Stock	601186	CRCC	653,760.00	72,000.00	740,880.00	1.34	18,000.00
6	Stock	601601	CPIC	420,000.00	14,000.00	313,320.00	0.57	157,640.00
7	Stock	601398	Industrial and Commercial Bank of China	267,992.01	50,000.00	271,000.00	0.49	102,250.00
8	Stock	601099	Pacific Securities	628,800.00	15,000.00	262,350.00	0.48	69,300.00
9	Stock	600050	China Unicom	242,777.70	35,000.00	240,100.00	0.44	64,050.00
10	Stock	600202	Harbin Air Conditioning	129,399.74	15,600.00	220,740.00	0.40	90,220.00
Other securities investments held at the end of the period				48,715,499.00	/	1,386,380.50	2.52	330,080.50
Gains/losses on disposal of securities investments in the reporting period				/	/	/		0.00
Total				184,760,101.21	/	55,113,560.99	100.00	21,850,392.82

Shares issued by other listed companies held by the Company

No.	Stock code	Simplified stock name	Amount of Initial investment (RMB)	Percentage of interests in the investee company (%)	Carrying value as at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
1	000050	Shenzhen Tianma (A)	299,197,106.70	4.74	140,842,432.50	0.00	57,208,725.00	Available-for-sale financial assets	Purchase from market
2	600978	Yihua Timber	72,600,000.00	1.72	70,339,500.00	0.00	33,016,500.00	Available-for-sale financial assets	Purchase from market
3	600100	Tsinghua Tongfang	185,600,000.00	1.06	162,565,000.00	0.00	60,424,000.00	Available-for-sale financial assets	Purchase from market
4	000518	Sihuan Bioengineering	5,000,000.00	0.83	33,954,525.00	0.00	15,348,131.25	Available-for-sale financial assets	Purchase from market
5	601601	CPIC	7,644,000.00	0.78	134,280,000.00	1,800,000.00	67,560,000.00	Available-for-sale financial assets	Purchase from market
6	601328	Bank of Communications	62,783,015.40	0.12	323,785,189.03	2,460,287.00	133,860,296.39	Available-for-sale financial assets	Purchase from market
Total			632,824,122.10	/	865,766,646.53	4,260,287.00	367,417,652.64	/	/

Significant Events *(continued)*

6 Shares issued by other listed companies and financial institutions held by the company *(continued)*

Shares issued by non-listed financial institutions held by the Company

No.	Name of institution	Amount of Initial investment (RMB)	Number of shares held (share)	Percentage of interests in the investee company (%)	Carrying value as at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
1	China Railway Trust Co., Ltd.	1,156,046,706.00	/	92.70	1,156,046,706.00	83,958,240.00	0.00	Long-term equity investment	Merger and acquisition
2	China Railway Hezhong Pawnbroking Co., Ltd.	58,000,000.00	58,000,000.00	58.00	58,000,000.00	12,688,859.00	0.00	Long-term equity investment	Establishment
3	China Golden Valley International Trust & Investment Co., Ltd.	15,067,000.00	17,500,000.00	1.67	15,067,000.00	0.00	0.00	Long-term equity investment	Establishment
4	Western Trust & Investment Co., Ltd.	9,094,630.00	/	1.39	9,094,630.00	0.00	0.00	Long-term equity investment	Purchase
5	Western Securities Co., Ltd.	10,000,000.00	10,000,000.00	1.00	10,000,000.00	0.00	0.00	Long-term equity investment	Purchase
6	Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000.00	0.82	96,457,687.00	0.00	0.00	Long-term equity investment	Purchase
7	Bank of Chengdu Company Limited	3,002,000.00	3,731,600.00	0.11	3,002,000.00	0.00	0.00	Long-term equity investment	Purchase
Total		1,353,210,336.00	106,231,600.00	/	1,347,668,023.00	96,647,099.00	0.00	/	/

7 Asset transactions

Acquisition of assets

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

Disposal of assets

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

Asset swap

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

Merger and acquisition

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

Significant Events *(continued)*

8 Significant related party transactions of the company during the reporting period

Related party transactions in the ordinary course of business

Details of the sales and purchases of goods between the Company and related parties are as follows:

	Cumulative amount of the year RMB'000	Cumulative amount of last year RMB'000
Sales		
Lince Railway Co., Ltd.	51,976	109,567
Chengdu Huaxindazu Property Development Co., Ltd.	33,620	—
CNTT Chinese New Turnout Technologies Co., Ltd.	596	792
Shanghai China Railway Shanqiao Railway Equipment Manufacturing Company Limited	244	—
Chengdu Longquanyi District Land Recondition Co., Ltd.	46	—
Yunnan Fuyan Expressway Co., Ltd.	—	179,805
Chongqing Dianzhong Expressway Co., Ltd.	—	30,904
Total	86,482	321,068
Purchases		
The Third Railway Survey and Design Institute Group Corporation	50,613	—
Jiangsu Zhongtai Steel Structure Co., Ltd.	1,523	—
BWG Gesellschaft mbH & Co KG	—	4,062
Total	52,136	4,062
Integrated Services Received		
China Railway Hongda Asset Management Center	35,553	44,706
Payment of Property Rental		
China Railway Hongda Asset Management Center	14,640	8,420
Interest Income		
La Sino-Congolaise de Mines	—	4,884

Significant Events *(continued)*

8 Significant related party transactions of the company during the reporting period *(continued)*

Related party transactions regarding acquisition and disposal of assets

During the reporting period, there was no related party transaction regarding acquisition and disposal of assets.

Related party balances of non-operation nature

During the reporting period, there was no related party balances of non-operation nature.

Other significant related party transactions

(1) *Provision of guarantee*

	At the end of the period RMB'000	At the beginning of the period RMB'000
Yunnan Fuyan Expressway Co., Ltd.	5,296,000	5,296,000
Lince Railway Co., Ltd.	783,000	341,360
Huludao Binhai New District Investment Co., Ltd.	120,000	120,000
Total	6,199,000	5,757,360

(2) *Remuneration of key management personnel*

	Cumulative amount of the year RMB'000	Cumulative amount of last year RMB'000
Remuneration of key management personnel	1,511	2,369

9 Material contracts and their performance

Trusteeship, contracting and leasing

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

Guarantee

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	External guarantees provided by the Company (excluding guarantees provided to subsidiaries)				Overdue amount	Overdue?	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
			Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee					
China Railway	The same entity	Lince Railway Co., Ltd.	78,300.00	2008-08-01	2008-08-01	2024-06-20	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	10,000.00	2007-04-06	2007-04-06	2009-10-05	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	2,000.00	2007-04-01	2007-04-01	2009-09-30	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	17,000.00	2004-12-24	2004-12-24	2016-12-23	No	No	No		
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	349,600.00	2007-04-05	2007-04-05	2011-04-05	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	100,000.00	2007-08-30	2007-08-30	2022-08-30	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	80,000.00	2007-12-20	2007-12-20	2022-12-20	No	No	Yes	Associate	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	11,494.00	2007-12-28	2007-12-28	2010-12-28	No	No	No		
China Railway NO.2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	25,839.40	2008-06-27	2008-06-27	2011-06-27	No	No	No		
Daxian Property Development Co., Ltd.	Non-wholly-owned subsidiary	Property owners of Longjun project	6,575.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No		

9 Material contracts and their performance (continued)

Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	External guarantees provided by the Company (excluding guarantees provided to subsidiaries)				Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
		Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Release date of bank mortgage	Expiry date of guarantee				
New Sichuan-Tibet Road & Bridge Company	Non-wholly-owned subsidiary	17,678.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
Hongyuan Property Development Co., Ltd.	Non-wholly-owned subsidiary	15,049.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 4 Engineering	Wholly-owned subsidiary	5,233.24	2004-02-03	2004-02-03	2 years after completion of project	No	No	No	
China Railway NO. 4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	302.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	368.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 5 Engineering Company	Wholly-owned subsidiary	1,637.78	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 5 Engineering Company	Wholly-owned subsidiary	1,600.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 5 Engineering Tianwei	Wholly-owned subsidiary	1,938.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	No	No	No	
China Railway NO. 7 Engineering	Wholly-owned subsidiary	434.00	2006-04-19	2006-04-19	Completion of project	No	No	No	

Significant Events *(continued)*

9 Material contracts and their performance *(continued)*

Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

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 parties?	Related party relationship
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,141.00	2006-08-10	2006-08-10	Completion of project	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway "Shuanglongwan" project	17,502.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway "Xizi Xianghe" project	23,928.97	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway "Dragon City" project	5,058.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway "Longjun" project	2,975.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of Ruijing Mingcheng" project	11,736.80	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	No	
China Railway NO. 10 Engineering	Wholly-owned subsidiary	Property owners of Ji'nan "Huayang Nianhua" project	1,509.33	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO. 10 Engineering	Wholly-owned subsidiary	Property owners of Zibo "Donghai Chundeheng" project	2,470.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	139.85	2006-12-29	2006-12-29	2010-09-09	Suretyship of joint and several liability	No	No	—	No	No	

9 Material contracts and their performance (continued)

Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Relationship between guarantor and listed company		External guarantees provided by the Company (excluding guarantees provided to subsidiaries)									
Guarantor	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 parties?	Related party relationship
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	30.00	2007-08-06	2007-08-06	Open	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	61.10	2007-10-31	2007-10-31	2008-07-30*	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	480.00	2007-11-09	2007-11-09	2008-05-31*	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	536.00	2007-12-17	2007-12-17	Open	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	57.50	2008-01-24	2008-01-24	2008-04-25*	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China Railway Wuhan Bridge Industries Limited	79.57	2009-04-29	2009-04-29	2009-08-20	Suretyship of joint and several liability	No	—	No	No	No
China Railway Major Bridge Engineering Major Bridge	China SFECO Group	22,559.13	2006-06-30	2006-06-30	2011-12-29	Suretyship of joint and several liability	No	—	No	No	No
China Railway Tunnel	China SFECO Group	13,535.48	2007-01-01	2007-01-01	2011-12-30	Suretyship of joint and several liability	No	—	No	No	No
China Railway Tunnel	China Railway 15th Construction Bureau	7,674.00	2003-10	2003-10	2004-10 [▽]	Suretyship of joint and several liability	Yes	7,674.00	No	No	No
China Railway Construction	Property owners of Be'ian Gongguan in Lanzhou project	2,515.00	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 Electrification Engineering Jingku Property Company	Property owners of Lixiangjia project	4,439.00	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

9 Material contracts and their performance (continued)

Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Release date of bank mortgage	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway Electrification Engineering Jingou Property Company	Wholly-owned subsidiary	Property owners of Shengshi Chang'an project	26,294.00	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
Shenzhen China Railway Noble Investment Co., Ltd.	Non-wholly-owned subsidiary	Property owners of Noble Holiday Garden	105,072.00	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 Property	Wholly-owned subsidiary	Property owners of southern square of the Beijing West Railway Station	349.00	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)												
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												
Guarantee provided by the Company to its subsidiaries												
Total guarantee to subsidiaries incurred during the reporting period												
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)												
Aggregate guarantee of the Company (including those provided to subsidiaries)												
Aggregate guarantee of the Company (including those provided to subsidiaries)												
Percentage of aggregate guarantee to net assets of the Company (%)												
Representing:												
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)												
Amount of debits guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)												
Excess amount of aggregate guarantee over 50% of net assets (E)												
Aggregate amount of the above three categories (C+D+E)												
Statement on the contingent joint and several liability in connection with unexpired guarantee												
Statement on guarantee: The expiry date of the guarantee marked with * is the prescribed date in the bank's letter of guarantee. However, since the projects guaranteed were not completed as scheduled, the guarantees whereof shall remain valid until the completion of such projects. The guarantee marked with ∇ refers to the counter guarantee provided by China Railway Tunnel to China Railway 15th Construction Bureau which has expired. However, the information about the guarantee still exists in the bank credit registration system as China Railway 15th Construction Bureau has failed to return the letter of guarantee.												
												83,844.25
												975,193.45
												54,318.12
												521,312.08
												1,496,505.53
												24.53
												595,250
												485,759.84
												1,081,009.84

Significant Events *(continued)*

9 Material contracts and their performance *(continued)*

Financial trust management

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

Other material contracts

(A) Material contracts executed before the reporting period but remained effective during the reporting period

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-09-03	2,187,104.00	1,979 days
2	China Railway NO. 3 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008-01-31	1,131,577.00	60 months
3	China Railway NO. 1 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008-01-31	1,064,927.00	60 months
Highway						
4	China Railway NO. 1 Engineering	Tianjin Binhai New Area Urban Infrastructure Construction Investment Co. Ltd	Section 2 of Phase II Tianjin Jishugang Highway	2008-11-05	119,092.00	2008-10-30~ 2010-08-30
5	China Railway NO. 1 Engineering	Jilin Highway Group Co., Ltd.	Section 24 of Hunchun Wulanhaote Highway	2008-08-06	114,827.00	2008-08-06~ 2010-09-21
Municipal Works						
6	China Railway	Shenzhen Metro Co., Ltd.	BT Project and related engineering contract A of Shenzhen Metro Line 5	2008-09	950,000.00	43 months
7	China Railway Electrification Engineering	Nanjing Metro Co., Ltd.	PPP Investment Projects of Nanjing Subway South Extended Line	2007-04-29	142,000.00	2007-07-01~ 2009-12-31
8	China Railway Tunnel	Wuhan Metro Group Co., Ltd.	Construction of Section 12 of Wuhan Metro Line 2 (Phase 1)	2008-05-12	110,027.00	2008-05-20~ 2010-10-30

(2) Survey, Design and Consulting Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Contract period
1	China Railway Eryuan Engineering	Yuli Railway Co., Ltd	Survey and Design of the New Chongqing-Lichuan Railway	2008-12-28	49,032.00	2006-01-01~ 2013-12-31
2	China Railway Eryuan Engineering	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	Agreement on Construction Works (Survey and Design) between Shaoguan (not inclusive) and Huadu (not inclusive) for the Wuhua Section of the New Wuhan-Guangzhou Passenger Railway (with supplemental agreement)	2005-12-28	33,805.00	2003-09-01~ 2009-12-31
3	China Railway Eryuan Engineering	State Railway Autonomous Institute of Venezuela	Survey and Design of Venezuela's State Railway Network Project (LA ENCRUCIJADA-CUA Section)	2008-10-31	26,302.00	2008-10-31~ 2009-11-30
4	China Railway Eryuan Engineering	Southeast Coast Railway Fujian Co., Ltd.	Construction Works (Survey and Design) of the New Fuzhou-Xiamen Railway Line	2006-11-18	25,003.00	2005-09-30~ 2009-12-31
5	China Railway Eryuan Engineering	Hainan Donghuan Railway Co., Ltd.	Construction Works (Survey and Design) of the New Hainan Donghuan Railway and Supporting Facilities	2007-07-28	24,521.00	2007-09-28~ 2011-09-30

Significant Events *(continued)*

9 Material contracts and their performance *(continued)*

Other material contracts *(continued)*

(A) *Material contracts executed before the reporting period but remained effective during the reporting period (continued)*

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Shanhaiguan Bridge	Ningbo Tongtu Company	Construction Contract of Ningbo Mingzhou Bridge	2008-05-21	49,677.00	Till 2010-09
2	China Railway Shanhaiguan Bridge	Shandong High-Speed Qingdao Expressway Co., Ltd	Contract of Processing and Manufacturing of Phase I of Steel Box Girder for Qingdao Bay Bridge	2008-07-03	32,952.00	Till 2010-06
3	China Railway Turnout & Bridge	Zhengzhou-Xi'an Passenger Railway Line Co., Ltd.	Zhengxi Passenger Railway Turnout	2008-07-14	52,794.00	Till 2009-07
4	China Railway Turnout & Bridge	Southeast Coast Railway Fujian Co., Ltd.	Wenfu Railway Turnout	2008-07-06	20,865.00	Till 3rd quarter of 2009
5	China Railway Shanhaiguan Bridge	China Railway United International Containers Co., Ltd	Rail-mounted Gantry Crane for 40-ton Container	2008-06-06	13,535.00	To be completed in 2010-02 under the contract
6	China Railway Turnout & Bridge	Shanghai Maglev Transportation Development Co., Ltd.	Development of Shanghai Maglev Turnout and related services	2008-12-25	3,114.69	Till 2010-05-31

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)	Total investment amount (RMB'0,000)
1	Bridge Living Capital	Wuhan City, Hubei Province	Residential	105.54	495,618.00
2	Qingdao International Trade Centre	Qingdao City, Shandong Province	Complex	33.47	418,870.00
3	Xi'an China Railway Changfeng	Xi'an City, Shaanxi Province	Residential	62.70	289,000.00
4	Shujun	Chengdu City, Sichuan Province	Residential	32.69	170,000.00
5	China Railway Ruicheng, Xinjie	Chengdu City, Sichuan Province	Residential	35.13	158,590.00

(5) Other Businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period (month)	Operation (repurchase) term (year)
1	China Railway	Guangxi Department of Communications	Contract of Build-Operate-Transfer Project of the Guangxi Cenxi-Xingye Expressway Project	2005-08-26	516,361.00	36	28
2	China Railway NO. 2 Engineering	Yulin Bureau of Communications	BOT Project of Yulin (Shanxi)-Shenmu Expressway	2007-10-29	517,000.00	36	30

Significant Events *(continued)*

9 Material contracts and their performance *(continued)*

Other material contracts *(continued)*

(B) Material contracts signed during the reporting period

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway NO. 3 Engineering	Hangyong Railway Passenger-line Co., Ltd.	Master Construction Contract of Civil Works for Section HYZQ-1 of the New Hangzhou-Ningbo Passenger Railway Line	2009-03-31	620,160.00	34 months
2	China Railway Tunnel	Lanyu Railway Co., Ltd.	Master Construction Contract of Civil Works for Section LYS-3 of the New Lanzhou-Chongqing Railway (Xiaguanying to Guangyuan section)	2009-02-18	533,061.00	67 months
3	China Railway NO. 4 Engineering	Ninghang Railway Co., Ltd.	Master Construction Contract of Civil Construction Phase NHZQ-1 and related construction works of the New Nanjing-Hangzhou Passenger Railway Line	2009-03-24	454,722.00	33.6 months
4	China Railway NO. 9 Engineering	Preparatory Team of Jingshen Railway Passenger-line (Liaoning) Company	Master Construction Contract of Civil Works of Section PYTJ-1 of the New Panjin-Yingkou Passenger Railway Line	2009-06-29	443,964.00	36 months
Highway						
5	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Contract of Guangshen Coastal Expressway (Shenzhen Section) Project 2nd contracted section	2009-03-20	185,165.2551	28 months
6	China Railway Major Bridge Engineering	Zhejiang Jiashao Cross-river Bridge Development Co., Ltd.	Civil construction works contract for the Jiaxing-Shaoxing Bridge of the Jiaxing-Shaoxing River-Crossing Channel (Contract section V)	2009-04-07	61,715.6672	21 months
Municipal Works						
7	China Railway Construction	Qingdao Zhongjin Yuneng Property Co., Ltd.	Construction of Qingdao International Trade Centre	2009-06-22	156,613.00	2009-06-11~2012-05-31
8	China Railway Electrification Engineering	Beijing Dongzhimen Airport Express Rail Co., Ltd.	Master Construction Contract for Line 15 of Beijing Subway System	2009-04	136,033.00	2009-09-01~2011-12-27

(2) Survey, Design and Consulting Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Contract period
1	China Railway Engineering Consulting	Preparatory Team of Nanguang Railway Company	Survey and design of the Guiping-Zhaoqing section of the new Nanning-Guangzhou railway	2009-02-19	39,300.00	2009-02~ completion of works
2	China Railway Eryuan Engineering	Preparatory Team of Nanguang Railway Company	Survey and design of the Litangxi-Guiping section of the new Nanning-Guangzhou railway	2009-02-18	18,200.00	2007-12-01~2009-12-31
3	China Railway Eryuan Engineering	Diannan Railway Co., Ltd.	Survey and design of the new Mengzi-Hekou railway for the Yunnan International Railway Gateway	2009-04-23	17,500.00	2007-04-03~2009-09-30
4	China Railway Eryuan Engineering	National Electric Dadu River Region Development Co., Ltd.	EPC works contract for the impact of flood-discharge pulverization of Pubugou Hydropower Station on Chengkun Railway	2009-06-01	9,460.00	2009-06-01~ completion of works
5	China Railway Engineering Consulting	Sichuan Chenganyu Highway Co., Ltd.	Survey and design of Sichuan section of the Chenganyu Highway	2009-06	8,199.00	2009-06~ completion of works
6	China Railway Engineering Consulting	Inner Mongolia Xier Railway Co., Ltd.	Survey and design of the new Xilinhaote-Erlanhaote railway construction works	2009-03-02	7,750.00	2009-03~ completion of works

Significant Events *(continued)*

9 Material contracts and their performance *(continued)*

Other material contracts *(continued)*

(B) Material contracts signed during the reporting period (continued)

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Shanhaiguan Bridge	Highways Administration Bureau of the Liaoning Provincial Communications Department	Manufacture and installation of steel box girders and steel anchor beams for Liaohe large bridge in Liaoning Provincial Coastal Highway	2009-02-18	24,917.70	Till 2010-12
2	China Railway Turnout & Bridge	Headquarter of the Zhoushan Island and Continent Linkage Project of Zhejiang Province	Manufacture and installation of steel railings and wind barriers of Jintang Bridge of the Zhoushan Island and Continent Linkage Project	2009-01-15	11,120.13	Till 2009-09-15
3	China Railway Shanhaiguan Bridge	Coastal Railway Company	Purchasing contract of turnouts for the Ningbo-Taizhou-Wenzhou Coastal Railway project	2009-03-17	31,925.00	Till 2009-06
4	China Railway Shanhaiguan Bridge	Wuguang Passenger-line Company	Purchasing contract of railway turnouts for the Wuhan-GuangZhou High Speed Rail Line	2009-01-12	16,383.00	Till 2009-12
5	China Railway Science & Industry Group Corp.	China Railway NO. 2 Engineering	450 tonne box girder span equipment	2009-03-10	3,796.00	Till 2009-07-10
6	China Railway Science & Industry Group Corp.	China Railway NO. 10 Engineering	900 tonne box girder span equipment	2009-04-16	2,748.00	Till 2009-08-25

(4) Property Development Business

No.	Project name	Project location	Project type	Planned area ('0,000 sq.m.)
1	Wuliang Village	Pixian, Chengdu	Residential, commercial	To be planned
2	China Railway — Ruijing Lanting	Wenjiang, Sichuan	Residential, commercial	13.01
3	China Railway Real Estate — Shiji Shanshui	Shishou, Hubei	Residential, commercial	60.00
4	A commercial project on a parcel of land located at #5 of Shanghai Shibe Industrial Park	Shanghai	Office premises	19.02
5	China Railway Real Estate Daoyi Renjie Lake Project (Provisional)	Daoyi, Shen Bei New District, Shenyang	Residential, commercial	To be planned

Significant Events *(continued)*

10 Performance status of the undertakings

Undertakings by the company or shareholders with more than 5% of the company's shares and their ultimate controller given or subsisting during the reporting period and their performance

Undertaking	Details of undertaking	Performance status
Undertaking made by CRECG upon the issuance of shares	<ol style="list-style-type: none">1. CRECG will not transfer or engage others to manage the A Shares of China Railway held by it within 36 months from the listing of A shares of China Railway on the Shanghai Stock Exchange. Once the period of the undertaking expires, the aforesaid shares may be traded and transferred in the market. However, if the H Shares of China Railway are successfully issued, the conversion of the Company's shares held by CRECG into H Shares for placing or for trading in the market after undergoing the relevant procedures will not be subjected to the lock-up period mentioned above.2. 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 pre-emptive 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.

As at the date of this interim report, there are no unfulfilled performance undertakings.

As at the date of this interim report, there are no unfulfilled capital injection or asset consolidation undertakings.

11 Penalty and rectification order against listed company and its directors, supervisors, senior management, the company's shareholders and ultimate controller

During the Reporting Period, the Company and its directors, supervisors, senior management and the Company's shareholders and ultimate controller were not subject to any penalty and rectification order.



Significant Events *(continued)*

12 Other material events and explanation for their impact and solutions

During the reporting period, there were no other material events.

13 Implementation of share incentive scheme of the company and its effects

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

14 Compliance with the code on corporate governance practices

For the six months ended 30 June 2009, the Company has complied with all code provisions stipulated in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

15 Review of interim financial report

The 2009 interim financial report of the Company prepared in accordance with Chinese Accounting Standard and International Financial Reporting Standard has not been audited. The 2009 interim financial report has been reviewed by the Audit Committee of the board of directors of the Company.

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	PPP	“Private Build-Public Lease-Private Operate” Mode
7	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
8	Open	the expiry date of a guarantee agreement is a time limit on or upon which certain conditions of the related project have been satisfied, rather than a specified date
9	Upstream, Middle-stream and Downstream	the three business segments in the industry value chain of construction industry as divided by business process. The upstream business primary consists of project consulting and design business, project development business and project construction management business; the middle-stream business mainly refers to the construction work of projects; the downstream business primarily includes the operation, management and maintenance of various infrastructure facilities

Company Information

Directors

Executive directors

SHI Dahua (*Chairman*)
LI Changjin
BAI Zhongren

Non-executive director

WANG Qiuming

Independent non-executive directors

HE Gong
ZHANG Qinglin
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

YAO Guiqing (*Chairman*)
JI Zihua
ZHANG Xixue
ZHOU Yuqing
LIN Longbiao

Joint company secretaries

YU Tengqun
TAM Chun Chung, *CPA, FCCA*

Qualified accountant

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

ZHANG Qinglin (*Chairman*)
HE Gong
SUN Patrick

Strategy committee

SHI Dahua (*Chairman*)
LI Changjin
WANG Qiuming
GONG Huazhang
WANG Taiwen

Nomination committee

SHI Dahua (*Chairman*)
LI Changjin
HE Gong
ZHANG Qinglin
WANG Taiwen

Safety, health and environmental protection committee

LI Changjin (*Chairman*)
BAI Zhongren
HE Gong
ZHANG Qinglin
WANG Taiwen

Company Information *(continued)*

Registered office

No. 1, Xinghuo Road
Fengtai District
Beijing 100070
PRC

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 Auditor

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

International Auditor

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

Legal advisors

For PRC Law

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

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares registrars

A Shares

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

H Shares

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, 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

China Development Bank
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>

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 RMB million (unaudited)	2008 RMB million (unaudited, restated)
Revenue	3	142,141	93,088
Cost of sales		(133,125)	(85,646)
Gross profit		9,016	7,442
Other income	4	317	575
Other gains and losses	5	624	(273)
Selling and marketing expenses		(495)	(497)
Administrative expenses		(4,883)	(4,163)
Interest income	6	508	657
Interest expenses	6	(1,044)	(887)
Share of losses of jointly controlled entities		(2)	(7)
Share of profits of associates		24	12
Profit before taxation		4,065	2,859
Income tax expense	7	(843)	(651)
Profit for the period	8	3,222	2,208
Attributable to:			
Owners of the Company		3,087	1,919
Minority interests		135	289
		3,222	2,208
Earnings per share (Basic)	10	RMB0.145	RMB0.090

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 RMB million (unaudited)	2008 RMB million (unaudited, restated)
Profit for the period	8	3,222	2,208
Exchange differences arising on translation of foreign operations		(4)	9
Change in fair value of available-for-sale financial assets, net of deferred tax		318	(860)
Others		1	3
Other comprehensive income for the period (net of tax)		315	(848)
Total comprehensive income for the period		3,537	1,360
Attributable to:			
Owners of the Company		3,357	1,245
Minority interests		180	115
		3,537	1,360

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	At 30 June 2009 RMB million (unaudited)	At 31 December 2008 RMB million (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	25,053	22,685
Deposit for acquisition of property, plant and equipment		1,597	1,328
Lease prepayments		6,216	6,314
Deposit for land use rights		87	66
Deposit for investment		—	130
Investment properties		1,568	1,372
Intangible assets	12	15,309	13,669
Mining assets		1,342	1,333
Interests in jointly controlled entities		742	741
Interests in associates		3,679	3,539
Goodwill		836	836
Available-for-sale financial assets		4,887	3,929
Other loans and receivables		884	914
Deferred income tax assets		2,273	2,554
Other prepayments		40	26
Other receivables	15	614	79
		65,127	59,515
Current assets			
Lease prepayments		108	108
Properties held for sale	13	1,977	1,952
Properties under development for sale	13	20,343	17,996
Inventories	14	21,349	18,482
Trade and other receivables	15	80,782	78,260
Amounts due from customers for contract work	16	36,630	25,197
Other loans and receivables		949	892
Held-for-trading financial assets		101	141
Restricted cash		2,808	2,530
Cash and cash equivalents	17	51,651	46,846
		216,698	192,404
Total assets		281,825	251,919

Condensed Consolidated Statement of Financial Position *(continued)*

At 30 June 2009

	Notes	At 30 June 2009 RMB million (unaudited)	At 31 December 2008 RMB million (audited)
EQUITY			
Equity attributable to owners of the Company		59,352	55,995
Minority interests		4,988	4,929
Total equity		64,340	60,924
LIABILITIES			
Non-current liabilities			
Other payables	18	1,158	366
Borrowings	19	20,676	16,829
Obligations under finance lease		394	266
Financial guarantee contracts		35	35
Retirement and other supplemental benefit obligations		6,421	7,368
Provisions		48	47
Deferred income government grant		157	138
Deferred income tax liabilities		453	398
		29,342	25,447
Current liabilities			
Trade and other payables	18	136,756	111,270
Amounts due to customers for contract work	16	10,194	15,509
Current income tax liabilities		583	870
Borrowings	19	39,409	36,594
Obligations under finance lease		258	220
Financial guarantee contracts		1	2
Retirement and other supplemental benefit obligations		856	1,003
Held-for-trading financial liabilities		86	80
		188,143	165,548
Total liabilities		217,485	190,995
Total equity and liabilities		281,825	251,919
Net current assets		28,555	26,856
Total assets less current liabilities		93,682	86,371

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Equity attributable to owners of the Company							Contributed capital and accumulated profits RMB million (Note b)	Total RMB million	Minority interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Statutory reserves RMB million (Note a)	Exchange translation reserves RMB million	Investment revaluation reserves RMB million	Total RMB million				
At 1 January 2009 (audited)	21,300	33,647	(3,371)	733	(11)	109	3,588	55,995	4,929	60,924	
Profit for the period	—	—	—	—	—	—	3,087	3,087	135	3,222	
Exchange differences arising on translation of foreign operations	—	—	—	—	(3)	—	—	(3)	(1)	(4)	
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	272	—	272	46	318	
Others	—	—	1	—	—	—	—	1	—	1	
Total comprehensive income for the period	—	—	1	—	(3)	272	3,087	3,357	180	3,537	
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(259)	(259)	
Disposal of interests in subsidiaries	—	—	—	—	—	—	—	—	(16)	(16)	
Capital contribution	—	—	—	—	—	—	—	—	158	158	
Purchase of additional interest in subsidiaries	—	—	—	—	—	—	—	—	(4)	(4)	
Transfer to reserve (Note a)	—	—	—	8	—	—	(8)	—	—	—	
At 30 June 2009 (unaudited)	21,300	33,647	(3,370)	741	(14)	381	6,667	59,352	4,988	64,340	
At 1 January 2008 (restated)	21,300	33,647	(3,102)	346	(24)	893	2,731	55,791	3,950	59,741	
Profit for the period	—	—	—	—	—	—	1,919	1,919	289	2,208	
Exchange differences arising on translation of foreign operations	—	—	—	—	9	—	—	9	—	9	
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	(683)	—	(683)	(177)	(860)	
Others	—	—	—	—	—	—	—	—	3	3	
Total comprehensive income for the period	—	—	—	—	9	(683)	1,919	1,245	115	1,360	
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(14)	(14)	
Purchase of additional interests in a subsidiary	—	—	—	—	—	—	—	—	(96)	(96)	
Capital contribution	—	—	—	—	—	—	—	—	688	688	
Transfer to reserve (Note a)	—	—	—	6	—	—	(6)	—	—	—	
At 30 June 2008 (restated)	21,300	33,647	(3,102)	352	(15)	210	4,644	57,036	4,643	61,679	

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 June 2009

Note:

- a. *Statutory reserves transferred from accumulated profits during the period represent trust compensation and general risk reserve of RMB8 million (Six months ended 30 June 2008: RMB6 million).*

According to relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Companies Law is required to make an appropriation at ten percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up the losses or use to increase the registered capital of that entity and is not distributable.

- b. *Pursuant to the Provisional Regulations Relating to Corporate Reorganisation of Enterprise and Related Management of State-owned Capital and Financial Treatment issued by the Ministry of Finance and a resolution passed in the first meeting of shareholders of the Company in 2007, a special distribution will have to be paid by the Company to China Railway Engineering Corporation ("CRECG") in an amount equal to the consolidated net profit of the Company, as determined in accordance with PRC accounting standards, for the period from the date of assessment of the valuation of the Group's assets on 31 December 2006 to the date of incorporation of the Company on 12 September 2007. The Directors of the Company determined this amount to be RMB2,405 million. Under the relevant laws and regulations in the PRC, such special distribution will be declared when the Company has sufficient distributable profit in its accumulated profits.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 RMB million (unaudited)	2008 RMB million (unaudited, restated)
Net cash generated from (used in) operating activities	5,331	(3,528)
Investing activities:		
Purchase of property, plant and equipment	(4,969)	(4,976)
Purchase of intangible assets	(1,773)	(1,784)
Acquisition of additional interest in subsidiaries	(4)	(1,300)
Net (increase) decrease in restricted cash	(278)	55
Others	(36)	1,226
Net cash used in investing activities	(7,060)	(6,779)
Financing activities:		
New borrowings	26,713	21,405
Repayment of borrowings	(19,205)	(15,332)
Capital contribution from minority interests	158	688
Interest paid	(1,550)	(1,116)
Dividend paid to minority shareholders of subsidiaries	(242)	(5)
Net cash generated from financing activities	5,874	5,640
Net increase (decrease) in cash and cash equivalents	4,145	(4,667)
Effect of foreign exchange rate changes	660	(670)
Cash and cash equivalents at the beginning of the period	46,846	56,772
Cash and cash equivalents at the end of the period	51,651	51,435

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Basis of preparation

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

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.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") that have been issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of IASB, which are effective for the Group's financial year beginning on 1 January 2009.

International Financial Reporting Standard ("IFRS")

IFRSs Amendments	Improvements to IFRSs May 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs Amendments	Improvements to IFRSs April 2009 in relation to the amendment to paragraph 80 of IAS 39
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments

IAS

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Cost
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC

IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the above new and revised IFRSs had no material impact on the results and financial position of the Group for the current or prior accounting periods.

In the current interim period, the Group has not early applied the following new and revised standards, amendments or interpretations that have been issued by IASB or IFRIC of IASB at the date of this report but are not yet effective:

IFRS

IFRSs Amendments	Amendment to IFRS 5 as part of Improvements to IFRSs issued in May 2008 ¹
IFRSs Amendments	Improvements to IFRSs April 2009 ²
IFRS 3 (Revised)	Business Combinations ¹
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives ³

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

2. Principal accounting policies *(continued)*

IAS

IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IAS 39 (Amendments)	Eligible Hedged Items ¹

IFRIC

IFRIC 17	Distribution of Non-cash Assets to Owners ¹
IFRIC 18	Transfer of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods ending on or after 30 June 2009

⁴ Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

Other than those set out above, the directors of the Company anticipate that the application of the other standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

The Group is organised into the following reportable segments:

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

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

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

3. Segment information *(continued)*

The following is an analysis of the Group's revenue and results by 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	Elimination RMB million	Consolidated RMB million
Six months ended 30 June 2009							
External revenue	127,118	3,040	4,635	1,584	5,764	—	142,141
Inter-segment revenue	874	26	462	—	927	(2,289)	—
Segment revenue	127,992	3,066	5,097	1,584	6,691	(2,289)	142,141
Segment results	2,937	323	292	274	49	(1)	3,874
Unallocated corporate income							864
Unallocated corporate expenses							(57)
Unallocated interest income							389
Unallocated interest expenses							(1,027)
Share of profits (losses) of jointly controlled entities	(2)	—	6	—	(6)		(2)
Share of profits (losses) of associates	12	11	4	2	(5)		24
Profit before taxation							4,065
Income tax expense							(843)
Profit for the period							3,222
Six months ended 30 June 2008							
External revenue	79,820	1,882	3,215	1,528	6,643	—	93,088
Inter-segment revenue	5,107	5	351	—	137	(5,600)	—
Segment revenue	84,927	1,887	3,566	1,528	6,780	(5,600)	93,088
Segment results	2,199	239	163	499	127	(54)	3,173
Unallocated corporate income							874
Unallocated corporate expenses							(1,034)
Unallocated interest income							624
Unallocated interest expenses							(783)
Share of losses of jointly controlled entities	(2)	—	(4)	(1)	—	—	(7)
Share of profits (losses) of associates	—	8	3	(1)	2	—	12
Profit before taxation							2,859
Income tax expense							(651)
Profit for the period							2,208

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

4. Other income

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Dividend income	11	67
Government subsidies	23	26
Compensation income (Note a)	4	3
Relocation compensation from government	43	71
Amortisation of financial guarantee contracts	1	8
Income from sundry operations (Note b)	154	223
Waiver of trade and other payables	6	18
Others	75	159
	317	575

Notes:

- Compensation income represents the amount received or receivable from the counter-parties in connection with termination of certain property development projects in the PRC.
- The balances include profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials.

5. Other gains and losses

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Gains on disposal of:		
Property, plant and equipment	1	6
Available-for-sale financial assets	—	25
Impairment loss (recognised) reversed on:		
Trade and other receivables	(94)	(22)
Other loans and receivables	—	8
Fair value increase on held-for-trading financial assets	68	405
Foreign exchange gain (loss), net	660	(670)
Loss on disposal of subsidiaries	(11)	—
	624	(273)

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

6. Interest income and expenses

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	301	507
Imputed interest on retention receivables	119	33
Other loans and receivables	84	114
Available-for-sale financial assets	4	3
Total interest income	508	657
Interest expense on:		
Bank borrowings wholly repayable:		
— Within five years	1,218	1,049
— After five years	221	3
Short term debentures	3	37
Other long term loans	26	5
	1,468	1,094
Imputed interest expense on retention payables	17	6
Other finance costs	—	98
Total borrowing costs	1,485	1,198
Less: Amount capitalised	(441)	(311)
Total interest expenses	1,044	887

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying the capitalisation rates to expenditures on qualifying assets:

	Six months ended 30 June	
	2009	2008
Capitalisation rate	3.3%–7.4%	5.8%–7.1%

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

7. Income tax expense

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	579	518
Land Appreciation Tax ("LAT")	10	20
Deferred tax	254	113
	843	651

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (2008: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to different preferential tax rates of 15% or 18% (2008: 15% or 18%) during the period. Certain group entities which have been identified as "high-tech enterprises" were entitled to preferential EIT rates. However, pursuant to the relevant regulations promulgated by the State Administration of Taxation in 2008, these group entities' high-tech qualification is subject to re-assessment. As such, each of these group entities has to apply the statutory EIT rate of 25% in calculating current year tax and deferred tax until the official approval confirming the "high-tech enterprise" status from the relevant tax bureau is obtained.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the Company's subsidiaries incorporated in Hong Kong as these subsidiaries had no assessable profits subject to Hong Kong Profits Tax during the period.

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

The tax charge for the period can be reconciled to the profit before taxation per condensed consolidated income statement as follows:

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Profit before taxation	4,065	2,859
Tax at domestic income tax rate of 25%	1,016	715
Tax effect of:		
Non-deductible expenses	33	40
Non-taxable income	(92)	(7)
Tax losses not recognised as deferred tax assets	21	33
Utilisation of tax losses not previously recognised and other deductible temporary difference	(20)	(3)
Differential tax rates on income of group companies	(225)	(112)
Other deductible temporary difference not recognised as deferred tax assets	62	—
LAT	10	20
Others	38	(35)
	843	651

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

8. Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Depreciation and amortisation of:		
Property, plant and equipment	1,980	1,685
Lease prepayments	70	42
Investment properties	18	10
Intangible assets	76	33
Total depreciation and amortisation	2,144	1,770
Impairment loss recognised on:		
Property, plant and equipment (included in administrative expenses)	1	—
Inventories (included in cost of sales)	2	13
Allowance for foreseeable loss on construction contracts	94	135

9. Dividends

No dividend was paid or proposed since the date of incorporation of the Company nor has any dividend been proposed up to the date of this report.

10. Earnings per share

Basic earnings per share for the six months ended 30 June 2009 is calculated by dividing the profit attributable to the owners of the Company of RMB3,087 million (Six months ended 30 June 2008: RMB1,919 million) by the weighted average number of 21,299,900,000 ordinary shares issued by the Company.

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

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

11. Property, plant and equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2009	7,776	15,126	5,182	2,349	1,024	2,370	2,630	36,457
Additions	305	2,789	491	98	175	205	917	4,980
Disposals/write-offs	(34)	(535)	(108)	(63)	(14)	(32)	(139)	(925)
Transfer upon completion	42	21	10	42	—	3	(118)	—
Transfer to investment properties	(198)	—	—	—	—	—	—	(198)
At 30 June 2009	7,891	17,401	5,575	2,426	1,185	2,546	3,290	40,314
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	2,020	6,311	2,636	1,149	478	1,166	12	13,772
Provided for the period	139	1,220	329	96	69	127	—	1,980
Disposals/write-offs	(15)	(317)	(83)	(44)	(7)	(25)	—	(491)
At 30 June 2009	2,144	7,214	2,882	1,201	540	1,268	12	15,261
CARRYING VALUES								
At 30 June 2009	5,747	10,187	2,693	1,225	645	1,278	3,278	25,053
CARRYING VALUES								
At 31 December 2008	5,756	8,815	2,546	1,200	546	1,204	2,618	22,685

Category	Estimated useful lives
Buildings	15–50 years
Infrastructure construction equipment	8–15 years
Transportation equipment	5–12 years
Manufacturing equipment	8–18 years
Testing equipment and instruments	5–10 years
Other equipment	5–10 years

The carrying values of infrastructure construction equipment include amounts of RMB583 million (31 December 2008: RMB417 million) in respect of assets held under finance leases.

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB159 million (31 December 2008: RMB393 million). Other short-term borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB309 million (31 December 2008: RMB108 million).

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

12. Intangible assets

	Concession rights RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2009	13,615	62	4	73	52	13,806
Additions	1,674	—	—	3	39	1,716
At 30 June 2009	15,289	62	4	76	91	15,522
AMORTISATION AND IMPAIRMENT						
At 1 January 2009	20	53	3	25	36	137
Provided for the period	49	1	—	4	22	76
At 30 June 2009	69	54	3	29	58	213
CARRYING VALUES						
At 30 June 2009	15,220	8	1	47	33	15,309
CARRYING VALUES						
At 31 December 2008	13,595	9	1	48	16	13,669

The rights in respect of toll road income under four (31 December 2008: four) concession agreements with an aggregate carrying amount of RMB10,881 million (31 December 2008: RMB12,024 million) are pledged against certain banking facilities of the Group.

The intangible assets, other than the allocated land which does not have finite lease period and is stated at cost less impairment and service concession arrangements which are amortised on a units-of-usage basis, are amortised on straight-line basis based on the estimated useful lives as follows:

Category	Estimated useful lives
Non-patented technologies	5 to 10 years
Patents	2 to 10 years
Computer software	2 to 10 years
Others	3 to 50 years

13. Properties held for sale/properties under development for sale

Properties held for sale amounting to RMB nil million (31 December 2008: RMB86 million) have been pledged to secure the banking facilities.

Properties under development for sale amounting to RMB1,850 million (31 December 2008: RMB2,120 million) have been pledged to secure the banking facilities.

The Group's properties held for sale and properties under development for sale at each balance sheet date are stated at cost.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

14. Inventories

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Raw materials and consumables	16,794	14,848
Work in progress	1,650	1,300
Finished goods	2,905	2,334
	21,349	18,482

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. Revenue from small, new or short-term customers is normally expected to be settled shortly after provision of services or delivery of goods.

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Trade and bills receivables	45,222	51,593
Less: impairment	(960)	(908)
	44,262	50,685
Other receivables (net of impairment)	17,965	13,396
Advance to suppliers	19,169	14,258
	81,396	78,339
Less: Amount due after one year included in non-current assets	(614)	(79)
	80,782	78,260

Most of the Group's customers are from central and local government or state-owned enterprises, which have good credit standing and strong economic background. More than 90% of the trade receivables that are neither past due nor impaired are from customers with good payment history.

Included in trade and bills receivables are retention receivable of RMB15,798 million (31 December 2008: RMB14,521 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.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

15. Trade and other receivables *(continued)*

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

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Less than six months	23,650	26,621
Six months to one year	9,868	14,436
One year to two years	6,916	6,687
Two years to three years	2,812	2,217
More than three years	1,016	724
	44,262	50,685

The Group's major customers are PRC Government agencies and other state-owned enterprises. Trade receivables due from PRC state-owned enterprises are disclosed in Note 23.

Trade and bills receivables of RMB864 million (31 December 2008: RMB1,406 million) were pledged against bank borrowings of the Group.

16. Amounts due from (to) customers for contract work

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Contract costs incurred plus recognised profits less recognised losses	808,505	679,796
Less: Progress billings	(782,069)	(670,108)
	26,436	9,688
Analysed for reporting purpose:		
Amounts due from customers for contract work	36,630	25,197
Amounts due to customers for contract work	(10,194)	(15,509)
	26,436	9,688

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

17. Cash and cash equivalents

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Bank balances and cash denominated in:		
RMB	39,487	30,356
USD	7,755	12,094
AUD	3,848	3,897
EURO	154	72
Other currencies	407	427
	51,651	46,846

18. Trade and other payables

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Trade and bills payables	79,922	67,075
Advance from customers	33,332	24,118
Accrued payroll and welfare	1,731	1,942
Other taxes	4,125	3,542
Deposits received in advance	—	120
Dividend payables	182	165
Other payables	18,622	14,674
	137,914	111,636
Analysed for reporting purposes as:		
Non-current	1,158	366
Current	136,756	111,270
	137,914	111,636

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payable are retention payable of RMB3,034 million (31 December 2008: RMB2,170 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.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

18. Trade and other payables *(continued)*

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

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Less than one year	70,635	58,670
One year to two years	6,413	6,403
Two years to three years	2,466	1,316
More than three years	408	686
	79,922	67,075

19. Borrowings

	At 30 June 2009		At 31 December 2008	
	RMB million	Interest rate p.a.	RMB million	Interest rate p.a.
Bank loans:				
Secured	10,954		11,165	
Unsecured	44,477		38,224	
	55,431	2.6%–9.2%	49,389	2.4%–11.6%
Short-term debentures, unsecured	2,906	1.7%–2.7%	600	7.1%
Other short-term loans, secured	520	1.5%–7.5%	42	5.6%–10.5%
Other short-term loans, unsecured	380	1.5%–7.5%	1,986	5.6%–10.5%
Other long-term loans, unsecured	848	0.8%–13.0%	1,406	2.0%–7.5%
	60,085		53,423	
	60,085		53,423	
Analysed for reporting purposes:				
Non-current	20,676		16,829	
Current	39,409		36,594	
	60,085		53,423	

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

20. Disposal of subsidiaries

During the period, the Group disposed of a 100% interest in 山東中鐵城鎮建設有限公司 for a consideration of RMB168 million and a 26% interest in 北京豐懷軌枕有限公司 for a consideration of RMB9 million.

The net assets of these subsidiaries at the date of disposal were as follows:

	RMB million
Net assets disposed of:	
Current assets	251
Non-current assets	13
Non-current liabilities	(52)
Net assets disposed of	212
Minority interests	(16)
Transfer to interest in an associate	(8)
Loss on disposal of subsidiaries	(11)
Total consideration	177
Net cash inflow (outflow) arising on disposal:	
Cash received	177
Cash and cash equivalents disposed of	(165)
	12

21. Contingent liabilities

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Pending lawsuits (<i>Note</i>)	861	315

Note: 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 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.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

21. Contingent liabilities *(continued)*

In addition to above, the Group has provided guarantee 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 and (ii) the unamortised fair value of these financial guarantees. The maximum exposure of these financial guarantees to the Group is as follows.

	At 30 June 2009		At 31 December 2008	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilised by:				
Jointly controlled entities and associates	4,403	2009–2027	5,757	2009–2027
Other state-owned enterprises	948	2009–2011	926	2009–2011
Property purchasers	2,320	2009–2011	1,545	2009–2011
Investee of the Group	184	2009–2016	219	2009–2016
Other independent parties	—		220	2009
	7,855		8,667	

22. Commitments

Capital expenditure

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Acquisition of property, plant and equipment contracted but not provided for	12,593	9,829

Investment commitment

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

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Capital contribution to jointly controlled entities	20,418	21,216

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

23. Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises").

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to significant related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties, including other state-owned enterprises, during the period and balances arising from related party transactions at the balance sheet date.

Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
<i>Transactions with the CRECG and its subsidiaries not comprising the Group ("CRECG Group")</i>		
Service expenses paid	36	45
Rental fee	15	8
<i>Transactions with jointly controlled entities</i>		
Revenue from construction contracts	1	1
<i>Transactions with associates</i>		
Revenue from construction contracts	86	320
Interest income	—	5
Purchases	52	—
<i>Transactions with minority shareholders of subsidiaries</i>		
Purchases	—	4
<i>Transactions with other state-owned enterprises</i>		
Revenue from construction contracts	43,413	33,536
Revenue from design and other services	5,967	5,667
Purchases	21,410	3,771
Interest income on bank balances	237	231
Interest expenses on bank borrowings	419	425

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2009

23. Related party transactions *(continued)*

Significant related party transactions *(continued)*

	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Balances with related parties		
<i>Balances with the CRECG Group</i>		
Trade payables	6	9
Other payables	178	164
Other borrowings	20	20
<i>Balances with jointly controlled entities</i>		
Trade receivables	—	115
Other receivables	382	369
Other payables	18	—
Advance from customers	—	35
<i>Balances with associates</i>		
Trade receivables	271	438
Other receivables	495	133
Advance to suppliers	118	118
Trade payables	21	23
Other payables	76	64
Advance from customers	—	125
<i>Balances with other state-owned enterprises</i>		
Trade receivables	36,606	29,759
Other receivables	9,015	8,110
Bank balances	30,692	29,696
Trade payables	9,859	9,695
Other payables	5,993	5,692
Bank borrowings	20,583	19,400
Other borrowings	642	464
<i>Balances with minority shareholders of subsidiaries</i>		
Other receivables	350	507
Trade payables	—	314
Other payables	109	344
Other borrowings	—	23
Other loans and receivables	90	90
<i>Balance with joint venture partner of jointly controlled entities</i>		
Other loans and receivables	256	256

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by jointly controlled entities and associates and other state-owned enterprises, the maximum exposure of which are disclosed in Note 21.



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