



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

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

Stock Code : 390



Interim Report
2010



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Company Profile

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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia, and the second largest construction contractor in the world and rank 137 in Fortune Global 500. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining.

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

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



Financial Summary

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

Summary of consolidated statement of comprehensive income

| | For the six months ended 30 June | | | | Change 2010 vs 2009 (%) |
|---|----------------------------------|----------------|---------------|---------------|-------------------------------|
| | 2010 | 2009 | 2008 | 2007 | |
| | RMB million | | | | |
| Revenue | | | | | |
| Infrastructure Construction | 167,268 | 133,201 | 84,927 | 68,598 | 25.6 |
| Survey, Design and Consulting Services | 4,283 | 3,197 | 1,887 | 1,507 | 34.0 |
| Engineering Equipment and Component Manufacturing | 5,876 | 5,248 | 3,566 | 2,222 | 12.0 |
| Property Development | 4,334 | 1,688 | 1,528 | 1,408 | 156.8 |
| Other Businesses | 12,257 | 7,089 | 6,780 | 4,043 | 72.9 |
| Inter-segment Eliminations and Adjustments | (8,333) | (8,092) | (5,600) | (4,328) | |
| Total | 185,685 | 142,331 | 93,088 | 73,450 | 30.5 |
| Gross Profit | 11,940 | 9,030 | 7,442 | 5,556 | 32.2 |
| Profit before Taxation | 4,524 | 4,057 | 2,859 | 1,193 | 11.5 |
| Profit for the Period | 3,554 | 3,216 | 2,208 | 815 | 10.5 |
| Profit Attributable to Owners of the Company | 3,286 | 3,081 | 1,919 | 657 | 6.7 |
| Basic Earnings per Share (RMB) | 0.154 | 0.145 | 0.090 | 0.051 | 6.2 |



Financial Summary

Summary of consolidated statement of financial position

| | 30 June 2010 | As at 31 December 2009 RMB million | 30 June 2009 | Change | |
|-------------------------------------|-----------------|---|-----------------|--|--|
| | | | | 30 June 2010 vs 31 December 2009 (%) | 30 June 2010 vs 30 June 2009 (%) |
| Assets | | | | | |
| Current Assets | 255,372 | 238,027 | 216,698 | 7.3 | 17.8 |
| Non-current Assets | 79,429 | 74,373 | 65,127 | 6.8 | 22.0 |
| Total Assets | 334,801 | 312,400 | 281,825 | 7.2 | 18.8 |
| Liabilities | | | | | |
| Current Liabilities | 223,158 | 210,499 | 188,143 | 6.0 | 18.6 |
| Non-current Liabilities | 43,154 | 35,317 | 29,342 | 22.2 | 47.1 |
| Total Liabilities | 266,312 | 245,816 | 217,485 | 8.3 | 22.5 |
| Total Equity | 68,489 | 66,584 | 64,340 | 2.9 | 6.4 |
| Total Equity and Liabilities | 334,801 | 312,400 | 281,825 | 7.2 | 18.8 |

Chairman's Report

In the first half of 2010, due to the government's continued investment in infrastructure construction, support from shareholders and the dedication of management and all staffs, China Railway Group Limited continued to maintain steady growth and made desirable progress on all business segments with operation indicators recorded stable growth. The Group ranked 137 in the Fortune Global 500 in 2010, up 105 in ranking as compared to that in 2009.

1 Financial results

In the first half of 2010, the value of new contracts entered into by the Company reached RMB372.48 billion, representing an increase of 44.9% over the same period of last year. Revenue increased by 30.5% over the same period of last year to RMB185.685 billion. During the same period, profit attributable to owners of the Company reached RMB3.286 billion, representing an increase of 6.7% over the same period of last year. Profit attributable to owners of the Company after deduction of exchange gains or losses of proceeds from H Share Offering reached RMB3.486 billion, representing an increase of 45.3% over the same period of last year.

2 Business development

During the first half of 2010, the Company actively responded to risks of uncertainty stemmed from global economic turmoil in the post-financial crisis era, accelerated its adjustment to business structure and changes in its development approach, properly balanced the mutual development of its principal and ancillary businesses and continued to pursue the direction of mutual and sustainable development of all businesses. The company, on the one hand, seized opportunities to strengthen its principal businesses while adjusting the development strategy to cater for market changes, strived to set an optimum development pace, strengthened our risk precautions and strictly controlled our investment scale to ensure investment security. On the other hand, the Company captured potential opportunities by turning challenges into opportunities, appropriately initiated projects that are essential to corporate strategic development and with lower risk, short turnover period and high yield, optimized product structure and sustained rapid growth.

In terms of infrastructure construction business, the value of new contracts entered into during the first half of 2010 amounted to RMB314.55 billion, which includes a number of railway passenger line construction projects such as the newly constructed Hangzhou to Changsha passenger line project. These construction projects further consolidated the Company's leading position in infrastructure construction industry.

In terms of survey, design and consulting services business, the value of new contracts entered into amounted to RMB5.32 billion for the first half of 2010. The commencement of a large number of infrastructure construction projects had driven the Company to develop this business, which further enhanced the Company's competitiveness in the survey, design and consulting services industry.

In respect of the engineering equipment and component manufacturing business, the value of new contracts entered into amounted to RMB7.98 billion for the first half of 2010. The Company achieved a remarkable growth in its businesses as domestic investment in infrastructure construction projects, in particular, market demand for engineering equipment for railway, bridge and other engineering construction continued to increase and the Company's capability of self-development and manufacture improved.

In terms of property development business, the Company leveraged on the business platform of "China Railway Real Estate", and devoted more resources on project development to expand its business scale. In the first half of 2010, site area and gross floor area of the Company's projects under development were approximately 13.48 million square meters and 22.83 million square meters, respectively.

With regard to other businesses, the Company's mining business, materials trade and BOT projects have progressed smoothly.



Chairman's Report

3 Corporate governance

During the reporting period, the Company further improved the effectiveness of a more scientific and sound corporate governance through innovation of systematic mechanisms and further reinforcement of internal control management in 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 in Hong Kong and the PRC. The Company also effectively maintained its positive image of integrity and transparency in the capital markets by due performance of its obligation of information disclosure and active development of investor relation platform. In the first half of 2010, the Company was awarded "2010 The Best Board of Directors" and received the title of "Best IR Program" for Asia-Pacific regions and China in 2010 IR Global Rankings (IRGR).

4 Prospective outlook

In the second half of 2010, the economy in China will continue to stabilize and regain momentum. Though the government will continue to adopt increasingly tight macro-control policies toward the real estate market, the ongoing investment in infrastructure construction works of railways, highways, municipal works and urban rails will create favorable conditions for the growth of the Company's businesses. The Company will continue to promote the guidance of "growth for change and growth on change" to fully prepare for the sustainable growth, structure adjustment, system reform and efficiency. In addition to capturing opportunities, speeding up the development and ensuring investment security, the Company will make an overall plan for development of domestic and international markets so as to balance the businesses in railway, non-railway and overseas markets. Leveraging on its advantages in such areas as manpower, technology, capital and equipments, the Company will actively promote diversified development in relevant businesses including infrastructure construction, real estate and mineral resources. All these will enable the Company to further improve its operation and management quality and enhance its development strength.

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

LI Changjin

Chairman

Beijing, the PRC

30 August 2010

Changes in Share Capital and Information on Shareholders

1 Changes in share capital

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

2 Number of shareholders and their shareholdings

As at 30 June 2010, the Company had a total of 888,980 shareholders, of which 858,864 were holders of A Shares (including CRECG) and 30,116 were holders of H Shares. Based on the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float which is in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Shares

| | 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 | 56.10 | 11,950,010,000 | - | 11,950,010,000 | - |
| 2 | HKSCC Nominees Limited (Note 1) | Other | 19.46 | 4,144,060,420 | -1,288,723 | - | - |
| 3 | No. 3 Transfer Account of National Council for Social Security Fund | Other | 2.20 | 467,500,000 | - | 467,500,000 | - |
| 4 | ICBC – Southern Longyuan Industrial Theme Equity Securities Investment Fund | Other | 0.31 | 65,772,315 | +8,558,300 | - | - |
| 5 | ICBC – SSE 50 Exchange Traded Fund | Other | 0.25 | 53,150,630 | +4,314,036 | - | - |
| 6 | Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund | Other | 0.15 | 32,134,362 | -1,234,717 | - | - |
| 7 | China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu | Other | 0.10 | 22,000,000 | -4,000,000 | - | - |
| 8 | ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund | Other | 0.10 | 21,900,000 | -2,100,000 | - | - |
| 9 | Bill & Melinda Gates Foundation Trust | Other | 0.09 | 20,000,090 | - | - | - |
| 10 | UBS AG | Other | 0.09 | 19,890,686 | +11,495,763 | - | - |

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

CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. Save as disclosed above, the Company is not aware of any connected relationships or concerted-action relationships between the above shareholders.

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 30 June 2010.

Changes in Share Capital and Information on Shareholders

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

(2) 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> | 4,145,349,143 | Overseas listed foreign shares |
| 2 | ICBC – Southern Longyuan Industrial Theme Equity Securities Investment Fund | 65,772,315 | RMB-dominated ordinary shares |
| 3 | ICBC – SSE 50 Exchange Traded Fund | 53,150,630 | RMB-dominated ordinary shares |
| 4 | Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund | 32,134,362 | RMB-dominated ordinary shares |
| 5 | China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu | 22,000,000 | RMB-dominated ordinary shares |
| 6 | ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund | 21,900,000 | RMB-dominated ordinary shares |
| 7 | Bill & Melinda Gates Foundation Trust | 20,000,090 | RMB-dominated ordinary shares |
| 8 | UBS AG | 19,890,686 | RMB-dominated ordinary shares |
| 9 | ICBC – Kaiyuan Securities Investment Fund | 18,360,109 | RMB-dominated ordinary shares |
| 10 | Guotai Jun'an – CCB – HSBC | 17,308,694 | RMB-dominated ordinary shares |

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

CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 10 shareholders. Save as disclosed above, the Company is not aware of any connected relationships or concerted-action relationships between the above shareholders.

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 30 June 2010.

Changes in Share Capital and Information on Shareholders

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

(3) Number of shares held by and selling restrictions 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 restrictions |
|---|---|---|---|---|--|
| | | | Trading commencement date | Additional number of approved tradable shares | |
| 1 | CRECG | 11,950,010,000 | 3 December 2010 | | – Subject to a lock-up period of 36 months from the date of listing of the A Shares |
| 2 | No. 3 Transfer Account of National Council for Social Security Fund (Note) | 467,500,000 | 3 December 2013 | | – Extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over |

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

3 Particulars of controlling shareholder and ultimate controller

Controlling shareholder

| | |
|----------------------------------|--|
| Name of controlling shareholder: | China Railway Engineering Corporation |
| Legal representative: | LI Changjin |
| Date of establishment: | 7 March 1990 |
| Registered capital: | RMB10,814,925,000 |
| Registered address: | No. 1 Xinghuo Road, Fengtai District, Beijing, 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 2010.

Changes in Share Capital and Information on Shareholders

4 Other shareholders with 10% or above shareholding

As at 30 June 2010, save for HKSCC Nominees Limited, there are no other shareholders of the Company holding more than 10% of shareholding.

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 2010, none of the directors, chief executive and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

| Name of director/supervisor | Capacity | Number of A Shares held (long position) (Shares) | Approximate percentage of issued A Shares (%) | Approximate percentage of total issued Shares (%) |
|-----------------------------|------------------|--|---|---|
| Directors | | | | |
| Mr. LI Changjin | Beneficial owner | 105,700 | 0.0006 | 0.0005 |
| Mr. BAI Zhongren | Beneficial owner | 100,000 | 0.0006 | 0.0005 |
| Mr. WANG Qiuming (Note 1) | Beneficial owner | 50,000 | 0.0003 | 0.0002 |
| Supervisor | | | | |
| Mr. YAO Guiqing (Note 2) | Beneficial owner | 100,112 | 0.0006 | 0.0005 |

Notes:

1. Mr. WANG Qiuming was appointed as a shareholder representative Supervisor on 12 August 2010 and ceased to be a Non-executive Director on the same date.
2. Mr. YAO Guiqing was appointed as an Executive Director on 12 August 2010 and ceased to be a Supervisor and Chairman of the Supervisory Committee on the same date.

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 2010 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 | 11,950,010,000 | Long position | 69.91 | 56.10 |

Changes in Share Capital and Information on Shareholders

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

Holders of H Shares

| Name of substantial shareholder | Capacity | Number of H Shares held (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. <i>(Note 1)</i> | Interest of controlled corporations | 210,186,560 | Long position | 5.00 | 0.99 |
| | Interest of controlled corporations | 94,560,550 | Short position | 2.25 | 0.44 |
| Blackrock, Inc. <i>(Note 2)</i> | Interest of controlled corporations | 299,776,715 | Long position | 7.13 | 1.41 |
| | Interest of controlled corporations | 7,217,367 | Short position | 0.17 | 0.03 |

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 Blackrock, Inc. with the Hong Kong Stock Exchange dated 30 June 2010, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC. (which held 2,698,753 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 33,608,000 H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Fund Advisors (which held 222,814,000 H Shares of the Company); Blackrock, Inc. indirectly wholly owns BlackRock Group Limited, which in turn wholly owns Blackrock Advisors UK Ltd. (which held 31,801,000 H Shares of the Company and 908,000 short position in H Shares of the Company) and BlackRock International Ltd. (which held 2,250,595 H Shares of the Company), as well as BlackRock Fund Managers Ltd (which held 295,000 H Shares of the Company). Blackrock, Inc. also indirectly wholly owns BlackRock Asset Management North Asia Limited (which held 6,309,367 H Shares of the Company and 6,309,367 short position in H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.

Apart from the foregoing, as at 30 June 2010, 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 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors, Supervisors and Senior Management

1 Directors

The directors of the Company during the six months ended 30 June 2010 are as follows:

| Name | Age | Position |
|-----------------------------|-----|---|
| LI Changjin (李長進) | 51 | Chairman, Executive Director and Secretary to the Communist Party Committee |
| BAI Zhongren (白中仁) | 49 | Executive Director, President and Deputy Secretary to the Communist Party Committee |
| WANG Qiuming (王秋明) (Note 1) | 57 | Non-executive Director, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee |
| HE Gong (賀恭) | 66 | Independent Non-executive Director |
| GONG Huazhang (貢華章) | 64 | Independent Non-executive Director |
| WANG Taiwen (王泰文) | 63 | Independent Non-executive Director |
| SUN Patrick (辛定華) | 51 | Independent Non-executive Director |

2 Supervisors

The supervisors of the Company during the six months ended 30 June 2010 are as follows:

| Name | Age | Position |
|----------------------------|-----|---|
| YAO Guiqing (姚桂清) (Note 2) | 55 | Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Chairman of the Labour Union |
| JI Zhihua (季志華) | 48 | Supervisor and Deputy Chief Engineer |
| ZHANG Xixue (張喜學) | 57 | Supervisor |
| ZHOU Yuqing (周玉清) | 59 | Supervisor |
| LIN Longbiao (林隆彪) | 52 | Supervisor and Director of Internal Audit Department |

3 Senior management

The senior management of the Company during the six months ended 30 June 2010 are as follows:

| Name | Age | Position |
|----------------------|-----|---|
| LI Jiansheng (李建生) | 56 | Vice President, Chief Financial Officer and General Legal Advisor |
| LIU Hui (劉輝) | 50 | Vice President and Chief Engineer |
| MA Li (馬力) | 52 | Vice President |
| ZHOU Mengbo (周孟波) | 45 | Vice President |
| DAI Hegen (戴和根) | 44 | Vice President |
| DUAN Xiubin (段秀斌) | 56 | Vice President |
| YU Tengqun (于騰群) | 40 | Secretary to the Board and Joint Company Secretary |
| TAM Chun Chung (譚振忠) | 37 | Joint Company Secretary and Qualified Accountant |

Notes:

1. Mr. WANG Qiuming was appointed as a shareholder representative Supervisor on 12 August 2010 and ceased to be a Non-executive Director on the same date.
2. Mr. YAO Guiqing was appointed as an Executive Director on 12 August 2010 and ceased to be a Supervisor and Chairman of the Supervisory Committee on the same date.

Directors, Supervisors and Senior Management

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

Mr. SHI Dahua resigned from the positions as an executive director and Chairman of the Board, which became effective on 18 June 2010, as Mr. SHI would, at the designation of the State Council, take up the position of Chairman of the Supervisory Board under the State Council for Key Large-scale State-owned Enterprises. On the same date, Mr. LI Changjin was elected as the Chairman of the Board and his term of office shall expire upon the expiry of the term of the first session of the Board. On 29 June 2010, Mr. LI Changjin ceased to be the President of the Company and Mr. BAI Zhongren ceased to be the Vice-President and Chief Economist of the Company. At the same time, Mr. BAI Zhongren was appointed as the President of the Company and his term of office shall expire on 12 September 2010.

Except for the above, there was no engagement or dismissal of new directors, supervisors and senior management during the six months ended 30 June 2010.

5 Changes in the personal information of directors and supervisors

Mr. GONG Huazhang, Independent Non-executive Director of the Company, resigned from the position of the director of China Yangtze Power Co., Ltd, effective from June 2010.

6 Human resources and emolument policy

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

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

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

Directors, Supervisors and Senior Management

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 revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the independent directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations.

As at 30 June 2010, the number of employees hired by the Group was 273,789. The following table sets forth a breakdown of the Group's employees by divisions as at 30 June 2010:

| Division | Number of employees as at 30 June 2010 |
|----------------------------|---|
| Production | 132,116 |
| Sales and Marketing | 20,237 |
| Engineering and Technology | 92,171 |
| Financing | 12,988 |
| Administration | 16,277 |
| Total | 273,789 |

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 2010 to 30 June 2010.

Management Discussion and Analysis

1 Overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and components manufacturing, property development and other businesses. In the first half of 2010, the Group strived to expand its operation scale through well-defined policies in sustaining growth, refining structure, system enhancement and higher efficiency. The Group prudently managed its construction projects, promoted technological research and innovation, speeded up strategic structural adjustment and innovated corporate regime mechanisms. It also adopted an intensive, standardized and precise management approach and reformed its development model to enhance operational efficiency, realizing better and quicker development of the Group. For the six months ended 30 June 2010, the Group's revenue increased by 30.5% from the corresponding period of 2009 to RMB185.685 billion. The Group realized profit for the period of RMB3.554 billion, representing an increase of 10.5% year on year, of which the profit attributable to owners of the Company increased by 6.7% year on year to RMB3.286 billion. By excluding the impact of exchange loss on H share offering proceeds of RMB0.200 billion (Six months ended 30 June 2009: exchange gain of RMB0.682 billion), the profit attributable to owners of the Company for the six months ended 30 June 2010 amounted to RMB3.486 billion, representing an increase of 45.3% from RMB2.399 billion for the same period of 2009. For the six months ended 30 June 2010, the basic earnings per share of the Company were RMB0.154. A comparison of the financial results for the six months ended 30 June 2010 and the corresponding period of 2009 is set forth below.

2 Consolidated results of operations

Revenue

The Group's total revenue increased by 30.5% to RMB185.685 billion for the six months ended 30 June 2010 from RMB142.331 billion in the corresponding period of 2009. The increase in the Group's revenue was primarily attributable to the growth of infrastructure construction business benefited from the increase in investment of infrastructure construction of the PRC. In the first half of 2010, the value of new contracts entered into by the Group increased by 44.9% from the corresponding period of 2009 to RMB372.480 billion. At 30 June 2010, contract backlog increased by 26.1% to RMB856.523 billion compared with that at the end of 2009, among which, RMB788.004 billion is from infrastructure construction business, RMB11.757 billion is from survey, design and consulting services business and RMB8.782 billion is from engineering equipment and component manufacturing business.

Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. For the six months ended 30 June 2010, our cost of sales increased by 30.3% to RMB173.745 billion from RMB133.301 billion for the first half of 2009. In the first half of 2010, gross profit of the Group increased by RMB2.910 billion or 32.2% to RMB11.940 billion from RMB9.030 billion for the corresponding period of 2009. The gross profit margin slightly increased from 6.3% for the first half of 2009 to 6.4% for the corresponding period of 2010, primarily due to the continuous strengthening in intensive management of the Group through implementation of central procurement and management for raw material and equipment. Furthermore, the implementation of standardized and precise management has also strengthened the cost management of the Group.

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 2010, the Group's other income decreased by 2.8% to RMB0.309 billion from RMB0.318 billion for the corresponding period of last year. The increase of other income was due to the decrease in income from sale of materials.

Management Discussion and Analysis

2 Consolidated results of operations *(continued)*

Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal of interests in subsidiaries and fixed assets. The other losses of RMB0.289 billion for the first half of 2010 (Six months ended 30 June 2009: other gains of RMB0.624 billion) included an exchange loss of RMB0.181 billion (Six months ended 30 June 2009: exchange gain of RMB0.660 billion) arising from the change in foreign exchange rate and impairment loss on trade and other receivables and other loans and receivables of RMB0.241 billion (Six months ended 30 June 2009: RMB0.094 billion).

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. For the six months ended 30 June 2010, the Group's selling and marketing expenses was RMB0.623 billion, representing an increase of 25.9% from RMB0.495 billion for the same period of last year. Selling and marketing expenses as a percentage of total revenue was 0.3%, remaining at the same level as for the first half of 2009.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. For the six months ended 30 June 2010, the Group's administrative expenses increased by 30.6% to RMB6.400 billion from RMB4.901 billion for the corresponding period of 2009. Administrative expenses as a percentage of total revenue was 3.4%, remaining at the same level as for the first half of 2009.

Interest income

For the six months ended 30 June 2010, the interest income increased by 23.8% to RMB0.629 billion from RMB0.508 billion for the corresponding period of 2009. The increase of the interest income was primarily due to the increase in interest income from retention receivables.

Interest expenses

For the six months ended 30 June 2010, the interest expenses decreased by 8.3% to RMB0.962 billion from RMB1.049 billion for the first half of 2009. The decrease of the interest expenses of the Group was primarily due to the fact that although there was an increase in principal amount of borrowings as a result of the Group's expansion of business scale, the implementation of centralization of fund management achieved a satisfactory result and enhanced the efficiency of fund utilization.

Profit before taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2010 increased by 11.5% to RMB4.524 billion from RMB4.057 billion for the corresponding period of 2009.

Income tax expense

For the six months ended 30 June 2010, the income tax expense increased by 15.3% to RMB0.970 billion from RMB0.841 billion for the corresponding period of 2009. The effective tax rate of the Group was 21.4% for the first half of 2010, which remained at a similar level to 20.7% for the corresponding period of 2009.

Management Discussion and Analysis

2 Consolidated results of operations (continued)

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 2010 increased by 6.7% to RMB3.286 billion from RMB3.081 billion for the corresponding period of 2009. The profit margin of the profit attributable to owners of the Company for the first half of 2010 decreased to 1.8% from 2.2% for the corresponding period of 2009. By excluding the impact of exchange loss on H share offering proceeds of RMB0.200 billion (Six months ended 30 June 2009: exchange gain of RMB0.682 billion), the profit attributable to owners of the Company for the six months ended 30 June 2010 amounted to RMB3.486 billion, representing an increase of 45.3% from RMB2.399 billion for the same period of 2009. The profit margin of the profit attributable to owners of the Company for the first half of 2010 increased to 1.9% from 1.7% for the corresponding period of 2009.

3 Segment results

The revenue, results and profit before taxation margin of each segment of the Group's business for the six months ended 30 June 2010 are set forth in the table below.

| Business segments | Segment revenue RMB million | Growth rate (%) | Profit before taxation RMB million | Growth rate (%) | Profit before taxation margin ¹ (%) | Segment | Profit before |
|---|--------------------------------|--------------------|---------------------------------------|--------------------|---|---|--|
| | | | | | | revenue as a percentage of total (%) | taxation as a percentage of total (%) |
| Infrastructure Construction | 167,268 | 25.6 | 3,849 | 5.3 | 2.3 | 86.2 | 73.4 |
| Survey, Design and Consulting Services | 4,283 | 34.0 | 389 | 31.0 | 9.1 | 2.2 | 7.4 |
| Engineering Equipment and Component Manufacturing | 5,876 | 12.0 | 421 | 37.6 | 7.2 | 3.0 | 8.0 |
| Property Development | 4,334 | 156.8 | 380 | 19.1 | 8.8 | 2.3 | 7.2 |
| Other Businesses | 12,257 | 72.9 | 207 | 370.5 | 1.7 | 6.3 | 4.0 |
| Inter-segment Elimination and Adjustments | (8,333) | | (722) | | | | |
| Total | 185,685 | 30.5 | 4,524 | 11.5 | 2.4 | 100.0 | 100.0 |

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

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In the first half of 2010, the revenue from the infrastructure construction business accounted for 86.2% of the total revenue of the Group. For the six months ended 30 June 2010, segment revenue of the infrastructure construction business was RMB167.268 billion, representing an increase of 25.6% as compared to the same period of last year. Profit before taxation margin of the infrastructure construction segment decreased to 2.3% for the first half of 2010 from 2.7% for the first half of 2009. By excluding the impact of exchange gain and loss on H share offering proceeds, profit before taxation margin of the infrastructure construction segment increased from 2.2% for the first half of 2009 to 2.4% for the first half of 2010. It was mainly due to the continuous strengthening in intensive management of the Group through implementation of central procurement and management for raw material and equipment. Also, the implementation of standardized and precise management has also strengthened the cost management of the Group.

Management Discussion and Analysis

3 Segment results *(continued)*

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. For the six months ended 30 June 2010, segment revenue of survey, design and consulting services business increased by 34.0% year on year to RMB4.283 billion from RMB3.197 billion for the corresponding period of last year, primarily due to the government's vast investment in infrastructure construction and the commencement of a number of projects in the first half of 2010, which provided excellent opportunities for the development of the Group's survey, design and consulting services business. Profit before taxation margin for the segment slightly decreased to 9.1% as compared to 9.3% for the first half of 2009. This was mainly due to the increase in research and development expenses.

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. For the six months ended 30 June 2010, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 12.0% to RMB5.876 billion from RMB5.248 billion for the corresponding period of 2009. Profit before taxation margin increased from 5.8% for the first half of 2009 to 7.2% for the corresponding period of 2010. This is mainly due to the decrease in operating cost resulted from the Group's delicate management.

Property development business

Revenue from our property development business primarily derives from the development, sale and management of a wide range of residential properties and commercial properties in the PRC. In the first half of 2010, leveraging on the business platform of "China Railway Real Estate", the Group further consolidated its property resources and the segment revenue of the Group's property development business further increased as a result of several property projects were undertaken. For the six months ended 30 June 2010, segment revenue from property development business increased by 156.8% to RMB4.334 billion from RMB1.688 billion for the corresponding period of 2009. Profit before taxation margin decreased from 18.9% for the first half of 2009 to 8.8% for corresponding period of 2010. Such decrease was mainly due to the revenue recognition of property projects with relatively high land cost and certain commercial property projects with lower gross profit margin during the reporting period. At 30 June 2010, the Group's gross site and construction area under development was 13.48 million square metres and 22.83 million square metres, respectively.

Other businesses

In the first half of 2010, by leveraging on the advantage of the traditional businesses, the Group further expanded its existing mining business by adopting an interactive model on mining resources and infrastructure construction and the development of mining business was smooth. During the reporting period, the proportion of revenue from the Group's materials trading business as total segment revenue increased. Besides, the investment of BOT projects also played a positive role on the development of its principal business. Segment revenue from other businesses increased by 72.9% from RMB7.089 billion for the first half of 2009 to RMB12.257 billion for the same period of 2010. Profit before taxation margin increased from 0.6% for the first half of 2009 to 1.7% for the same period of 2010. The increase in profit before taxation margin was primarily due to the increase in profit before taxation margin of the materials trading business and the other businesses segment which is attributable to the continuous development of the materials trading business which accounted for a relatively large proportion of the other businesses segment, the economies of scale of operation as well as the strengthening of cost control management.

Management Discussion and Analysis

4 Cash flow

For the six months ended 30 June 2010, the net cash used in operating activities amounted to RMB0.545 billion while there was a net cash generated from operating activities of RMB5.222 billion for the corresponding period of 2009. In the first half of 2010, the net cash outflow from operating activities was mainly due to the increase in trade and other receivables and increase in land reserve. For the six months ended 30 June 2010, the net cash used in investing activities of the Group amounted to RMB7.027 billion, similar to the corresponding period of 2009. For the six months ended 30 June 2010, the net cash generated from financing activities of the Group amounted to RMB3.848 billion, representing a decrease of 34.4% from RMB5.868 billion for the same period in 2009. The decrease in net cash inflow from financing activities was primarily due to the decrease in external financing as a result of increase in fund utilization by implementing stringent approval policy and financing controls by the Group. Furthermore, the remittance of H share offering proceeds to PRC for usage in 2009 also reduced the demand for external financing.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's capital expenditure for the first half of 2010 was RMB4.442 billion, a decrease of 34.3% from RMB6.762 billion for the corresponding period of 2009.

Working capital

| | As at | |
|--|--------------------------------|------------------------------------|
| | 30 June 2010 RMB million | 31 December 2009 RMB million |
| Inventories | 26,158 | 23,831 |
| Properties under development for sale | 27,103 | 25,204 |
| Trade and bills receivables | 67,030 | 68,408 |
| Trade and bills payables | 108,849 | 94,790 |
| Turnover of inventory (days) | 26 | 24 |
| Turnover of trade and bills receivables (days) | 66 | 64 |
| Turnover of trade and bills payables (days) | 106 | 93 |

As at 30 June 2010, the Group's inventories increased by 9.8% from RMB23.831 billion as at the end of 2009 to RMB26.158 billion primarily due to the Group's increase in inventory level along with its expansion of business scale. For the six months ended 30 June 2010, the Group's inventory turnover was 26 days, a similar level to 24 days in 2009.

The increase in properties under development for sale 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 2010, the properties under development for sale increased by 7.5% to RMB27.103 billion from RMB25.204 billion as at 31 December 2009.

Management Discussion and Analysis

4 Cash flow (continued)

Working capital (continued)

As at 30 June 2010, trade and bills receivables was RMB67.030 billion, a decrease of 2.0% from RMB68.408 billion as at the end of 2009. The number of turnover days for the first half of 2010 was 66 days, similar to 64 days for 2009. 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 23.1% (31 December 2009: 21.0%) of the total amount, reflecting the sound receivables management capability of the Group.

| | As at | |
|------------------------------------|--------------------------------|------------------------------------|
| | 30 June 2010 RMB million | 31 December 2009 RMB million |
| Trade and bills receivables | | |
| Less than six months | 32,323 | 38,673 |
| Six months to one year | 19,207 | 15,387 |
| One year to two years | 8,721 | 9,801 |
| Two years to three years | 4,788 | 3,194 |
| More than three years | 1,991 | 1,353 |
| Total | 67,030 | 68,408 |

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 2010, the Group's trade and bills payables increased by 14.8% from RMB94.790 billion as at the end of 2009 to RMB108.849 billion. The number of turnover days for the first half of 2010 was 106 days, representing an increase from 93 days for 2009. According to the ageing analysis of the trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 11.2% (31 December 2009: 10.8%) of the total amount.

| | As at | |
|---------------------------------|--------------------------------|------------------------------------|
| | 30 June 2010 RMB million | 31 December 2009 RMB million |
| Trade and bills payables | | |
| Less than one year | 96,684 | 84,578 |
| One year to two years | 8,837 | 7,200 |
| Two years to three years | 2,065 | 2,197 |
| More than three years | 1,263 | 815 |
| Total | 108,849 | 94,790 |

Management Discussion and Analysis

5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2010 and 31 December 2009. As at 30 June 2010, 42.5% (31 December 2009: 51.4%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

| | As at | |
|-----------------------------------|--------------------------------|------------------------------------|
| | 30 June 2010 RMB million | 31 December 2009 RMB million |
| Bank loans | | |
| Secured | 10,545 | 11,327 |
| Unsecured | 32,024 | 27,114 |
| <hr/> | | |
| Short-term debentures, unsecured | 42,569 | 38,441 |
| Other short-term loans, unsecured | – | 3,800 |
| Long-term bonds, unsecured | 7,120 | 6,150 |
| Other long-term loans, unsecured | 5,967 | – |
| | 5,801 | 7,472 |
| <hr/> | | |
| Total | 61,457 | 55,863 |
| <hr/> | | |
| Long-term borrowings | 35,347 | 27,151 |
| Short-term borrowings | 26,110 | 28,712 |
| <hr/> | | |
| Total | 61,457 | 55,863 |

Bank loans carry interest rates ranging from 1.5% to 9.0% (31 December 2009: 0.75% to 9.5%) per annum. Other short-term loans carry interest rates ranging from 3.72% to 14.4% (31 December 2009: 3.72% to 14.4%) per annum. Long-term bonds carry interest rates ranging from 4.48% to 4.88%. Other long-term loans carry interest rates ranging from 2.55% to 13.0% (31 December 2009: 2.2% to 13.0%) per annum.

As at 30 June 2010 and 31 December 2009, the Group's bank loans comprised fixed-rate bank loans amounting to RMB0.802 billion and RMB0.958 billion and floating-rate bank loans amounting to RMB41.767 billion and RMB37.483 billion, respectively.

Management Discussion and Analysis

5 Borrowings (continued)

The following table sets forth the carrying amounts of the Group's bank loans by currencies as at 30 June 2010 and 31 December 2009. The Group's bank loans are primarily denominated in Renminbi and the Group's foreign currency bank loans are primarily denominated in U.S. dollars and Euro dollars.

| | Borrowings in U.S. dollars RMB million | Borrowings in Euros RMB million | Borrowings in other currencies RMB million |
|------------------------|--|---|--|
| As at 30 June 2010 | 1,151 | 439 | 6 |
| As at 31 December 2009 | 877 | 447 | 34 |

As at 30 June 2010, approximately RMB4.231 billion (31 December 2009: RMB11.345 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB6.137 billion (31 December 2009: RMB17.492 billion). As at 30 June 2010, the Group had unutilized banking credit facilities with an aggregate amount of approximately RMB234.063 billion (31 December 2009: RMB144.641 billion).

As at 30 June 2010, the Group's gearing ratio (total liabilities/total assets) was 79.5%, an increase of 0.8 percentage point as compared with 78.7% as at 31 December 2009. 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. 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 utilize 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.

On 9 September 2009, the Company received the notice from the China Securities Regulatory Commission approving the issue and public offer of corporate bonds of amount not exceeding RMB12 billion in Mainland China within 24 months after the approval. On 27 January 2010, the Company issued the first tranche of corporate bonds with a principal amount of RMB6 billion, consisting of 5-year bond amounting to RMB1 billion at a fixed interest rate of 4.48% per annum and 10-year bond amounting to RMB5 billion at a fixed interest rate of 4.88% per annum. On 12 August 2010, the shareholders' meeting of the Company considered and approved the proposal on private placement of A shares of the Company not exceeding 1,517,880,000 shares (subject to adjustment) with proceeds not exceeding RMB6.239 billion. The shareholders of the Company also considered and approved, at the same shareholders' meeting held on 12 August 2010, the proposal on the issue of short-term notes by the Company with amount not exceeding RMB5 billion.

The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently and maintaining gearing ratio at a reasonable level. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in US dollars and Australian dollars.

Management Discussion and Analysis

6 Contingent liabilities

The contingent liabilities related to legal claims in the Group's ordinary course of business are set forth in the table below:

| | As at | |
|-------------------------|--------------------|-------------|
| | 30 June | 31 December |
| | 2010 | 2009 |
| | RMB million | RMB million |
| Pending lawsuits (Note) | 152 | 351 |

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.

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

| | As at 30 June 2010 | | As at 31 December 2009 | |
|--|---------------------------|----------------------|------------------------|---------------|
| | Amount | Expiry period | Amount | Expiry period |
| | RMB million | | RMB million | |
| Guarantees given to banks in respect of banking facilities to: | | | | |
| Associates | 5,786 | 2013-2025 | 5,713 | 2010-2027 |
| Other government-related entities | 895 | 2010-2018 | 790 | 2010-2011 |
| Property purchasers | 4,415 | 2010-2014 | 3,836 | 2010-2011 |
| Investees of the Group | 176 | 2016 | 176 | 2010-2016 |
| Total | 11,272 | | 10,515 | |

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 level of growth in the national and regional economies and the general level of growth in the relevant industries would affect the overall market. Increasingly intensive competition in the markets and the fluctuation of raw material prices could adversely affect the Group's businesses.

Operational risk

For infrastructure construction business, the bidding prices of construction contracting projects are affected largely by market competition. The Group might also not be able to control accurately the cost and to engage labour subcontractors, resulting in certain operational risks.

Management risk

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

Management Discussion and Analysis

7 Business risks (continued)

Policy risk

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

Financial risk

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

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 exposure to changes in interest rates is mainly attributable to its external borrowings. According to our analysis of current funding size, changes in interest rate policy will affect our finance cost to some extent. The Group currently does not have any interest rate hedging policy. However, the management of the Company monitors changes in interest rate at any time and will consider hedging significant interest rate exposure should the need arises, subject to strict implementation of the policy of the PRC and in compliance with the regulatory requirements.

Foreign exchange risk

The Group's functional currency is Renminbi. Our exposure to foreign exchange risk is limited as our principal businesses are denominated in Renminbi. Currently, the effects of the exposure to foreign exchange to the Group are as follows: Firstly, the proceeds raised through the public offering of H Shares in late 2007 is not freely convertible into Renminbi, as it is subject to foreign exchange control policy of the PRC, and was significantly affected by the fluctuation of exchange rates. As at 30 June 2010, the Group has H share offering proceeds with an amount equivalent to RMB4.073 billion denominated mainly in Hong Kong dollar, U.S. dollar and Australian dollar, and hence remained subject to the fluctuation of exchange rates. Secondly, the Group's overseas operations are continuously expanding as we have further implemented our development strategies. The revenue and profit contribution from overseas operations are expected to grow on an ongoing basis in the coming 3 years, and the exchange rates fluctuation resulting from the change of international capital or financial markets could affect the Group's financial results. 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 the Group 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 rules on and implementation of 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. At present, the Company's corporate governance structure and internal control system are well established and its operations are adequately regulated.

1. Shareholders and shareholders' general meeting: The Company has convened shareholders' general meeting in strict compliance with relevant regulations and ensured that all shareholders, especially minority shareholders, were fully entitled to and able to exercise their rights. The Company has held and convened shareholder's general meeting in strict compliance with the Procedural Rules for the Shareholders' General Meeting to allow all of the shareholders to fully exercise their voting rights. Shareholder's general meeting has been attended and witnessed by attorney engaged by the Company.
2. Controlling shareholders and the Company: During the reporting period, the controlling shareholders of the Company duly performed their relevant obligations under the Non-competition Agreement and the Non-competition Commitment entered into and did not act beyond their authorities granted at shareholder's general meeting to interfere with the production and operations of the Company. Controlling shareholders and the Company performed their work independently in five areas, i.e. personnel, assets, finance, divisions and businesses. The Board of Directors, the Supervisory Committee and the internal divisions of the Company were capable to operate independently.
3. Directors and the Board of Directors: The Company has elected its directors in strict compliance with the Articles of Association. At the end of the reporting period, the Board of Directors consists of seven Directors, including four Independent Non-executive Directors. There are five board committees established under the Board of Directors of the Company, four of which have majority of members acting in capacity of Independent Non-executive Directors, and the Audit Committee and the Remuneration Committee consist of all Independent Non-executive Directors. The numbers and compositions of the Board of Directors and board committees of the Company are in compliance with the requirements of relevant laws and regulations, as well as the Articles of Association. The Board of Directors and board committees of the Company conduct their work pursuant to the Procedural Rules for the Board of Directors and relevant procedural rules for respective board committees. Directors performed their duties in responsible and diligent manner and actively received related training. They are familiar with applicable laws and regulations and exercise their rights properly.
4. Supervisors and the Supervisory Committee: The Company has elected its supervisors in accordance with the Articles of Association. The numbers and compositions of the Supervisory Committee are in compliance with the requirements of relevant laws and regulations, as well as the Articles of Association. The supervisors of the Company performed their duties in responsible manner under the authorities specified in the Articles of Association and the Terms of Reference for the Supervisory Committee. They supervised and examined the duties performed by directors, President and other senior management and the financial position of the Company independently and efficiently.
5. Information disclosure and transparency: Secretary to the Board of Directors of the Company is in charge of information disclosure affairs and organising the investor relation office to receive shareholders' visits and enquiries, and thus improve the communication with shareholders. During the reporting period, the Company performed its duty of information disclosure in both the Mainland China and Hong Kong markets in strict compliance with the requirements of the Stock Listing Rules of the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Articles of Association and the Management System on A-Share Information Disclosure in the principle of simultaneously disclosure by companies listed in different regions. The Company disclosed the information on specified newspapers, websites and other legal channels in truly, accurate, complete, timely and fair manner, which ensure the Company's information to be available to shareholders of the Company on a fair basis. During the first half of the year, with its outstanding corporate governance, the Company was awarded "2010 The Best Board of Directors" and received the title of "Best IR Program" for Asia-Pacific regions and China in 2010 IR Global Rankings (IRGR).

Significant Events

2 Implementation of the profit distribution resolution during the reporting period

During the reporting period, the Company would pay distributable profit on a proportion of 50%, with a total profit of RMB1.342 billion by paying a cash dividend of RMB0.63 (including tax) for every 10 Shares, after special dividends of RMB2,404,896,000 declared to CRECG, the controlling shareholder, pursuant to the relevant financial policies and the resolutions of the first interim general meeting in 2007. 2009 Profit Distribution Scheme was considered and approved at the 2009 Annual General Meeting ("AGM") held by the Company on 29 June 2010. The announcement of profit distribution was published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily published on 12 July 2010 and the website of Shanghai Stock Exchange. As of 11 August 2010, the Company's profit distribution of 2009 was fully completed.

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

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

4 Implementation of the cash dividend policy during the reporting period

1. The cash dividend policy of the Company specified in the Articles of Association: the profit distribution policy of the Company is to distribute dividends in cash or shares or both. The Company may distribute interim cash dividends. The profit distribution policy shall remain consistent and stable.
2. 2009 Profit Distribution Scheme of the Company adopted dividend distribution in cash. Please refer to "Implementation of the profit distribution resolution during the reporting period" for the details of implementation.

5 Material litigation and arbitration

During the reporting period, there was no material litigation and arbitration of the Company.

6 Events regarding bankruptcy and restructuring

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

Significant Events

7 Shares issued by other listed companies and financial institutions held by the Company

(1) 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 investment | HK0368 | Sinotrans Ship | 111,334,495.32 | 14,535,000.00 | 38,041,002.00 | 74.99 | -8,032,041.00 |
| 2 | Stock investment | 600100 | Tsinghua Tongfang | 3,040,000.00 | 247,000.00 | 5,196,880.00 | 10.24 | 570,570.00 |
| 3 | Stock investment | 000050 | Shenzhen Tianma (A) | 1,724,414.75 | 466,200.00 | 3,412,584.00 | 6.73 | 312,354.00 |
| 4 | Stock investment | 600171 | Shanghai Belling | 1,390,000.00 | 250,000.00 | 1,577,500.00 | 3.11 | -392,500.00 |
| 5 | Stock investment | 601186 | CRCC | 653,760.00 | 72,000.00 | 518,400.00 | 1.02 | -139,680.00 |
| 6 | Stock investment | 601601 | CPIC | 420,000.00 | 14,000.00 | 318,780.00 | 0.63 | -39,900.00 |
| 7 | Stock investment | 002049 | Jingyuan Electronics | 199,089.00 | 22,500.00 | 282,150.00 | 0.56 | 28,125.00 |
| 8 | Stock investment | 601398 | Industrial and Commercial Bank of China | 406,500.00 | 50,000.00 | 203,000.00 | 0.40 | -69,000.00 |
| 9 | Stock investment | 600202 | Harbin Air Conditioning | 129,399.74 | 15,600.00 | 192,972.00 | 0.38 | -100,932.00 |
| 10 | Stock investment | 600050 | China Unicom | 422,800.00 | 35,000.00 | 186,550.00 | 0.37 | -68,600.00 |
| Other securities investments held at the end of the period | | | | 1,101,355.00 | / | 798,459.55 | 1.57 | -233,561.95 |
| Gains/losses on disposal of securities investments in the reporting period | | | | / | / | / | / | 18,534.42 |
| Total | | | | 120,821,813.81 | / | 50,728,277.55 | 100.00 | -8,146,631.53 |

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

| Stock code | Simplified stock name | Cost of initial investment (RMB) | Percentage of interests in the investee company (%) | Carrying value at the end of the period (RMB) | Gain/loss in the reporting period (RMB) | Changes in equity of owners in the reporting period (RMB) | Accounting item | Source of shares |
|------------|-----------------------------|----------------------------------|---|---|---|---|-------------------------------------|----------------------|
| 601328 | Bank of Communications | 62,783,015.40 | 0.0783 | 246,425,964.31 | -30,069,973.50 | -66,485,209.76 | Available-for-sale financial assets | Purchase from market |
| 600100 | Tsinghua Tongfang | 185,600,000.00 | 0.44 | 91,172,505.76 | - | 10,009,909.14 | Available-for-sale financial assets | Purchase from market |
| 000050 | Shenzhen Tianma (A) | 179,073,697.10 | 4.74 | 199,413,270.00 | - | 18,252,307.50 | Available-for-sale financial assets | Purchase from market |
| 000518 | Sihuan Bioengineering | 5,000,000.00 | 0.83 | 40,899,768.75 | 5,401,856.25 | - | Available-for-sale financial assets | Purchase from market |
| 601601 | CPIC | 7,644,000.00 | 0.7792 | 133,708,354.56 | -16,735,564.80 | - | Available-for-sale financial assets | Purchase from market |
| 601169 | Bank of Beijing | 2,000.00 | 0.00085 | 2,000.00 | - | - | Long-term equity investment | Purchase from market |
| 600999 | China Merchants Securities | 4,233,267.00 | 0.00381 | 2,791,225.08 | - | - | Available-for-sale financial assets | Purchase from market |
| 780989 | China Shipbuilding Industry | 7,785,043.92 | 0.01590 | - | 255.55 | - | Available-for-sale financial assets | Purchase from market |
| Total | | 452,121,023.42 | / | 714,413,088.46 | -41,403,426.50 | -38,222,993.12 | / | / |

Significant Events

7 Shares issued by other listed companies and financial institutions held by the Company *(continued)*

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

| Name of investee | Cost of initial investment (RMB) | Number of shares held (share) | Percentage of interests in the investee company (%) | Carrying value at the end of the period (RMB) | Gain/loss in the reporting period (RMB) | Changes in equity of owners in the reporting period (RMB) | Accounting item | Source of shares |
|--|----------------------------------|-------------------------------|---|---|---|---|-----------------------------|----------------------------------|
| China Railway Trust Co., Ltd. | 1,156,046,706.35 | – | 92.69 | 1,447,205,843.97 | 2,420,331.56 | -25,861.08 | Long-term equity investment | Capital injection/ establishment |
| China Golden Valley International Trust & Investment Co., Ltd. | 15,067,000.00 | – | 7.00 | 16,850,500.00 | – | – | Long-term equity investment | Establishment |
| Bank of Chengdu Company Limited | 3,002,000.00 | 3,753,400.00 | 0.12 | 3,002,000.00 | 223,896.00 | – | Long-term equity investment | Purchase |
| China Railway Hezhong Pawnbroking Co., Ltd. (Chengdu) | 58,000,000.00 | – | 58.00 | 58,000,000.00 | – | – | Long-term equity investment | Establishment |
| Hubei Pengcheng Insurance Brokers Co., Ltd. | 200,000.00 | – | 4.00 | 200,000.00 | – | – | Long-term equity investment | Purchase |
| Western Securities Co., Ltd. | 10,000,000.00 | 10,000,000.00 | 1.00 | 10,000,000.00 | 3,573,629.38 | – | Long-term equity investment | Purchase |
| Western Trust Co., Ltd. | 9,094,630.00 | 9,094,630.00 | 1.39 | 9,094,630.00 | 516,747.48 | – | Long-term equity investment | Purchase |
| Greatwall Securities Co., Ltd. | 102,000,000.00 | 17,000,000.00 | 0.82 | 96,457,687.47 | – | – | Long-term equity investment | Purchase |
| Total | 1,353,410,336.35 | 39,848,030.00 | / | 1,640,810,661.44 | 6,734,604.42 | -25,861.08 | / | / |

Significant Events

8 Asset transactions (1) Acquisition of assets

Unit: Thousand Currency: Renminbi

| Counterparty or ultimate controlling party | Assets acquired | Date of acquisition | Price of assets acquired | Contribution to the net profit of the listed company from the beginning of the year to the end of the period (appropriate for the merge of enterprises under common control) | Related party transaction? (if yes, specify pricing principle) | Pricing principle of assets acquired | Are all the property rights of assets transferred to the other party? | Are all the claims and liabilities of assets transferred to the other party? | Contribution to the net profit as a percentage of total net profit of the listed company (%) | Related party relationship |
|--|---|---------------------|--------------------------|--|--|--|---|--|--|----------------------------|
| RMA Energy Ltd | RMA Energy Ltd | 30 June 2010 | 63,260 | -1,636 | No | At the fair value on the date of acquisition | Yes | Yes | less than 1 | N/A |
| Heilongjiang North Mining Group Co., Ltd. | Yichun Luming Mining Co., Ltd. | 30 April 2010 | 705,500 | 0 | No | At the fair value on the date of acquisition | Yes | Yes | 0 | N/A |
| Qingdao Real Estate Property Co., Ltd. | Qingdao Jingxi Property Co., Ltd. | 3 January 2010 | 6,000 | 15 | No | Asset valuation | Yes | Yes | less than 1 | N/A |
| Hefei Urban Construction Investment and Holdings Co., Ltd. | Hefei City Construction Design and Research Co., Ltd. | 6 January 2010 | 51,456 | 453 | No | At the fair value on the date of acquisition | Yes | Yes | less than 1 | N/A |
| Huang Xinbing | Chengdu Huafeng Applied Geological Development Co., Ltd. | 6 January 2010 | 9,000 | -232 | No | Asset valuation | Yes | Yes | less than 1 | N/A |
| China Railway Engineering Corporation | China Railway Port and Waterway Engineering Bureau Limited (Note) | 1 January 2010 | 408,641 | -11,720 | Yes | Pricing by negotiation | Yes | Yes | less than 1 | Controlling shareholder |

Note: The acquisition of asset was disclosed on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange and the specified newspapers on 9 March 2010.

(2) Disposal of assets

| Counterparty | Asset sold | Date of sale | Selling price | Contribution to the net profit of the listed company from the beginning of the year to the date of sale | Gain/loss arising from the sales | Related party transaction? (if yes, specify pricing principle) | Pricing principle of assets sold | Are all the property rights of assets transferred to the other party? | Are all the claims and liabilities of assets transferred to the other party? | Contribution to the net profit as a percentage of total net profit of the listed company (%) | Related party relationship |
|--|--|-----------------------------|-----------------|---|----------------------------------|--|--|---|--|--|----------------------------|
| Guangsha Chongqing First Construction (Group) Co., Ltd., Chongqing Jiakai Real Estate Development Co., Ltd. Song Lei | Guangsha Chongqing First Construction (Group) Co., Ltd. | 1 January 2010 | 11,100 | 0 | -1,217 | No | Asset valuation | Yes | Yes | 0 | N/A |
| Zigong Yuanda Real Estate Development Co., Ltd. | Qingdao Jianqing Cement Engineering Co., Ltd. Zigong Real Estate Development Co., Ltd. | 2 March 2010 10 May 2010 | 9,260 44,267 | 0 -713 | 492 32,696 | No No | Asset valuation At the fair value on the date of sale | Yes Yes | Yes Yes | 0 less than 1 | N/A N/A |

Unit: Thousand Currency: Renminbi

Significant Events

8 Asset transactions (continued)

(3) Asset swap

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

(4) Merger and acquisition

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

9 Implementation of share incentive scheme of the Company and its effects

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

10 Significant related party transactions of the Company during the reporting period

(1) Parent company of the Group

Unit: Thousand Currency: Renminbi

| Name of the parent company | Related party relationship | Type of Enterprise | Place of registration | Legal representative | Nature of business | Registered capital | Percentage of the Company's equities held by the parent company (%) | Percentage of the Company's voting rights held by the parent company (%) | Ultimate controlling shareholder of the Company | Institution code |
|---------------------------------------|----------------------------|------------------------|-----------------------|----------------------|---|--------------------|---|--|---|------------------|
| China Railway Engineering Corporation | Controlling shareholder | State-owned enterprise | Beijing | Li Changjin | Construction works and related technological research, survey, design and consulting services, manufacturing of specialised equipment, operation and development of real estate | 10,814,925 | 56.10 | 56.10 | State-owned Assets Supervision and Administration Commission of the State Council | 10201654-8 |

(2) Subsidiaries of the Group

Please refer to note (5) of financial statements prepared in accordance with the Chinese Accounting Standards for particulars of the subsidiaries of the Group.

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(3) Joint ventures and associates of the Group

| Name of related parties | Relationship with the Company | Institution code |
|--|-------------------------------|------------------|
| Joint venture of Paul Y. and China Railway – Garbage Processing Project | Joint venture | N/A |
| Congo Highway Management Corporation | Joint venture | N/A |
| Congo (Kinshasa) International Mining Co., Ltd. | Joint venture | N/A |
| Chongqing Yulin Expressway Co., Ltd. | Joint venture | 70936923-5 |
| Lvsha Mining Co., Ltd. | Joint venture | N/A |
| MKM Mining Co., Ltd. | Joint venture | N/A |
| Chinese New Turnout Technologies Co., Ltd. | Joint venture | 66222715-9 |
| Chengdu Huaxindazu Property Development Co., Ltd. | Associate | 72031220-5 |
| Huludao Binhai New District Investment Co., Ltd. | Associate | 742779033 |
| Suzhou Huxin Real Estate Development Co., Ltd. | Associate | 77641165-9 |
| Yunnan Longrun Real Estate Co., Ltd. | Associate | 662622087 |
| Sicomines SARL | Associate | N/A |
| Shanghai Tierun Construction Engineering Co., Ltd. | Associate | 74762466-3 |
| Chengdu Longquanyi District Land Recondition Co., Ltd. | Associate | 74031987-7 |
| Shaanxi Beichen Property Development Co., Ltd. | Associate | 77003649-9 |
| Baoji CSR Times Engineering Machinery Co., Ltd. | Associate | 68478836-0 |
| Chengdu China Railway NO. 2 Group Yongjingtang Printing Co., Ltd. | Associate | 76863066-7 |
| Yunnan Fuyan Expressway Co., Ltd. | Associate | 76389594-9 |
| The Third Railway Survey and Design Institute Group Corporation | Associate | 10306281-0 |
| Lince Railway Co., Ltd. | Associate | 78708746-0 |
| Chongqing Dianzhong Expressway Co., Ltd. | Associate | 76590530-3 |
| Jiangsu Zhongtai Steel Structure Co., Ltd. | Associate | 71408537-6 |
| Guiyang Baiyun Tiewujian Property Development Co., Ltd. | Associate | 78017983-X |
| Shanghai China Railway Shanqiao Railway Equipment Company Limited | Associate | 66608467-1 |
| Guiyang Xinglong Changqingting Property Development Co., Ltd. | Associate | 79526600-4 |
| Chengdu Yuantong Railway Engineering Co., Ltd. | Associate | 74970281-3 |
| Inner Mongolia Guobai Railway Co., Ltd. | Associate | 66095563-8 |
| Shenzhen Baochuang Construction Material Co., Ltd. | Associate | 715237474 |
| Beijing Zhongcui Investment Co., Ltd | Associate | 76678130-6 |
| Beijing Fenghuai Sleeper Co., Ltd. | Associate | 10260650-5 |
| Nanchang Railway Tianji Property Development Co., Ltd. – Qingyun Mingzhu Development Department | Associated entity | N/A |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(4) Other related parties of the Group

| Name of other related parties | Relationship with the Company | Institution code |
|--|--|------------------|
| Zhitie Mechanical Engineering Co., Ltd. | Associate of controlling shareholder | 10217318-0 |
| China Railway Hongda Asset Management Center | An unlisted company of the CRECG Group | 71093478-0 |
| China Airport Construction Group Corporation (Note 1) | An unlisted company of the CRECG Group | 10205420-2 |
| Henan Pingzheng Expressway Development Co., Ltd (Note 2) | An unlisted company of the CRECG Group | 76781469-1 |

Note 1: According to the Reply to Relevant Issues on Transfer of Assets of China Airport Construction Group Corporation under China Resources National Corporation (Guozi Pingjia No. [2009]1300) issued by the SASAC, the SASAC decided to transfer China Airport Construction Group Corporation under China Resources National Corporation as a whole to CRECG at nil consideration in 2009.

Note 2: Henan Pingzheng Expressway Development Co., Ltd is a subsidiary acquired by CRECG from a third party in 2009.

(5) Related party transactions

- (1) Related party transactions relating to purchase and sales of goods, provision and receipt of services
Provision of construction works services

| Related parties | Pricing method and decision making procedure of the related party transaction | Unit: Thousand | | Currency: Renminbi | |
|---|---|-------------------------|---|-------------------------|---|
| | | January to June of 2010 | | January to June of 2009 | |
| | | Amount | Percentage of transaction value to the same type of transaction (%) | Amount | Percentage of transaction value to the same type of transaction (%) |
| Chengdu Huaxindazu Property Development Co., Ltd. | Public tender | 172,728 | less than 1 | 33,620 | less than 1 |
| China Airport Construction Group Corporation | Public tender | 105,531 | less than 1 | – | – |
| Yunnan Fuyan Expressway Co., Ltd. | Public tender | 34,724 | less than 1 | – | – |
| Lvsha Mining Co., Ltd. | Public tender | 13,279 | less than 1 | – | – |
| China Railway Hongda Asset Management Center | Public tender | 10,859 | less than 1 | – | – |
| Lince Railway Co., Ltd. | Public tender | 9,795 | less than 1 | 51,976 | less than 1 |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(5) Related party transactions (continued)

- (1) Related party transactions relating to purchase and sales of goods, provision and receipt of services
(continued)
Other sales

Unit: Thousand Currency: Renminbi

| Related parties | Pricing method and decision making procedure of the related party transaction | January to June of 2010 | | January to June of 2009 | |
|---|---|-------------------------|---|-------------------------|---|
| | | Amount | Percentage of transaction value to the same type of transaction (%) | Amount | Percentage of transaction value to the same type of transaction (%) |
| China Railway Hongda Asset Management Center | Contract price as agreed by both parties | 80,857 | less than 1 | – | |
| Congo (Kinshasa) International Mining Co., Ltd. | Transaction prices and bargaining method are the same as those of non-related parties | 8,024 | less than 1 | – | |
| Lvsha Mining Co., Ltd. | Transaction prices and bargaining method are the same as those of non-related parties | 7,388 | less than 1 | – | |
| Chinese New Turnout Technologies Co., Ltd. | Transaction prices and bargaining method are the same as those of non-related parties | 4,958 | less than 1 | 596 | less than 1 |
| MKM Mining Co., Ltd. | Transaction prices and bargaining method are the same as those of non-related parties | 3,352 | less than 1 | – | |

Receipt of services and purchase of materials

Unit: Thousand Currency: Renminbi

| Related parties | Pricing method and decision making procedure of the related party transaction | January to June of 2010 | | January to June of 2009 | |
|--|---|-------------------------|---|-------------------------|---|
| | | Amount | Percentage of transaction value to the same type of transaction (%) | Amount | Percentage of transaction value to the same type of transaction (%) |
| Jiangsu Zhongtai Steel Structure Co., Ltd. | Transaction prices and decision making procedure are the same as those of non-related parties | 184 | less than 1 | 1,523 | less than 1 |
| Chinese New Turnout Technologies Co., Ltd. | Transaction prices and decision making procedure are the same as those of non-related parties | 146 | less than 1 | – | |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(5) Related party transactions (continued)

(2) Related party leases

Unit: Thousand Currency: Renminbi

| Name of lessor | Name of lessee | Leased assets | Commencement date of the lease | Expiry date of the lease | Lease charges | Determination basis for lease income |
|--|-----------------------------|----------------------------|--------------------------------|--------------------------|---------------|--------------------------------------|
| China Railway Hongda Asset Management Center | China Railway Group Limited | Office building and others | 2010-01 | 2010-06 | 17,745 | Pricing by negotiation |

(3) Related party guarantees

Unit: Thousand Currency: Renminbi

| Guarantor | Guarantee | Guaranteed amount | Commencement date of guarantee | Expiry date of guarantee | Guarantee fully fulfilled? |
|--|---|-------------------|--------------------------------|--------------------------|----------------------------|
| China Railway NO.2 Engineering Group Co., Ltd. | Yunnan Fuyan Expressway Co., Ltd. | 3,496,000 | 2007-04 | 2027-04 | No |
| China Railway NO.2 Engineering Group Co., Ltd. | Yunnan Fuyan Expressway Co., Ltd. | 1,000,000 | 2007-08 | 2022-08 | No |
| China Railway Group Limited | Lince Railway Co., Ltd. | 783,000 | 2008-08 | 2025-06 | No |
| China Railway Group Limited | Inner Mongolia Guobai Railway Co., Ltd. | 503,240 | 2008-11 | 2020-11 | No |
| China Railway Engineering Corporation (Note) | China Railway Group Limited | 994,769 | 2010-01 | 2015-01 | No |
| China Railway Engineering Corporation (Note) | China Railway Group Limited | 4,972,620 | 2010-01 | 2020-01 | No |

Note: These are the unconditional and irrevocable joint and several liability guarantees provided by China Railway Engineering Corporation for the entire amount of the 5-year and 10-year corporate bonds issued by the Company in January 2010.

(4) Borrowing and lending from/to related parties January to June of 2010:

Unit: Thousand Currency: Renminbi

| Related parties | Amount | Commencement | | Balance of the period |
|---|---------|--------------|----------|-----------------------|
| | | date | Due date | |
| Borrowing | | | | |
| Guiyang Xinglong Changqingting Property Development Co., Ltd. | 46,495 | 2009-08 | 2010-08 | 9,580 |
| Guiyang Xinglong Changqingting Property Development Co., Ltd. | 5,000 | 2010-01 | 2011-01 | 5,000 |
| Lending | | | | |
| Sicomines SARL | 828,281 | 2009-09 | 2019-10 | 827,277 |
| Sicomines SARL | 238,574 | 2010-01 | 2020-01 | 238,574 |
| Congo Highway Management Corporation | 102,287 | 2009-01 | 2011-09 | 101,762 |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(5) Related party transactions (continued)

- (4) Borrowing and lending from/to related parties (continued)
January to June of 2009:

Unit: Thousand Currency: Renminbi

| Related parties | Amount | Commencement | | Balance of last period |
|---|---------|--------------|----------|------------------------|
| | | date | Due date | |
| Borrowing | | | | |
| Guiyang Xinglong Changqingteng Property Development Co., Ltd. | 46,495 | 2009-08 | 2010-08 | 9,580 |
| Lending | | | | |
| Congo Highway Management Corporation | 102,287 | 2009-01 | 2011-09 | 102,287 |

- (5) Remuneration of key management personnel

Unit: Thousand Currency: Renminbi

| Item | January to June of 2010 | January to June of 2009 |
|--|-------------------------|-------------------------|
| Remuneration of key management personnel | 1,496 | 1,511 |

- (6) Other related party transactions

Unit: Thousand Currency: Renminbi

| Particulars of transaction | Related parties | January to June of 2010 | January to June of 2009 |
|--------------------------------|--|-------------------------|-------------------------|
| Receipt of integrated services | China Railway Hongda Asset Management Center | 21,707 | 35,553 |
| Interest income | Sicomines SARL | 6,631 | – |
| Interest income | Congo Highway Management Corporation | 2,570 | – |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(6) Amount due from/due to related parties

Unit: Thousand Currency: Renminbi

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|-------------------|--|-----------------|---------------------|
| Trade receivables | Yunnan Fuyan Expressway Co., Ltd. | 221,920 | 156,247 |
| | Congo (Kinshasa) International Mining Co., Ltd. | 95,955 | 84,871 |
| | Inner Mongolia Guobai Railway Co., Ltd. | 48,520 | 102,464 |
| | China Railway Hongda Asset Management Center | 45,731 | 635 |
| | Chengdu Huaxindazu Property Development Co., Ltd. | 38,261 | 43,613 |
| | Chengdu Longquanyi District Land Recondition Co., Ltd. | 33,871 | 34,132 |
| | Henan Pingzheng Expressway Development Co., Ltd. | 13,314 | 25,516 |
| | Lvsha Mining Co., Ltd. | 7,412 | 2,807 |
| | MKM Mining Co., Ltd. | 3,074 | 1,316 |
| | Chongqing Dianzhong Expressway Co., Ltd. | 1,615 | 25,415 |
| | Lince Railway Co., Ltd. | 1,233 | 96,872 |
| | Chinese New Turnout Technologies Co., Ltd. | 687 | 1,324 |
| | Congo Highway Management Corporation | 480 | 84,508 |
| | Shanghai China Railway Shanqiao Railway Equipment Company Limited | 52 | 52 |
| | Yunnan Longrun Real Estate Co., Ltd. | – | 30,818 |
| Total | | 512,125 | 690,590 |
| Other receivables | Congo (Kinshasa) International Mining Co., Ltd. | 441,364 | 338,615 |
| | MKM Mining Co., Ltd. | 151,582 | 30,925 |
| | Huludao Binhai New District Investment Co., Ltd. | 150,171 | 149,021 |
| | Lvsha Mining Co., Ltd. | 111,388 | 52,385 |
| | Chongqing Yulin Expressway Co., Ltd. | 19,023 | 18,553 |
| | Congo Highway Management Corporation | 12,947 | 16,965 |
| | Shaanxi Beichen Property Development Co., Ltd. | 6,307 | 14,633 |
| | Guiyang Baiyun Tiewujian Property Development Co., Ltd. | 5,000 | 5,000 |
| | Chengdu China Railway NO. 2 Group Yongjingtang Printing Co., Ltd. | 3,800 | 3,600 |
| | Sicomines SARL | 3,117 | 2,461 |
| | Inner Mongolia Guobai Railway Co., Ltd. | 2,908 | 51,804 |
| | Chinese New Turnout Technologies Co., Ltd. | 2,786 | – |
| | China Railway Hongda Asset Management Center | – | 102 |
| | Lince Railway Co., Ltd. | – | 12,175 |
| | Shenzhen Baochuang Construction Material Co., Ltd. | – | 9,904 |
| | Baoji CSR Times Engineering Machinery Co., Ltd. | – | 8,302 |
| | Joint venture of Paul Y. and China Railway- Garbage Processing Project | – | 5,984 |
| | Chengdu Yuantong Railway Engineering Co., Ltd. | – | 5,682 |
| | Chongqing Dianzhong Expressway Co., Ltd. | – | 2,434 |
| Total | | 910,393 | 728,545 |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(6) Amount due from/due to related parties (continued)

Unit: Thousand Currency: Renminbi

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|------------------------------|--------------------------------------|------------------|---------------------|
| Long-term receivables (Note) | Sicomines SARL | 1,065,851 | 828,281 |
| | Congo Highway Management Corporation | 101,762 | 102,287 |
| Total | | 1,167,613 | 930,568 |

Note: The two long-term receivables are of loan nature, balances of which at the end of the period are disclosed in Note (4) Borrowing and lending from/to related parties.

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|---------------------|--------------------------------------|-----------------|---------------------|
| Dividend receivable | Congo Highway Management Corporation | 15,756 | 16,097 |
| | Beijing Fenghuai Sleeper Co., Ltd. | 4,730 | 3,171 |
| Total | | 20,486 | 19,268 |

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|--------------|---|-----------------|---------------------|
| Prepayments | Yunnan Longrun Real Estate Co., Ltd. | 17,000 | 118,442 |
| | Jiangsu Zhongtai Steel Structure Co., Ltd. | – | 15,474 |
| | The Third Railway Survey and Design Institute Group Corporation | 96 | 96 |
| Total | | 17,096 | 134,012 |

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|----------------|--|-----------------|---------------------|
| Trade payables | China Railway Hongda Asset Management Center | 50,865 | 4,264 |
| | Jiangsu Zhongtai Steel Structure Co., Ltd. | 81 | 64 |
| | Shanghai Tierun Construction Engineering Co., Ltd. | – | 3,011 |
| | Inner Mongolia Guobai Railway Co., Ltd. | – | 2,434 |
| Total | | 50,946 | 9,773 |

Significant Events

10 Significant related party transactions of the Company during the reporting period (continued)

(6) Amount due from/due to related parties (continued)

Unit: Thousand Currency: Renminbi

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|---------------------|--|-----------------|---------------------|
| Receipts in advance | Lvsha Mining Co., Ltd. | 8,087 | – |
| | China Railway Hongda Asset Management Center | 7,495 | 38,854 |
| | China Airport Construction Group Corporation | 4,650 | 23,847 |
| | Chongqing Dianzhong Expressway Co., Ltd. | 215 | – |
| | Lince Railway Co., Ltd. | – | 10,612 |
| Total | | 20,447 | 73,313 |

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|----------------|---|-----------------|---------------------|
| Other payables | China Railway Engineering Corporation | 408,641 | 5,100 |
| | Nanchang Railway Tianji Property Development Co., Ltd.– Qingyun Mingzhu Development | 27,000 | 27,000 |
| | China Railway Hongda Asset Management Center | 23,771 | 32,870 |
| | Guiyang Xinglong Changqingteng Property Development Co., Ltd. | 14,580 | 9,580 |
| | Chengdu Huaxindazu Property Development Co., Ltd. | 10,488 | – |
| | Beijing Zhongcui Investment Co., Ltd | 103 | – |
| | Suzhou Huxin Real Estate Development Co., Ltd. | – | 24,300 |
| | Shanghai Tierun Construction Engineering Co., Ltd. | – | 8,206 |
| Total | | 484,583 | 107,056 |

| Items | Related Parties | 30 June 2010 | 31 December 2009 |
|------------------|---------------------------------------|-----------------|---------------------|
| Dividend payable | China Railway Engineering Corporation | 2,004,896 | 2,404,896 |

Note: The dividend was actually paid on 20 July 2010.

11 Material contracts and their performance

(1) Trusteeship, contracting and leasing

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

(2) Guarantee

Unit: Ten thousands Currency: Renminbi

| Guarantor | Relationship between guarantor and listed company | Guarantee | Guaranteed amount | Guarantee granted by the Company (excluding those to subsidiaries) | | | 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 |
|---|---|---|-------------------|--|--------------------------------|-------------------------------|--|---|----------------------------|----------|----------------|------------------------------|--|----------------------------|
| | | | | Commencement date of guarantee (Agreement execution date) | Commencement date of guarantee | Guaranteed amount | | | | | | | | |
| China Railway | The same entity | Lince Railway Co., Ltd. | 78,300.00 | 1/8/2008 | 1/8/2008 | 1/8/2008 | 20/6/2024 | Suretyship of joint and several liability | No | No | - | No | Yes | Associate |
| China Railway | The same entity | Inner Mongolia Guobai Railway Co., Ltd. | 50,324.00 | 24/11/2008 | 24/11/2008 | 24/11/2008 | 30/11/2020 | Suretyship of joint and several liability | No | No | - | No | Yes | Associate |
| China Railway NO.2 Engineering | Wholly-owned subsidiary | Shinorai Bohai Train Ferry Co., Ltd. | 4,302.90 | 24/12/2004 | 24/12/2004 | 24/12/2004 | 23/12/2016 | Suretyship of joint and several liability | No | No | - | No | No | No |
| China Railway NO.2 Engineering | Wholly-owned subsidiary | Yunnan Fuyan Expressway Co., Ltd. | 349,600.00 | 5/4/2007 | 5/4/2007 | 5/4/2007 | 5/4/2011 | Suretyship of joint and several liability | No | No | - | No | Yes | Associate |
| China Railway NO.2 Engineering | Wholly-owned subsidiary | Yunnan Fuyan Expressway Co., Ltd. | 100,000.00 | 30/8/2007 | 30/8/2007 | 30/8/2007 | 30/8/2022 | Suretyship of joint and several liability | No | No | - | No | Yes | Associate |
| China Railway NO.2 Engineering | Wholly-owned subsidiary | Shanghai Rong Lian Leasing Co., Ltd. | 11,494.00 | 28/12/2007 | 28/12/2007 | 28/12/2007 | 28/12/2010 | Suretyship of joint and several liability | No | No | - | No | No | No |
| China Railway NO.2 Engineering | Wholly-owned subsidiary | Shanghai Rong Lian Leasing Co., Ltd. | 25,839.40 | 27/6/2008 | 27/6/2008 | 27/6/2008 | 27/6/2011 | Suretyship of joint and several liability | No | No | - | No | No | No |
| Dazhou China Railway Ruicheng Real Estate Co., Ltd. | Non-wholly-owned controlling subsidiary | Property owners of Longjun project | 7,345.99 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| New Sichuan-Tibet Road & Bridge Company | Wholly-owned subsidiary | Property owners of Xinjie project | 48,531.53 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| Hongyuan Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Shujuan project | 30,958.10 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| Chengde China Railway Real Estate Co., Ltd. | Wholly-owned subsidiary | Property owners of Xijun Yinghua Hongyuan project | 5,528.40 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| China Railway NO.4 Engineering | Wholly-owned subsidiary | Yankuang Group Co., Ltd | 5,201.83 | 3/2/2004 | 3/2/2004 | 3/2/2004 | 2 years after completion of project | Suretyship of joint and several liability | No | No | - | No | No | No |
| Huainan Yangguangcheng Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Huainan Yangguangcheng | 98.74 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| China Railway NO.4 Engineering Group Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Rainbow New City | 338.27 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |
| Huainan China Railway Sijian Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Huainan Dongshan Julongwan | 16.39 | Release date of bank mortgage | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | No | - | No | No | No |

11 Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

| Guarantor | Relationship between guarantor and listed company | Guarantee | Guarantee granted by the Company (excluding those to subsidiaries) | | | Type of guarantee | Guarantee fully fulfilled? | Overdue? | Overdue amount | Counter guarantee available? | Guarantee provided to the related parties? | Related party relationship |
|---|---|--|--|-------------------|--------------------------------|--|----------------------------|----------|----------------|------------------------------|--|----------------------------|
| | | | Commencement date of guarantee (Agreement execution date) | Guaranteed amount | Commencement date of guarantee | | | | | | | |
| Guiyang Tiawujian Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Xinglong Zhuijiang Wan Pan | Release date of bank mortgage | 1,673.00 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| Guiyang Tiawujian Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Xinglong Phase II | Release date of bank mortgage | 1,600.00 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| Guizhou Tianwei Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Fengdan Bailu | Release date of bank mortgage | 2,238.50 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.7 Engineering | Wholly-owned subsidiary | China Henan International Cooperation Group Co., Ltd | 19/4/2006 | 434.00 | 19/4/2006 | Completion of project | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Company | Wholly-owned subsidiary | Property owners of China Railway Shuanglongwan project | Release date of bank mortgage | 18,005.70 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Company | Wholly-owned subsidiary | Property owners of China Railway Xizi Xianghe project | Release date of bank mortgage | 66,377.08 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Company | Wholly-owned subsidiary | Property owners of China Railway Dragon Town project | Release date of bank mortgage | 6,052.71 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Company | Wholly-owned subsidiary | Property owners of China Railway Longjun project | Release date of bank mortgage | 6,182.30 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Company | Wholly-owned subsidiary | Clients of China Railway Rujing Mingcheng and Lanling | Release date of bank mortgage | 44,212.10 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.8 Engineering Property Development Co., Ltd. | Wholly-owned subsidiary | Clients of Dongqi Xinyuan project | Release date of bank mortgage | 769.40 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.10 Engineering | Wholly-owned subsidiary | Property owners of Jinan "Huayang Nianhua" | Release date of bank mortgage | 692.67 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |
| China Railway NO.10 Engineering | Wholly-owned subsidiary | Property owners of Dongying "Shengshi Longcheng" | Release date of bank mortgage | 1,152.50 | Release date of bank mortgage | Completion date of household ownership certificate application | No | - | No | No | No | |

Significant Events

11 Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

| Guarantor | Relationship between guarantor and listed company | Guarantee | Commencement date of guarantee | | Guaranteed amount | Guarantee granted by the Company (excluding those to subsidiaries) | | | Type of guarantee | Guarantee fully fulfilled? | Overdue amount | Counter guarantee available? | Guarantee provided to the related parties? | Related party relationship |
|---|---|--|--------------------------------|--------------------------------|-------------------|--|--|---|-------------------|----------------------------|----------------|------------------------------|--|----------------------------|
| | | | Agreement execution date) | Commencement date of guarantee | | Expiry date of guarantee | Overdue? | | | | | | | |
| China Railway NO.10 Engineering | Wholly-owned subsidiary | Jinan China Railway Show International project | Release date of bank mortgage | Release date of bank mortgage | 2,357.88 | | 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 Chuncheng" | Release date of bank mortgage | Release date of bank mortgage | 4,330.00 | | 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 | 17/12/2007 | 17/12/2007 | 536.00 | | Open | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Major Bridge Engineering | Wholly-owned subsidiary | China Railway Wuhan Bridge Industries Limited | 6/8/2007 | 6/8/2007 | 30.00 | | Open | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Tunnel | Wholly-owned subsidiary | China SFECO Group | 30/6/2006 | 30/6/2006 | 22,407.33 | | 29/12/2011 | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Tunnel | Wholly-owned subsidiary | China SFECO Group | 1/1/2007 | 1/1/2007 | 14,938.22 | | 30/12/2011 | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Tunnel | Wholly-owned subsidiary | Chinese containing group of northern high expressway project-STA in Tehran, Iran | 28/6/2005 | 28/6/2005 | 9,150.38 | | 1/7/2018 | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Construction | Wholly-owned subsidiary | Property owners of Huasheng Zhiye in Lanzhou | Release date of bank mortgage | Release date of bank mortgage | 485.30 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| Beijing Jingxu Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Siji Huacheng project | Release date of bank mortgage | Release date of bank mortgage | 24,502.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| Beijing Jingxu Property Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Zhongjing The Ode of Land project | Release date of bank mortgage | Release date of bank mortgage | 26,415.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Hengfeng Real Estate Co., Ltd. | Non-wholly-owned controlling subsidiary | Property owners of southern square of the Beijing West Railway Station | Release date of bank mortgage | Release date of bank mortgage | 7,113.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Real Estate Group Co., Ltd. | Wholly-owned subsidiary | Property owners of Shijiazhuang China Railway Square project | Release date of bank mortgage | Release date of bank mortgage | 111.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway Real Estate Group Co., Ltd. | Wholly-owned subsidiary | Property owners of Beijing Hanlaning project | Release date of bank mortgage | Release date of bank mortgage | 49,057.00 | | 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 controlling subsidiary | Property owners of Shenzhen Noble Holiday Garden project | Release date of bank mortgage | Release date of bank mortgage | 3,335.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| Xi'an China Railway Chengfeng Real Estate Co., Ltd. | Non-wholly-owned controlling subsidiary | Property owners of Xi'an Bingfen Nanjun project | Release date of bank mortgage | Release date of bank mortgage | 28,316.00 | | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |

Significant Events

11 Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

| Guarantor | Relationship between guarantor and listed company | Guarantee | Guarantee granted by the Company (excluding those to subsidiaries) | | | Type of guarantee | Guarantee fully fulfilled? | Overdue? | Overdue amount | Counter guarantee available? | Guarantee provided to the related parties? | Related party relationship |
|--|---|---|--|--------------------------------|--|---|----------------------------|----------|----------------|------------------------------|--|----------------------------|
| | | | Commencement date of guarantee (Agreement execution date) | Commencement date of guarantee | Expiry date of guarantee | | | | | | | |
| Hunan Qingzhu Real Estate Co., Ltd. | Wholly-owned subsidiary | Property owners of Changsha Shuiyong Jiazhou project | 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 | |
| Guiyang China Railway Real Estate Co., Ltd. | Non-wholly-owned controlling subsidiary | Property owners of China Railway Guiyang Yidu International project | 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 Eryuan (Chengdu) Real Estate Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Yishabella project | 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 Eryuan (Chengdu) Real Estate Development Co., Ltd. | Wholly-owned subsidiary | Property owners of Suoer International project | Release date of bank mortgage | Release date of bank mortgage | Completion date of household ownership certificate application | Suretyship of joint and several liability | No | - | No | No | No | |
| China Railway NO.9 Engineering | Wholly-owned subsidiary | Sichuan Jiansheng Property Development Project | 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 | |
| | | | | | | | | | | | | 80,581.34 |
| | | | | | | | | | | | | 1,102,467.41 |
| | | | | | | | | | | | | 10,000.00 |
| | | | | | | | | | | | | 362,744.98 |
| | | | | | | | | | | | | 1,465,212.39 |
| | | | | | | | | | | | | 21.34 |
| | | | | | | | | | | | | 578,224.00 |
| | | | | | | | | | | | | 615,669.55 |
| | | | | | | | | | | | | 1,193,793.55 |

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

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

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

Amount of guarantee provided for shareholders, ultimate controller and their related parties
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%

Excess amount of aggregate guarantee over 50% of net assets

Aggregate amount of the above three categories

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

Statement on guarantee: The amounts disclosed in this table are the actual outstanding balances of the guarantees as at the reporting date.

Significant Events

11 Material contracts and their performance (continued)

(3) Financial trust management

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

(4) Other material contracts

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

(1) Infrastructure Construction Business

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period |
|------------------------|--|--|---|------------------|--------------------------|---------------------|
| Railway | | | | | | |
| 1 | China Railway | Harbin-Dalian Passenger Railway Line Co., Ltd. | Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line | 2007-09-03 | 2,187,104 | 66 months |
| 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 | 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 | 60 months |
| Highway | | | | | | |
| 1 | China Railway Major Bridge Engineering | Shenzhen Expressway Company Limited | Guangshen Coastal Expressway (Shenzhen Section) Project 2nd contracted section | 2009-03-20 | 185,165 | 28 months |
| 2 | 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 | 22 months |
| 3 | China Railway NO.1 Engineering | Jilin Highway Group Co., Ltd. | Section 24 of Hunchun-Wulanhaote Highway | 2008-08-06 | 114,827 | 26 months |
| Municipal Works | | | | | | |
| 1 | China Railway | Shenzhen Metro Co., Ltd. | BT Project and related engineering contract A of Shenzhen Metro Line 5 | 2008-09 | 950,000 | 43 months |
| 2 | China Railway Southern Company | Shenzhen Metro Co., Ltd. | Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1) | 2009-09-26 | 258,200 | 40 months |
| 3 | China Railway Major Bridge Engineering | Guangdong Southeast Inter-city Rail Transport Co., Ltd | Master construction of Phase SZH-1 of Construction of Guangzhou-Dongguan-Shenzhen Inter-city Rail Transport project | 2009-11-16 | 170,414 | 19 months |

(2) Survey and Design Services Business

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period |
|-----|--------------------------------------|--|--|------------------|--------------------------|---------------------|
| 1 | China Railway Eryuan Engineering | Guiyang-Guangzhou Railway Co., Ltd | Testing and preliminary design of Guiyang-Hezhou section of the new Guiyang-Guangzhou railway | 2009-01 | 67,980 | 40 months |
| 2 | China Railway Eryuan Engineering | Yuli Railway Co., Ltd | Survey and Design of the New Chongqing-Lichuan Railway | 2008-12-28 | 49,032 | 96 months |
| 3 | China Railway Engineering Consulting | Preparatory Team of Nanguang Railway Company | Survey and Design Contract of the Guiping-Zhaoqing section of the new Nanning-Guangzhou railway | 2009-02 | 39,300 | 46 months |
| 4 | China Railway Eryuan Engineering | Dongguan Rail Transport Co., Ltd | Master survey and design of High-speed Rail City Transport R2 project of Dongguan (Dongguan rail station-Dongguan Humen station section) | 2009-09 | 38,080 | 54 months |
| 5 | 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 | 51 months |

Significant Events

11 Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(3) Engineering Equipment and Component Manufacturing Business

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period |
|---------------------------------------|--|---|---|------------------|--------------------------|---------------------|
| Steel Structures | | | | | | |
| 1 | China Railway Shanhaiguan Bridge | Ningbo Tongtu Company | Construction Contract of Ningbo Mingzhou Bridge | 2008-05-21 | 49,677 | 28 months |
| 2 | China Railway Shanhaiguan Bridge | Shandong High-Speed Qingdao Expressway Co., Ltd | Contract of Processing and Manufacturing of Phase I and II of Steel Box Girder for Qingdao Bay Bridge | 2008-07-03 | 45,386 | 23 months |
| 3 | 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 | 24,918 | 22 months |
| Turnout | | | | | | |
| 1 | China Railway Turnout & Bridge | Shanghai-Nanjing Inter-city Railway Co., Ltd | Shanghai-Nanjing Inter-city Railway Turnout | 2009-07-27 | 30,470 | 6 months |
| 2 | China Railway Turnout & Bridge | Beijing-Guangzhou Passenger Railway Line Henan Company Limited | Purchase of high-speed turnouts for Shijiazhuang-Wuhan Passenger Railway Line | 2009-11-27 | 17,797 | 12 months |
| 3 | China Railway Turnout & Bridge | Shanghai-Wuhan-Chengdu Railway Hubei Company Limited | Purchase of high-speed turnouts for Wuhan-Yichang railway | 2009-12-20 | 16,247 | 15 months |
| Construction (Track) Machinery | | | | | | |
| 1 | China Railway Shanhaiguan Bridge | China Railway United International Containers Co., Ltd | Rail-mounted Gantry Crane for 40-ton Container | 2008-06-06 | 13,535 | 20 months |
| 2 | China Railway Shanhaiguan Bridge | China Railway United International Containers Co., Ltd | Purchasing contract of container rail-mounted gantry cranes for the railway container terminals in Zhengzhou, Xi'an and Qingdao | 2008-06 | 13,465 | 24 months |
| 3 | China Railway Science & Industry Group Corp. | ICBC Financial Leasing Co., Ltd. | Sale and Purchase Contract for soil pressure balance shields | 2009-04-15 | 11,500 | 10 months |

(4) Property Development Business

| No. | Project name | Project location | Project type | Planning area ('0,000 sq.m.) |
|-----|------------------------------------|---------------------------------|--------------|------------------------------|
| 1 | Bridge Living Capital | Wuhan City, Hubei Province | Residential | 105.54 |
| 2 | Qingdao International Trade Centre | Qingdao City, Shandong Province | Complex | 33.47 |
| 3 | Bin Fen Nan Jun | Xi'an City, Shaanxi Province | Residential | 62.7 |
| 4 | China Railway Ruicheng, Xinjie | Chengdu City, Sichuan Province | Residential | 35.26 |
| 5 | Yi Hai, Lin Yu Tang | Anqing City, Anhui Province | Residential | 62.8 |

Significant Events

11 Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(5) Other Businesses

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period | Operation (repurchase) Term |
|------------|--------------------------------|--------------------------------------|---|------------------|--------------------------|---------------------|-----------------------------|
| BOT | | | | | | | |
| 1 | China Railway NO.2 Engineering | Yulin Bureau of Communications | BOT Project of Yulin (Shaanxi)-Shenmu Expressway | 2007-10-29 | 517,000 | 36 months | 30 years |
| 2 | China Railway | Guangxi Department of Communications | BOT Project of the Guangxi Cenxi-Xingye Expressway Project | 2005-8-26 | 516,361 | 36 months | 28 years |
| 3 | China Railway | Yunnan Department of Communications | BOT Project of Funing (Yunan)-Guangnan, Guangnan-Yanshan Expressway | 2005-12-29 | 644,000 | 36 months | 27 years |
| 4 | China Railway NO.2 Engineering | Yulin Bureau of Communications | BOT Project of Yulin (Shaanxi)-Shenmu Expressway | 2007-10-29 | 517,000 | 36 months | 30 years |

Significant Events

11 Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

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. 2 Engineering | Daxi Passenger Railway Line Co., Ltd. | Master construction contract of construction works of Phase 9 of the new Datong-Xi'an Passenger Railway Line | 2010-04-04 | 636,953 | 46 months |
| 2 | China Railway NO. 4 Engineering | Hukun Passenger Railway Line (Jiangxi) Co., Ltd. | Master construction contract of construction works of Phase HKJX-7 of Hangzhou-Changsha (Jiangxi Section) of the new Shanghai-Kunming Passenger Railway Line | 2010-04-18 | 633,215 | 39 months |
| 3 | China Railway NO.2 Engineering | Jingtu Mingan Passenger Railway Line Co., Ltd. | Master construction contract of construction works of Phase HFMG-8 of Fujian-Jiangxi Section of Heifei-Fuzhou Passenger Railway Line | 2010-05-13 | 507,395 | 40 months |
| Highway | | | | | | |
| 1 | China Railway NO. 5 Engineering | Hunan Li Lian An Shao Expressway Development Co., Ltd. | Civil construction works for Erlianhaote – Anhua (Mei Cheng) – Shaoyang highway in Hunan province of Guangzhou State Expressway (Section TJ1) | 2010-05-10 | 194,907 | 30 months |
| 2 | China Railway Tunnel | Guangdong Guang Le Expressway Co., Ltd. | Civil construction works contract of Section T10 of Lechang-Guangzhou Expressway | 2010-05-11 | 116,625 | 24 months |
| 3 | China Railway NO. 9 Engineering | Guangdong Bo Da Expressway Co., Ltd. | Civil construction works of Meida Expressway (Sanjiao, Meixian to Sanhe, Dapu County section) (Tunnel Phase 1) | 2010-05-31 | 50,630 | 26 months |
| Municipal Works | | | | | | |
| 1 | China Railway NO.1 Engineering | Northwest Inter-city Rail Co., Ltd. of Guangdong Railway Investment Group | Phase GZZH-4 of Foshan-Zhaoqing project of Inter-city Rail Transport of Pearl River Delta | 2010-05-31 | 98,594 | 28 months |
| 2 | China Railway NO. 3 Engineering | Beijing Rail Transport Construction and Management Co., Ltd. | Section 02 of civil construction works of Beijing Subway Line 7 | 2010-05-31 | 78,537 | 56 months |
| 3 | China Railway NO.1 Engineering | Beijing Rail Transport Construction and Management Co., Ltd. | Section 05 of civil construction works of Beijing Subway Line 7 | 2010-05-31 | 70,449 | 56 months |

Significant Events

11 Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(2) Survey and Design Services Business

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period |
|-----|----------------------------------|--|---|------------------|--------------------------|---------------------|
| 1 | China Railway Eryuan Engineering | The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding-up and capacity improvement | Reconstruction works for improvement of capacity of Liuzhou-Nanning Section of Hunan-Guangxi Railway (passenger line) | 2010-04 | 37,340 | 42 months |
| 2 | China Railway Eryuan Engineering | Kunming Rail Transport Co., Ltd. | Master contract of feasibility study and survey and design of rail transport line 3 in Kunming City | 2010-02 | 16,000 | 51 months |
| 3 | China Railway Eryuan Engineering | The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding-up and capacity improvement | Survey and design of Nanning-Litang Section of the new Nanning-Guangzhou Railway | 2010-03 | 15,096 | 42 months |

(3) Engineering Equipment and Component Manufacturing Business

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB'0,000) | Construction period |
|---------------------------------------|--|--|---|------------------|--------------------------|---------------------|
| Steel Structures | | | | | | |
| 1 | China Railway Turnout & Bridge | The Construction Coordination Headquarter of Nanjing Yangtze River Bridge No. 4 | Manufacturing of steel box girders for Nanjing Yangtze River Bridge No. 4 (Sections B4-1 and B4-2) | 2010-04-08 | 46,507 | 23 months |
| 2 | China Railway Shanhaiguan Bridge | Zhejiang Jiashao Bridge Investment Development Co., Ltd. | Contract of section VIII-2 of manufacturing steel box girders and steel anchor boxes for Jiashao Bridge | 2010-06 | 44,468 | 18 months |
| Turnout | | | | | | |
| 1 | China Railway Shanhaiguan Bridge | Ha Da Passenger Line Company | Purchasing contract of railway turnouts for the Harbin-Dalian Passenger Line | 2010-01 | 45,840 | 7 months |
| 2 | China Railway Shanhaiguan Bridge | Xia Shen Railway (Guangdong) Company | Purchasing contract of turnouts for the Xiamen-Shenzhen High Speed Passenger Railway Line project | 2010-04 | 32,842 | 12 months |
| Construction (Track) Machinery | | | | | | |
| 1 | China Railway Equipment | Xi'an Municipal Road & Bridge Construction Co., Ltd. | Sale and Purchase Contract for soil pressure balance shields | 2010-03-15 | 3,557 | 6 months |
| 2 | China Railway Science & Industry Group Corp. | Guangzhou Railway Construction Co., Ltd. of China Railway NO. 25 Engineering Group | Purchasing Contract for 700 tonne railway box girder span equipment | 2010-04-20 | 2,240 | 4 months |

Significant Events

11 Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(4) Property Development Business

| No. | Project name | Project location | Project type | Planning area (‘0,000 sq.m.) |
|-----|---|---------------------------------|-------------------------|---------------------------------|
| 1 | China Railway Xi Cheng | Chengdu City, Sichuan Province | Residential, commercial | 36.17 |
| 2 | China Railway Danshan Residential Project | Qingdao City, Shandong Province | Residential, commercial | 42 |
| 3 | Jinqiao – Guanhu Shangcheng | Wuhan City, Hubei Province | Residential, commercial | 10 |

(5) Other Businesses

| No. | Signatory | Owner | Name of contract | Date of contract | Contract sum (RMB‘0,000) | Construction period |
|-----|---|--|---|------------------|-----------------------------|---------------------|
| 1 | China Railway Real Estate Investment and Development (Bengbu) Co., Ltd. | Management Committee Of Bengbu Economic Development Zone | Cooperation Development Contract for New Lakeshore District along Longzi Lake west coast of Bengbu City, Anhui Province | 2010-06-21 | 230,000 | 24 months |

Significant Events

12 Performance status of the undertakings

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

| Undertaking | Details of undertaking | Performance status |
|---|--|---|
| Undertaking made by CRECG upon the issuance of shares | <p>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 Group Limited 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 subject to the lock-up period mentioned above.</p> <p>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 preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.</p> | CRECG has strictly complied with the above undertaking. |

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

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

Significant Events

13 Appointment and removal of auditors

During the reporting period, the Company has not changed the auditors. The Company has appointed Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the domestic and international auditors of the Company for 2010, respectively, upon shareholders' approval at the 2009 AGM of the Company.

14 Penalty and rectification order against listed companies and its directors, supervisors, senior management, the Company's shareholders and ultimate controller

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

15 Other significant events

- 1 The issuance of 1st tranche of corporate bonds in the amount of RMB6 billion by China Railway Group Limited in 2010 was completed on 29 January 2010, and the listing and trading thereof on the Shanghai Stock Exchange have been commenced since 3 March 2010. For more details, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange.
- 2 The proposal for private placement of A shares by the Company and the matters in relation thereto were considered and approved at the 31st meeting of the first session of the Board of Directors of the Company on 18 June 2010 and subsequently approved at the first extraordinary general meeting of 2010, the first class meeting of A shares of 2010 and the first class meeting of H shares of 2010 on 12 August 2010. For more details, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange.
- 3 At the first extraordinary general meeting of 2010 held on 12 August 2010, the Proposal relating to Issuance of Short-term Notes in the Amount of Not Exceeding RMB5 Billion was considered and approved. For more details, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange.

Significant Events

16 Investment made by the Company

(1) Particulars of use of proceeds

Unit: Ten thousands Currency: Renminbi

| Year of fund raising | Method of fund raising | Total amount of proceeds | Total amount of proceeds used in the reporting period | Cumulative total amount of proceeds used | Total amount of remaining unused proceeds | Usage and place of unutilized proceeds |
|----------------------|----------------------------|--------------------------|---|--|---|---|
| 2007 | Public offering (A shares) | 2,203,408.00 | 2,565.00 | 2,191,879.00 | 11,529.00 | Anqing City Xin Cheng Dong Yuan project |
| 2007 | Public offering (H shares) | 2,037,584.71 | 131,762.96 | 1,337,293.93 | 407,286.96 | Purchase of equipment: 3,078 million Overseas mining operations: 659 million Working capital: 336 million |
| Total | / | 4,240,992.71 | 134,327.96 | 3,529,172.93 | 418,815.96 | / |

Notes:

1. The data in this table represent the principal amount of the proceeds and do not include interest income.
2. The difference between the amount of total proceeds raised from the offering of the Company less that of the used proceeds and the remaining unused proceeds reflects the net exchange gain/loss for the period from 7 December 2007 to 30 June 2010.
3. As at 30 June 2010, the balance of the H share offering proceeds are equivalent to RMB4,072,869,600, mainly dominated in Hong Kong dollar, US dollar and Australian dollar.

Significant Events

16 Investment made by the Company (continued)

(2) Particulars of funds used in committed investment projects

Unit: Ten thousands Currency: Renminbi

| Name of committed projects | Change of projects? | Intended investment amount | Actual investment amount from proceeds | In line with planned progress | Progress of project | Estimated income | Income generation | In line with expected income? | Statement for the failure in meeting planned progress and income | Reason for change and procedures of change |
|---|---------------------|----------------------------|--|-------------------------------|---------------------|---------------------------------|--|-------------------------------|--|---|
| A Share | | | | | | | | | | |
| Additional working capital and repayment of bank loans | Yes | 1,397,408.00 | 1,397,408.00 | Yes | Completed | N/A | N/A | N/A | | |
| An underground garage and commercial development at the West Railway Station | No | 37,728.00 | 37,728.00 | Yes | Completed | Target return not less than 15% | 2,127 | Yes | | |
| Property development project named Zhong Jing Si Ji Hua Cheng in Shijiazhuang | No | 62,565.00 | 62,565.00 | Yes | Under construction | Target return not less than 15% | 11,284 | - | | |
| Purchase of equipment | No | 413,682.00 | 413,682.00 | Yes | Completed | N/A | N/A | N/A | | |
| Anqing City Xin Cheng Dong Yuan project | Yes | 50,000.00 | 38,471.00 | Yes | Under construction | Target return not less than 15% | To be confirmed | - | At introduction stage | The demand for fund in latter phases of the project becomes uncertain due to its re-planning. To improve the efficiency of fund utilization, an amount of RMB540 million of the proceeds from the A Share offering which has not been invested in the project will be used to supplement the Company's working capital. This change has been approved at the 19th meeting of the first session of board of directors held on 29 April 2009 and the 2008 annual general meeting, respectively. |
| Technological renovation project in expressway turnouts | No | 6,725.00 | 6,725.00 | Yes | Under construction | Target return not less than 15% | 1,083 | - | At introduction stage | |
| Project of Taiyuan-Zhongwei (Yinchuan) Railway | No | 200,000.00 | 200,000.00 | Yes | Under construction | Target return not less than 15% | To be confirmed upon completion of project | - | At construction stage | |
| Project of production base for large-scale steel structures | No | 35,300.00 | 35,300.00 | Yes | Under construction | Target return not less than 15% | 166 | - | At introduction stage | |
| Total | | 2,203,408.00 | 2,191,879.00 | | | | | | | |
| H Share | | | | | | | | | | |
| Purchase of equipment (<=66%) | No | 1,344,805.91 | 754,285.23 | Yes | Under construction | N/A | N/A | N/A | | |
| Overseas mining projects (<=17%) | No | 346,389.40 | 280,455.56 | Yes | Under construction | Target return not less than 15% | To be confirmed upon completion of project | - | At introduction stage | |
| Repayment of bank loans (<=7%) | No | 142,630.93 | 132,370.51 | Yes | Under construction | N/A | N/A | N/A | | |
| Additional working capital and others (<=10%) | No | 203,758.47 | 170,182.63 | Yes | Under construction | N/A | N/A | N/A | | |
| Sub-total | | 2,037,584.71 | 1,337,293.93 | | | | | | | |
| Total | / | 4,240,992.71 | 3,529,172.93 | / | / | / | / | / | / | / |

Note: RMB115.29 million of the proceeds from the A Share Offering remains utilized at the end of June 2010, which is mainly due to remaining amount of Anqing City Xin Cheng Dong Yuan project. The company has deposited the unutilized portion of the funds for the project in the special bank account, and use and manage the same in accordance with the relevant regulatory rules.

Significant Events

16 Investment made by the Company *(continued)* (3) Particulars of change of investment projects

Unit: Ten thousands Currency: Renminbi

| | | Total amount of proceeds involved in change of investment projects | | | | | | | | |
|---|--|--|--------------------------|-------------------------------|-------------------------------------|--|---------------------|-------------------------------|--|--|
| | | 54,000.00 | | | | | | | | |
| Name of project after change | Corresponding original committed project | Intended investment amount for changed project | Actual investment amount | In line with planned progress | Estimated income of changed project | Income generation | Progress of project | In line with expected income? | Statement for the failure in meeting planned progress and income | |
| Additional working capital | Additional working capital | 1,397,408.00 | 1,397,408.00 | Yes | N/A | N/A | Completed | N/A | | |
| Anqing City Xin Cheng Dong Yuan project | Anqing City Xin Cheng Dong Yuan project | 50,000.00 | 38,471.00 | Yes | Target return not less than 15% | To be confirmed upon completion of project | Under construction | - | Investment stage | |
| Total | / | 1,447,408.00 | 1,435,879.00 | / | / | / | / | / | | |

Note: The demand for fund in latter phases of Anqing City Xin Cheng Dong Yuan project becomes uncertain due to its re-planning. To improve the efficiency of fund utilization, an amount of RMB540 million of the proceeds which has not been invested in the project will be used to supplement the Company's working capital. This change has been approved at the meeting of board of directors held on 29 April 2009 and the 2008 annual general meeting, respectively.

Significant Events

16 Investment made by the company (continued)

(4) Projects not involving proceeds from initial public offering

Unit: Ten thousands Currency: Renminbi

| Name of project | Amount of project | Progress of project | Income generation from project |
|---|-------------------|--|---|
| BOT project of Cenxing Expressway | 516,361.00 | Commenced operation on 20 December 2008 | Generated income of RMB31,974.00 and realized profit of – RMB13,863.00 as of 30 June 2010 |
| PPP project of Nanjing Subway No.1 Line South Extension | 178,900.00 | Completed investment of RMB115,850.00 as at 30 June 2010 | In construction period without any income |
| Zhongtie Noble International Community | 170,000.00 | Completed investment of as at 30 June 2010 | Generated sales income of RMB249,142.00 and realized profit of RMB66,359.00 as of 30 June 2010, the project |
| BT Project of Shenzhen Metro Line 5 | 1,185,500.00 | Completed investment of RMB878,531.00 as at 30 June 2010 | Receipt of repurchase amount of RMB661,253.00, with profit of RMB34,729.00 as of 30 June 2010 |
| BT Project of Guangxi San Bridge One Road | 259,000.00 | Completed investment of RMB100,152.00 at 30 June 2010 | Receipt of repurchase amount of RMB21,867.00, with profit of RMB9,326.00 as of 30 June 2010 |
| Total | 2,309,761.00 | / | / |

17 Compliance with the Code on Corporate Governance Practices

Mr. SHI Dahua resigned from the positions as an executive director and Chairman of the Board, which became effective on 18 June 2010. On the same date, Mr. LI Changjin was elected as the Chairman of the Board, thus Mr. LI held the positions as Chairman of the Board and President of the Company. On 29 June 2010, Mr. BAI Zhongren was appointed as President of the Company in place of Mr. LI. Accordingly, the Company did not comply with the requirement that the roles of chairman and president should be separate as set out in the code provision A.2 of the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules (“Code on Corporate Governance Practices”) for a very short period from 18 June 2010 to 28 June 2010.

Save as disclosed above, for the six months ended 30 June 2010, the Company has complied with all code provisions stipulated in the Code on Corporate Governance Practices.

18 Review of Interim Financial Report

The 2010 interim financial report of the Company prepared in accordance with the Chinese Accounting Standards and International Financial Reporting Standards has not been audited. The 2010 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 | Engineering Method | an integrated construction method with application of systematic construction principles to combine advance technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology |

Company Information

Directors

Executive Directors

LI Changjin (*Chairman*)

BAI Zhongren

YAO Guiqing

Independent Non-executive Directors

HE Gong

GONG Huazhang

WANG Taiwen

SUN Patrick

Supervisors

WANG Qiuming (*Chairman*)

JI Zhihua

ZHANG Xixue

ZHOU Yuqing

LIN Longbiao

Joint Company Secretaries

YU Tengqun

TAM Chun Chung, *CPA, FCCA*

Authorized Representatives

BAI Zhongren

TAM Chun Chung, *CPA, FCCA*

Audit Committee

GONG Huazhang (*Chairman*)

WANG Taiwen

SUN Patrick

Remuneration Committee

HE Gong (*Chairman*)

WANG Taiwen

SUN Patrick

Strategy Committee

LI Changjin (*Chairman*)

BAI Zhongren

YAO Guiqing

GONG Huazhang

WANG Taiwen

Nomination Committee

LI Changjin (*Chairman*)

BAI Zhongren

HE Gong

GONG Huazhang

WANG Taiwen

Safety, Health and Environmental Protection Committee

BAI Zhongren (*Chairman*)

YAO Guiqing

HE Gong

WANG Taiwen

SUN Patrick

Company Information

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 Tohmastu 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
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares

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

H Shares

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

Principal Bankers

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>

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF CHINA RAILWAY GROUP LIMITED

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

Introduction

We have reviewed the interim financial information set out on pages 59 to 92, which comprises the condensed consolidated statement of financial position of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2009 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

| | Notes | Six months ended | |
|--|-------|---|--|
| | | 30/6/2010 RMB million (unaudited) | 30/6/2009 RMB million (restated) |
| Revenue | 3 | 185,685 | 142,331 |
| Cost of sales | | (173,745) | (133,301) |
| Gross profit | | 11,940 | 9,030 |
| Other income | 4 | 309 | 318 |
| Other gains and losses | 5 | (289) | 624 |
| Selling and marketing expenses | | (623) | (495) |
| Administrative expenses | | (6,400) | (4,901) |
| Interest income | 6 | 629 | 508 |
| Interest expenses | 6 | (962) | (1,049) |
| Share of profits (losses) of jointly controlled entities | | 55 | (2) |
| Share of (losses) profits of associates | | (135) | 24 |
| Profit before taxation | | 4,524 | 4,057 |
| Income tax expense | 7 | (970) | (841) |
| Profit for the period | 8 | 3,554 | 3,216 |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation of foreign operations | | (58) | (4) |
| Change in fair value of available-for-sale financial assets | | (116) | 385 |
| Share of other comprehensive income of associates | | - | 1 |
| Income tax relating to change in fair value of available-for-sale financial assets | | 23 | (67) |
| Others | | - | (7) |
| Other comprehensive income (expense) for the period, net of tax | | (151) | 308 |
| Total comprehensive income for the period | | 3,403 | 3,524 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 3,286 | 3,081 |
| Non-controlling interests | | 268 | 135 |
| | | 3,554 | 3,216 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 3,130 | 3,344 |
| Non-controlling interests | | 273 | 180 |
| | | 3,403 | 3,524 |
| Earnings per share (Basic) | 10 | RMB 0.154 | RMB 0.145 |

Condensed Consolidated Statement of Financial Position

At 30 June 2010

| | Notes | 30/6/2010 RMB million (unaudited) | 31/12/2009 RMB million (restated) |
|--|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 28,781 | 28,789 |
| Deposit for acquisition of property, plant and equipment | | 1,198 | 955 |
| Lease prepayments | | 6,946 | 6,269 |
| Deposit for land use rights | | 121 | 129 |
| Deposit for investment | | 141 | 46 |
| Investment properties | | 1,705 | 1,666 |
| Intangible assets | 12 | 19,923 | 18,991 |
| Mining assets | 13 | 2,254 | 1,283 |
| Interests in jointly controlled entities | | 935 | 834 |
| Interests in associates | | 3,680 | 3,780 |
| Goodwill | | 836 | 836 |
| Available-for-sale financial assets | | 4,661 | 4,537 |
| Other loans and receivables | | 3,502 | 2,080 |
| Deferred tax assets | | 2,794 | 2,819 |
| Other prepayments | | 57 | 46 |
| Trade and other receivables | 15 | 1,895 | 1,313 |
| | | 79,429 | 74,373 |
| Current assets | | | |
| Lease prepayments | | 162 | 178 |
| Properties held for sale | 14 | 4,133 | 2,271 |
| Properties under development for sale | 14 | 27,103 | 25,204 |
| Inventories | | 26,158 | 23,831 |
| Trade and other receivables | 15 | 109,178 | 101,690 |
| Amounts due from customers for contract work | 16 | 39,076 | 31,068 |
| Other loans and receivables | | 1,709 | 1,928 |
| Held-for-trading financial assets | | 124 | 81 |
| Restricted cash | | 2,239 | 2,344 |
| Cash and cash equivalents | | 45,490 | 49,432 |
| | | 255,372 | 238,027 |
| Total assets | | 334,801 | 312,400 |

Condensed Consolidated Statement of Financial Position

At 30 June 2010

| | Notes | 30/6/2010 RMB million (unaudited) | 31/12/2009 RMB million (restated) |
|---|-------|---|---|
| EQUITY | | | |
| Equity attributable to owners of the Company | | 62,489 | 61,164 |
| Non-controlling interests | | 6,000 | 5,420 |
| Total equity | | 68,489 | 66,584 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Other payables | 18 | 204 | 339 |
| Borrowings | 19 | 35,347 | 27,151 |
| Obligations under finance lease | | 118 | 262 |
| Financial guarantee contracts | | 32 | 33 |
| Retirement and other supplemental benefit obligations | | 6,519 | 6,698 |
| Provisions | | 46 | 50 |
| Deferred government grant | | 406 | 333 |
| Deferred tax liabilities | | 482 | 451 |
| | | 43,154 | 35,317 |
| Current liabilities | | | |
| Trade and other payables | 18 | 181,255 | 161,002 |
| Amounts due to customers for contract work | 16 | 13,985 | 18,339 |
| Current tax liabilities | | 612 | 1,083 |
| Borrowings | 19 | 26,110 | 28,712 |
| Obligations under finance lease | | 296 | 327 |
| Financial guarantee contracts | | 2 | 2 |
| Retirement and other supplemental benefit obligations | | 777 | 936 |
| Held-for-trading financial liabilities | | 121 | 98 |
| | | 223,158 | 210,499 |
| Total liabilities | | 266,312 | 245,816 |
| Total equity and liabilities | | 334,801 | 312,400 |
| Net current assets | | 32,214 | 27,528 |
| Total assets less current liabilities | | 111,643 | 101,901 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

| | Equity attributable to owners of the Company | | | | | | | | | |
|---|--|------------------------------|--|---|--|--|--|----------------------|--|-----------------------------|
| | Share capital RMB million (note 17) | Share premium RMB million | Capital reserve RMB million (note (b)) | Statutory reserves RMB million (Note (a)) | Exchange translation reserves RMB million | Investment revaluation reserves RMB million | Contributed capital and accumulated profits RMB million | Total RMB million | Non-controlling interests RMB million | Total equity RMB million |
| At 1 January 2010 as originally stated (audited) | 21,300 | 33,647 | (3,353) | 2,671 | (4) | 400 | 6,107 | 60,768 | 5,420 | 66,188 |
| Acquisition of CRPCE (Note 1B) | - | - | 390 | - | - | - | 6 | 396 | - | 396 |
| At 1 January 2010 as restated | 21,300 | 33,647 | (2,963) | 2,671 | (4) | 400 | 6,113 | 61,164 | 5,420 | 66,584 |
| Profit for the period | - | - | - | - | - | - | 3,286 | 3,286 | 268 | 3,554 |
| Other comprehensive income (expense) for the period | - | - | - | - | (56) | (100) | - | (156) | 5 | (151) |
| Total comprehensive income (expense) for the period | - | - | - | - | (56) | (100) | 3,286 | 3,130 | 273 | 3,403 |
| Dividend declared to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | (144) | (144) |
| Dividends recognised as distribution (Note 9) | - | - | - | - | - | - | (1,342) | (1,342) | - | (1,342) |
| Acquisition of subsidiaries (Note 20) | - | - | - | - | - | - | - | - | 204 | 204 |
| Disposal of subsidiaries (Note 21) | - | - | - | - | - | - | - | - | (12) | (12) |
| Purchase of additional interests in subsidiaries | - | - | (54) | - | - | - | - | (54) | (80) | (134) |
| Capital contribution | - | - | - | - | - | - | - | - | 339 | 339 |
| Consideration for the acquisition of CRPCE (Note 1A) | - | - | (409) | - | - | - | - | (409) | - | (409) |
| Transfer to reserves | - | - | - | 8 | - | - | (8) | - | - | - |
| At 30 June 2010 (unaudited) | 21,300 | 33,647 | (3,426) | 2,679 | (60) | 300 | 8,049 | 62,489 | 6,000 | 68,489 |
| At 1 January 2009 as originally stated (audited) | 21,300 | 33,647 | (3,371) | 733 | (11) | 109 | 3,588 | 55,995 | 4,929 | 60,924 |
| Acquisition of CRPCE (Note 1B) | - | - | 50 | - | - | - | 18 | 68 | - | 68 |
| At 1 January 2009 as restated | 21,300 | 33,647 | (3,321) | 733 | (11) | 109 | 3,606 | 56,063 | 4,929 | 60,992 |
| Profit for the period (as restated) | - | - | - | - | - | - | 3,081 | 3,081 | 135 | 3,216 |
| Other comprehensive income (expense) for the period (as restated) | - | - | (6) | - | (3) | 272 | - | 263 | 45 | 308 |
| Total comprehensive income (expense) for the period (as restated) | - | - | (6) | - | (3) | 272 | 3,081 | 3,344 | 180 | 3,524 |
| Dividend declared to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | (259) | (259) |
| Disposal of subsidiaries (Note 21) | - | - | - | - | - | - | - | - | (16) | (16) |
| Purchase of additional interests in subsidiaries | - | - | - | - | - | - | - | - | (4) | (4) |
| Capital contribution (as restated) | - | - | 300 | - | - | - | - | 300 | 158 | 458 |
| Transfer to reserve | - | - | - | 8 | - | - | (8) | - | - | - |
| At 30 June 2009 (restated) | 21,300 | 33,647 | (3,027) | 741 | (14) | 381 | 6,679 | 59,707 | 4,988 | 64,695 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

Notes:

- (a) *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 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up the losses or use to increase the registered capital of that entity and is not distributable.*

- (b) *The capital reserve comprises the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the reorganisation in September 2007, capital contribution by China Railway Engineering Corporation as an equity participant, and certain items dealt with directly in the capital reserve of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC Accounting Standards.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

| | Notes | Six months ended | |
|---|-------|---|--|
| | | 30/6/2010 RMB million (unaudited) | 30/6/2009 RMB million (restated) |
| Net cash (used in) from operating activities | | (545) | 5,222 |
| Net cash used in investing activities: | | | |
| Addition of property, plant and equipment | | (4,359) | (4,989) |
| Purchase of intangible assets | | (1,059) | (1,773) |
| Acquisition of subsidiaries | 20 | (579) | – |
| Acquisition of additional interests in subsidiaries | | – | (4) |
| Decrease (increase) in restricted cash | | 105 | (278) |
| New other loans and receivables | | (1,900) | (484) |
| Recovery of other loans and receivables | | 865 | 457 |
| Disposal of subsidiaries | 21 | 47 | 12 |
| Other investing cash flows | | (147) | (21) |
| | | (7,027) | (7,080) |
| Net cash from financing activities: | | | |
| New borrowings | | 25,206 | 26,713 |
| Repayment of borrowings | | (19,618) | (19,205) |
| Acquisition of additional interests in subsidiaries | | (134) | – |
| Capital contribution from non-controlling interests | | 339 | 158 |
| Interest paid | | (1,357) | (1,556) |
| Dividends paid | | (586) | (242) |
| Share issue expenses paid | | (2) | – |
| | | 3,848 | 5,868 |
| Net (decrease) increase in cash and cash equivalents | | (3,724) | 4,010 |
| Effect of foreign exchange rate changes | | (218) | 660 |
| Cash and cash equivalents at the beginning of the period | | 49,432 | 47,135 |
| Cash and cash equivalents at the end of the period | | 45,490 | 51,805 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1A 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 34 *Interim Financial Reporting*.

In accordance with the Equity Transfer agreements entered into between the Company and China Railway Engineering Corporation (“CRECG”) on 8 March 2010, the Company acquired 100% equity interest of China Railway Port Channel Engineering Co., Ltd. (“CRPCE”) from CRECG for a consideration of RMB409 million, which was not yet paid up to 30 August 2010. The acquisition of CRPCE was completed by the end of June 2010 and has been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company (the “Directors”) consider that the Company and CRPCE are under the common control of CRECG. As a result, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the prior periods have been restated to include the operating results and cash flows of CRPCE. The condensed consolidated statement of financial position as at 31 December 2009 has been restated to include the assets and liabilities of CRPCE. Respective notes to the condensed consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1B Restatements

The effect of restatements arising from acquisition of CRPCE accounted for as a combination of businesses under common control ("Adjustment") for the six months ended 30 June 2009 by line items presented according to their function is as follows:

| | Six months ended 30/6/2009 (originally stated) RMB million | Adjustment (Note 1A) RMB million | Six months ended 30/6/2009 (restated) RMB million |
|--|--|--|---|
| Revenue | 142,141 | 190 | 142,331 |
| Cost of sales | (133,125) | (176) | (133,301) |
| Gross profit | 9,016 | 14 | 9,030 |
| Other income | 317 | 1 | 318 |
| Other gains and losses | 624 | – | 624 |
| Selling and marketing expenses | (495) | – | (495) |
| Administrative expenses | (4,883) | (18) | (4,901) |
| Interest income | 508 | – | 508 |
| Interest expenses | (1,044) | (5) | (1,049) |
| Share of losses of jointly controlled entities | (2) | – | (2) |
| Share of profits of associates | 24 | – | 24 |
| Profit before taxation | 4,065 | (8) | 4,057 |
| Income tax expense | (843) | 2 | (841) |
| Profit for the period | 3,222 | (6) | 3,216 |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation of foreign operations | (4) | – | (4) |
| Change in fair value of available-for-sale financial assets | 385 | – | 385 |
| Share of other comprehensive income of associates | 1 | – | 1 |
| Income tax relating to change in fair value of available-for-sale financial assets | (67) | – | (67) |
| Others | – | (7) | (7) |
| Other comprehensive income (expense) for the period, net of tax | 315 | (7) | 308 |
| Total comprehensive income for the period | 3,537 | (13) | 3,524 |
| Profit for the period attributable to: | | | |
| Owners of the Company | 3,087 | (6) | 3,081 |
| Non-controlling interests | 135 | – | 135 |
| | 3,222 | (6) | 3,216 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | 3,357 | (13) | 3,344 |
| Non-controlling interests | 180 | – | 180 |
| | 3,537 | (13) | 3,524 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1B Restatements (continued)

The effect of Adjustment as at 31 December 2009 by line items is summarised below:

| | As at 31/12/2009 (originally stated) RMB million | Adjustment (Note 1A) RMB million | As at 31/12/2009 (restated) RMB million |
|--|---|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 28,647 | 142 | 28,789 |
| Deposit for acquisition of property, plant and equipment | 934 | 21 | 955 |
| Investment properties | 1,661 | 5 | 1,666 |
| Available-for-sale financial assets | 4,536 | 1 | 4,537 |
| Deferred tax assets | 2,815 | 4 | 2,819 |
| Other non-current assets | 35,607 | – | 35,607 |
| | 74,200 | 173 | 74,373 |
| Current assets | | | |
| Inventories | 23,829 | 2 | 23,831 |
| Trade and other receivables | 101,260 | 430 | 101,690 |
| Amounts due from customers for contract work | 31,052 | 16 | 31,068 |
| Restricted cash | 2,329 | 15 | 2,344 |
| Cash and cash equivalents | 49,277 | 155 | 49,432 |
| Other current assets | 29,662 | – | 29,662 |
| | 237,409 | 618 | 238,027 |
| Total assets | 311,609 | 791 | 312,400 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1B Restatements (continued)

| | As at 31/12/2009 (originally stated) RMB million | Adjustment (Note 1A) RMB million | As at 31/12/2009 (restated) RMB million |
|--|---|--|--|
| EQUITY | | | |
| Equity attributable to owners of the Company | 60,768 | 396 | 61,164 |
| Non-controlling interests | 5,420 | – | 5,420 |
| Total equity | 66,188 | 396 | 66,584 |
| LIABILITIES | | | |
| Non-current liabilities | 35,317 | – | 35,317 |
| Current liabilities | | | |
| Trade and other payables | 160,663 | 339 | 161,002 |
| Amounts due to customers for contract work | 18,289 | 50 | 18,339 |
| Current tax liabilities | 1,077 | 6 | 1,083 |
| Other current liabilities | 30,075 | – | 30,075 |
| | 210,104 | 395 | 210,499 |
| Total liabilities | 245,421 | 395 | 245,816 |
| Total equity and liabilities | 311,609 | 791 | 312,400 |
| Net current assets | 27,305 | 223 | 27,528 |
| Total assets less current liabilities | 101,505 | 396 | 101,901 |

The effect of Adjustment on the Group's equity at 1 January 2009 is summarised below:

| | As at 1/1/2009 (originally stated) RMB million | Adjustment (Note 1A) RMB million | As at 1/1/2009 (restated) RMB million |
|---|---|--|--|
| Total effects on equity attributable to owners of the Company | 55,995 | 68 | 56,063 |

The Adjustment does not have any significant effect on the Group's basic earnings per share for the current and prior period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

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") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2010.

| | |
|--------------------|--|
| IAS 27 (Revised) | Consolidated and Separate Financial Statements |
| IAS 39 (Amendment) | Eligible Hedged Items |
| IFRSs Amendments | Amendments to IFRS 5 as part of Improvements to IFRSs 2008 |
| IFRSs Amendments | Improvements to IFRSs 2009 |
| IFRS 1 (Amendment) | Additional Exemptions for First-time Adopters |
| IFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| IFRS 3 (Revised) | Business Combinations |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |

IFRS 3 (Revised) Business Combinations

The Group applies IFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

The impact of adoption of IFRS 3 (Revised) has been:

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests).
- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, whereas under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that
 - (i) they reflect fair value at the acquisition date, and
 - (ii) they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against the cost of the acquisition; and
- It requires acquisition-related costs to be accounted for separately from the business combination.

The Group applied IFRS 3 (Revised) to the acquisition of 合肥市建築設計研究院有限公司 and RMA Energy Limited in the current period (see note 20).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

2. Principal accounting policies (continued) IAS 27(Revised) Consolidated and Separate Financial Statements

The requirements in IAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

The application of IAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under IAS 27 (Revised), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The Group has applied the requirements of IAS 27 (Revised) on the acquisition of additional interest in a subsidiary in the current period and recognised the difference between the consideration and the carrying amount of non-controlling interests amounted to RMB 54 million in capital reserve.

The application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no other effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS

| | |
|--------------------|--|
| IFRSs (Amendments) | Improvements to IFRSs 2010 ¹ |
| IFRS 1 (Amendment) | Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ³ |
| IFRS 9 | Financial Instruments ⁵ |

IAS

| | |
|--------------------|---|
| IAS 24 (Revised) | Related Party Disclosures, except for the partial exemption in paragraphs 25 to 27 for government-related entities ⁴ |
| IAS 32 (Amendment) | Classification of Rights Issues ² |

IFRIC

| | |
|----------------------|--|
| IFRIC 14 (Amendment) | Prepayments of a Minimum Funding Requirement ⁴ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments ³ |

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

2. Principal accounting policies (continued)

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. This standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group's operating segments are as follows:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Segment information (continued)

Segment revenues and results

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 segments RMB million | Total segments RMB million |
|---|---|--|---|--|----------------------------------|----------------------------------|
| Six months ended 30 June 2010 | | | | | | |
| External revenue | 166,061 | 4,240 | 5,685 | 4,282 | 11,451 | 191,719 |
| Inter-segment revenue | 483 | 35 | 110 | 29 | 599 | 1,256 |
| Other operating income | 724 | 8 | 81 | 23 | 166 | 1,002 |
| Inter-segment other operating income | - | - | - | - | 41 | 41 |
| Segment revenue | 167,268 | 4,283 | 5,876 | 4,334 | 12,257 | 194,018 |
| Segment results | | | | | | |
| Profit before taxation | 3,849 | 389 | 421 | 380 | 207 | 5,246 |
| Segment results included: | | | | | | |
| Share of profits of jointly controlled entities | 39 | - | 16 | - | - | 55 |
| Share of losses of associates | (122) | - | - | - | (13) | (135) |
| Interest income | 848 | 5 | 5 | 9 | 9 | 876 |
| Interest expenses | (967) | (47) | (10) | (10) | (245) | (1,279) |

| | Infrastructure construction RMB million | Survey, design and consulting services RMB million | Engineering equipment and component manufacturing RMB million | Property development RMB million | Other segments RMB million | Total segments RMB million |
|--|---|--|---|--|----------------------------------|----------------------------------|
| Six months ended 30 June 2009 (restated) | | | | | | |
| External revenue | 131,574 | 3,163 | 4,655 | 1,671 | 5,834 | 146,897 |
| Inter-segment revenue | 874 | 26 | 462 | - | 928 | 2,290 |
| Other operating income | 753 | 8 | 131 | 17 | 313 | 1,222 |
| Inter-segment other operating income | - | - | - | - | 14 | 14 |
| Segment revenue | 133,201 | 3,197 | 5,248 | 1,688 | 7,089 | 150,423 |
| Segment results | | | | | | |
| Profit before taxation | 3,655 | 297 | 306 | 319 | 44 | 4,621 |
| Segment results included: | | | | | | |
| Share of (losses) profits of jointly controlled entities | (2) | - | 6 | - | (6) | (2) |
| Share of profits (losses) of associates | 12 | 11 | 4 | 2 | (5) | 24 |
| Interest income | 346 | 6 | 5 | 63 | 2 | 422 |
| Interest expenses | (964) | (70) | (19) | (9) | (8) | (1,070) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Segment information *(continued)*

Segment revenues and results *(continued)*

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

| | Six months ended | |
|--|--------------------------|--|
| | 30/6/2010 RMB million | 30/6/2009 RMB million (restated) |
| Segment revenue | 194,018 | 150,423 |
| Inter-segment elimination | (1,297) | (2,304) |
| Reconciling items: | | |
| Reclassification of business tax <i>(note (a))</i> | (6,034) | (4,566) |
| Reclassification of other operating income <i>(note (b))</i> | (1,002) | (1,222) |
| Total consolidated revenue, as reported | 185,685 | 142,331 |
| Segment results | 5,246 | 4,621 |
| Inter-segment elimination | (760) | (574) |
| Reconciling items: | | |
| Land appreciation tax <i>(note (c))</i> | 38 | 10 |
| Total consolidated profit before taxation, as reported | 4,524 | 4,057 |

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Segment information (continued)

Segment assets and liabilities

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

Segment assets

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|---|--------------------------|---|
| Infrastructure construction | 234,803 | 218,385 |
| Survey, design and consulting services | 6,674 | 6,413 |
| Engineering equipment and component manufacturing | 14,203 | 13,111 |
| Property development | 43,748 | 36,550 |
| Other segments | 54,971 | 46,702 |
| Total segment assets | 354,399 | 321,161 |

Segment liabilities

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|---|--------------------------|---|
| Infrastructure construction | 206,995 | 178,877 |
| Survey, design and consulting services | 4,888 | 4,507 |
| Engineering equipment and component manufacturing | 9,312 | 9,163 |
| Property development | 31,448 | 27,094 |
| Other segments | 37,114 | 32,911 |
| Total segment liabilities | 289,757 | 252,552 |

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Segment information *(continued)*

Segment assets *(continued)*

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|---|--------------------------|---|
| Total segment assets | 354,399 | 321,161 |
| Inter-segment elimination | (22,221) | (11,409) |
| Reconciling items: | | |
| Deferred tax assets | 2,794 | 2,819 |
| Shares conversion scheme of subsidiaries <i>(note (d))</i> | (171) | (171) |
| Total consolidated assets, as reported | 334,801 | 312,400 |
| Total segment liabilities | 289,757 | 252,552 |
| Inter-segment elimination | (24,576) | (8,247) |
| Reconciling items: | | |
| Deferred tax liabilities | 482 | 451 |
| Current tax liabilities | 612 | 1,083 |
| Land appreciation tax payable included in current tax liabilities | 37 | (23) |
| Total consolidated liabilities, as reported | 266,312 | 245,816 |

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Other income

| | Six months ended | |
|---|--------------------------|--|
| | 30/6/2010 RMB million | 30/6/2009 RMB million (restated) |
| Dividend income | 23 | 11 |
| Government subsidies (Note (a)) | 96 | 23 |
| Compensation income (Note (b)) | 12 | 4 |
| Relocation compensation from government | 1 | 43 |
| Amortisation of financial guarantee contracts | 1 | 1 |
| Income from sundry operations (Note (c)) | 134 | 155 |
| Waiver of trade and other payables | 1 | 6 |
| Others | 41 | 75 |
| | 309 | 318 |

Notes:

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

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

(b) Compensation income represents the amount received or receivable from the counter-parties in connection with termination of certain property development projects in the People's Republic of China (the "PRC").

(c) The balances include profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

5. Other gains and losses

| | Six months ended | |
|---|--------------------------|--------------------------|
| | 30/6/2010 RMB million | 30/6/2009 RMB million |
| Gains (losses) on disposal of: | | |
| Property, plant and equipment | (7) | 1 |
| Lease prepayments | 54 | – |
| Interest in associates | 48 | – |
| Available-for-sale financial assets | 4 | – |
| Impairment loss recognised on: | | |
| Trade and other receivables | (126) | (94) |
| Other loans and receivables | (115) | – |
| Fair value (decrease) increase on held-for-trading financial assets | (34) | 68 |
| Foreign exchange (losses) gains, net | (181) | 660 |
| Gain (loss) on disposal of subsidiaries (Note 21) | 32 | (11) |
| Gain on liquidation of a subsidiary (note) | 36 | – |
| | (289) | 624 |

Note: The amount represented the gain on liquidating 中鐵程源財務服務有限責任公司. It was liquidated in March 2010 and the gain arose from the waiver of an amount due to this subsidiary. At the date of liquidation, the assets of the subsidiary were transferred back to the Company, which mainly included bank balances and cash of RMB39 million and available-for-sale financial assets of RMB1 million.

6. Interest income and expenses

| | Six months ended | |
|---|--------------------------|--------------------------|
| | 30/6/2010 RMB million | 30/6/2009 RMB million |
| Interest income from: | | |
| Cash and cash equivalents and restricted cash | 338 | 301 |
| Imputed interest on retention receivables | 222 | 119 |
| Other loans and receivables | 69 | 84 |
| Available-for-sale financial assets | – | 4 |
| Total interest income | 629 | 508 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

6. Interest income and expenses (continued)

| | Six months ended | |
|--|--------------------------|--|
| | 30/6/2010 RMB million | 30/6/2009 RMB million (restated) |
| Interest expense on: | | |
| Bank loans: | | |
| – wholly repayable within five years | 641 | 1,223 |
| – Not wholly repayable within five years | 214 | 221 |
| Short-term debentures | 35 | 3 |
| Other short-term loans | 238 | – |
| Long-term bonds | 123 | – |
| Other long-term loans | 139 | 26 |
| Finance leases | 15 | – |
| | 1,405 | 1,473 |
| Imputed interest expense on retention payables | 43 | 17 |
| Bank charges | 49 | – |
| | 1,497 | 1,490 |
| Less: Amount capitalised | (535) | (441) |
| | 962 | 1,049 |

7. Income tax expense

| | Six months ended | |
|---|--------------------------|--|
| | 30/6/2010 RMB million | 30/6/2009 RMB million (restated) |
| Current tax | | |
| Enterprise Income Tax in Mainland China | 855 | 579 |
| Land Appreciation Tax ("LAT") | 38 | 10 |
| Underprovision in prior years | 32 | – |
| Deferred tax | 45 | 252 |
| | 970 | 841 |

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits during both periods.

Taxation arising in the PRC is recognised based on the prevailing enterprise income tax rate which is 25% for the six months ended 30 June 2010 (six months ended 30 June 2009: 25%).

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

8. Profit for the period

Profit for the period has been arrived at after charging:

| | Six months ended | |
|---|------------------|---------------------------|
| | 30/6/2010 | 30/6/2009 |
| | RMB million | RMB million (restated) |
| Depreciation and amortisation of: | | |
| Property, plant and equipment | 2,256 | 1,987 |
| Lease prepayments | 87 | 70 |
| Investment properties | 31 | 18 |
| Intangible assets (included in administrative expenses) | 15 | 27 |
| Intangible assets (included in cost of sales) | 111 | 49 |
| Mining assets | 4 | – |
| Total depreciation and amortisation | 2,504 | 2,151 |
| Impairment loss recognised on: | | |
| Property, plant and equipment (included in administrative expenses) | – | 1 |
| Inventories (included in cost of sales) | – | 2 |
| Allowance for foreseeable loss on construction contracts | 25 | 94 |

9. Dividend

On 26 April 2010, a dividend of RMB0.063 per share (2009: nil) for 2009, amounting to RMB1,342 million in aggregate, was declared and was subsequently paid in July 2010.

The Directors do not recommend the payment of an interim dividend.

10. Earnings per share

Basic earnings per share for the six months ended 30 June 2010 is calculated by dividing the profit attributable to owners of the Company of RMB3,286 million (six months ended 30 June 2009: RMB3,081 million) by 21,299,900,000 shares (six months ended 30 June 2009: 21,299,900,000 shares) in issue during the period.

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

11. Movements in property, plant and equipment

During the period, the Group incurred costs for construction in progress of RMB764 million (six months ended 30 June 2009: RMB933 million) and acquired buildings at a cost of RMB80 million (six months ended 30 June 2009: RMB305 million), infrastructure construction equipment at a cost of RMB1,402 million (six months ended 30 June 2009: RMB2,789 million), transportation equipment at a cost of RMB623 million (six months ended 30 June 2009: RMB494 million), manufacturing equipment at a cost of RMB107 million (six months ended 30 June 2009: RMB99 million), testing equipment and instruments at a cost of RMB220 million (six months ended 30 June 2009: RMB175 million), and other equipment at a cost of RMB199 million (six months ended 30 June 2009: RMB205 million) for the purpose of expanding the Group's business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

11. Movements in property, plant and equipment *(continued)*

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of RMB1,203 million (31 December 2009: RMB338 million).

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB739 million (31 December 2009: RMB602 million) at 30 June 2010. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

12. Intangible assets

During the period, additions to intangible assets amounted to RMB1,016 million (six months ended 30 June 2009: RMB1,716 million) which excluded those arising from acquisition of subsidiaries amounting to RMB42 million (six months ended 30 June 2009: nil) (Note 20), consisting of service concession arrangements of RMB999 million (six months ended 30 June 2009: RMB1,674 million), computer software of RMB3 million (six months ended 30 June 2009: RMB3 million) and other intangible assets of RMB14 million (six months ended 30 June 2009: RMB39 million).

The rights in respect of toll road income under four (31 December 2009: four) concession agreements with an aggregate carrying amount of RMB11,199 million (31 December 2009: RMB11,938 million) are pledged against certain banking facilities of the Group.

13. Mining assets

During the period, additions to mining assets arising from acquisition of subsidiaries amounted to RMB961 million (six months ended 30 June 2009: nil) (Note 20).

The amounts represent the expenditure on exploration and evaluation of gold and mine projects at Inner Mongolia, Australia, Heilongjiang and Fujian.

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

At 31 December 2009, properties held for sale amounting to RMB72 million (30 June 2010: nil) have been pledged to secure banking facilities granted to the Group.

At 30 June 2010, properties under development for sale amounting to RMB4,812 million (31 December 2009: RMB3,524 million) have been pledged to secure banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

15. Trade and other receivables

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|---|--------------------------|---|
| Trade and bills receivables | 68,248 | 69,532 |
| Less: impairment | (1,218) | (1,124) |
| | 67,030 | 68,408 |
| Other receivables (net of impairment) | 21,622 | 16,886 |
| Advance to suppliers | 22,421 | 17,709 |
| | 111,073 | 103,003 |
| Less: Amount due after one year (other than retention receivable) included in non-current assets | (1,895) | (1,313) |
| | 109,178 | 101,690 |

Included in trade and bills receivables are retention receivable of RMB27,780 million (31 December 2009: RMB24,181 million). Retention receivables are interest-free and recoverable at end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|--------------------------|--------------------------|---|
| Less than six months | 32,323 | 38,673 |
| Six months to one year | 19,207 | 15,387 |
| One year to two years | 8,721 | 9,801 |
| Two years to three years | 4,788 | 3,194 |
| More than three years | 1,991 | 1,353 |
| | 67,030 | 68,408 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|--|---------------------------------|---|
| Contract costs incurred plus recognised profits less recognised losses | 1,226,377 | 966,725 |
| Less: Progress billings | (1,201,286) | (953,996) |
| | 25,091 | 12,729 |
| Analysed for reporting purpose: | | |
| Amounts due from customers for contract work | 39,076 | 31,068 |
| Amounts due to customers for contract work | (13,985) | (18,339) |
| | 25,091 | 12,729 |

17. Share capital

| | At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010 Number of shares '000 | At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010 Nominal value RMB million |
|--------------------------|---|--|
| Registered capital | | |
| A Shares of RMB1.00 each | 17,092,510 | 17,093 |
| H Shares of RMB1.00 each | 4,207,390 | 4,207 |
| | 21,299,900 | 21,300 |
| Issued and fully paid | | |
| A Shares of RMB1.00 each | 17,092,510 | 17,093 |
| H Shares of RMB1.00 each | 4,207,390 | 4,207 |
| | 21,299,900 | 21,300 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

18. Trade and other payables

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|-------------------------------------|--|---|
| Trade and bills payables | 108,849 | 94,790 |
| Advance from customers | 41,981 | 38,487 |
| Accrued payroll and welfare | 1,813 | 1,738 |
| Other taxes | 5,212 | 4,419 |
| Deposits received in advance | 112 | 115 |
| Dividend payables | 3,462 | 2,562 |
| Other payables | 20,030 | 19,230 |
| | 181,459 | 161,341 |
| Analysed for reporting purposes as: | | |
| Non-current | 204 | 339 |
| Current | 181,255 | 161,002 |
| | 181,459 | 161,341 |

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payable are retention payable of RMB3,201 million (31 December 2009: RMB3,499 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million (restated) |
|--------------------------|--|---|
| Less than one year | 96,684 | 84,578 |
| One year to two years | 8,837 | 7,200 |
| Two years to three years | 2,065 | 2,197 |
| More than three years | 1,263 | 815 |
| | 108,849 | 94,790 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

19. Borrowings

| | 30/6/2010 RMB million | 31/12/2009 RMB million |
|-----------------------------------|--------------------------|---------------------------|
| Bank loans: | | |
| Secured | 10,545 | 11,327 |
| Unsecured | 32,024 | 27,114 |
| | 42,569 | 38,441 |
| Short-term debentures, unsecured | – | 3,800 |
| Other short-term loans, unsecured | 7,120 | 6,150 |
| Long-term bonds, unsecured | 5,967 | – |
| Other long-term loans, unsecured | 5,801 | 7,472 |
| | 61,457 | 55,863 |
| Analysed for reporting purpose: | | |
| Non-current | 35,347 | 27,151 |
| Current | 26,110 | 28,712 |
| | 61,457 | 55,863 |

On 27 January 2010, the Group issued corporate bonds of a principal amount of RMB6,000,000,000, consisted of a five-year bond amounting to RMB1,000,000,000 repayable by January 2015 at a fixed rate at 4.48% per annum and a ten-year bond amounting to RMB5,000,000,000 repayable by January 2020 at a fixed rate at 4.88% per annum. Such bonds are listed and traded on the Shanghai Stock Exchange on 3 March 2010 and are guaranteed by CRECG.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

20. Acquisition of subsidiaries

(a) Acquisition of businesses

On 13 January 2010, the Group acquired a 100% interest in 合肥市建築設計研究院有限公司. 合肥市建築設計研究院有限公司 is principally engaged in design services and was acquired with the objective of the expansion of the Group's design activities. Further, on 15 April 2010, RMA Energy Ltd, a listed company on the Australian Securities Exchange, which is principally engaged in mining exploration, became a 53% owned subsidiary of the Group. RMA Energy Ltd was acquired so as to continue the expansion of the Group's mining activities.

Consideration transferred

| | 合肥市建築設計 研究院有限公司 RMB million | RMA Energy Ltd RMB million |
|------------------------------|-----------------------------------|----------------------------------|
| Cash | 51 | – |
| Payment made in prior period | – | 63 |
| Total | 51 | 63 |

Assets and liabilities recognised at the date of acquisition

| | 合肥市建築設計 研究院有限公司 RMB million | RMA Energy Ltd RMB million | Total RMB million |
|--------------------------------|-----------------------------------|----------------------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | 5 | 7 | 12 |
| Trade and other receivables | 4 | – | 4 |
| Non-current assets | | | |
| Mining assets | – | 131 | 131 |
| Intangible assets | 40 | – | 40 |
| Property, plant and equipment | 22 | – | 22 |
| Current liabilities | | | |
| Trade and other payables | (7) | – | (7) |
| Non-current liabilities | | | |
| Deferred tax liabilities | (13) | (20) | (33) |
| | 51 | 118 | 169 |

The intangible assets were recognised in the cost allocation of the acquisition, mainly representing the a construction license owned by 合肥市建築設計研究院有限公司. Mining assets of RMA Energy Ltd represents mining license of various sites located in Australia.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

20. Acquisition of subsidiaries (continued)

(a) Acquisition of businesses (continued)

The amount of mining assets for the above acquisition has been determined provisionally. The Group is in the process of performing an evaluation on each exploration rights acquired and the evaluation is expected to be completed by end of this year.

Non-controlling interests

The non-controlling interest (47%) in RMA Energy Ltd recognised at the acquisition date was measured at the non-controlling interests' share of the provisional fair value of the identifiable net assets of RMA Energy Ltd and amounted to RMB55 million.

Net cash outflow arising on acquisition

| | |
|--|-------|
| Cash consideration paid | 51 |
| Less: cash and cash equivalents acquired | (12) |
| | <hr/> |
| | 39 |

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB1 million attributable to 合肥市建築設計研究院有限公司, and nil in respect of RMA Energy Ltd. Revenue for the period includes RMB13 million in respect of 合肥市建築設計研究院有限公司 and nil in respect of RMA Energy Ltd. RMA Energy Ltd is still at the stage of exploration.

Assuming the acquisitions of 合肥市建築設計研究院有限公司 and RMA Energy Ltd had been effected at 1 January 2010, the financial impact to the Group for the six months ended 30 June 2010 would be insignificant.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

20. Acquisition of subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries

During the period, the Group acquired certain assets through acquisition of a 83% interest in 伊春鹿鳴礦業有限公司 for a consideration of RMB706 million, a 60% interest in 青島京西置業有限公司 for a consideration of RMB6 million and a 75% interest in 成都華豐應用地質開發有限公司 for a consideration of RMB1 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business. The carrying amounts of net assets acquired are as follows:

| | Six months ended 30/6/2010 RMB million |
|---|---|
| Fair value of net assets acquired: | |
| Property, plant and equipment | 31 |
| Properties under development for sale | 64 |
| Mining assets | 830 |
| Intangible assets | 2 |
| Trade and other receivables | 7 |
| Cash and cash equivalents | 11 |
| Trade and other payables | (83) |
| Net assets acquired | 862 |
| Non-controlling interests | (149) |
| Total consideration | 713 |
| Satisfied by: | |
| Cash | 551 |
| Consideration payable (included in other payables) | 162 |
| | 713 |
| Net cash (outflow) inflow arising from acquisition: | |
| Cash consideration paid | (551) |
| Cash and cash equivalents acquired | 11 |
| | (540) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

21. Disposal of subsidiaries

During the period, the Group disposed of a 100% interest in 自貢漢昌房地產開發有限公司 for a consideration of RMB44 million, a 50% interest in 廣廈重慶一建房地產開發有限公司 for a consideration of RMB11 million and a 100% interest in 青島建青混凝土工程有限公司 for a consideration of RMB10 million.

During the period for six months ended 30 June 2009, 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:

| | Six months ended | |
|--|--------------------------|--------------------------|
| | 30/6/2010 RMB million | 30/6/2009 RMB million |
| Net assets disposed of: | | |
| Property, plant and equipment | 2 | 13 |
| Properties under development for sale | 197 | – |
| Inventories | – | 36 |
| Trade and other receivables | 27 | 50 |
| Cash and cash equivalents | 7 | 165 |
| Trade and other payables | (188) | (48) |
| Borrowings | – | (4) |
| | 45 | 212 |
| Non-controlling interests | (12) | (16) |
| Transfer to interest in an associate | – | (8) |
| Gain (loss) on disposal of subsidiaries | 32 | (11) |
| Total consideration | 65 | 177 |
| Satisfied by: | | |
| Cash | 54 | 177 |
| Other receivables | 11 | – |
| Total consideration | 65 | 177 |
| Net cash inflow (outflow) arising on disposal: | | |
| Cash received | 54 | 177 |
| Cash and cash equivalents disposed of | (7) | (165) |
| | 47 | 12 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

22. Contingent liabilities

| | 30/6/2010 RMB million | 31/12/2009 RMB million |
|-------------------------|--------------------------|---------------------------|
| Pending lawsuits (Note) | 152 | 351 |

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.

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

| | 30/6/2010 | | 31/12/2009 | |
|--|---------------|---------------|-------------|---------------|
| | RMB million | Expiry period | RMB million | Expiry period |
| Guarantees given to banks in respect of banking facilities to: | | | | |
| Associates | 5,786 | 2013-2025 | 5,713 | 2010-2027 |
| Other government-related entities | 895 | 2010-2018 | 790 | 2010-2011 |
| Property purchasers | 4,415 | 2010-2014 | 3,836 | 2010-2011 |
| Investees of the Group | 176 | 2016 | 176 | 2010-2016 |
| | 11,272 | | 10,515 | |

23. Commitments

Capital expenditure

| | 30/6/2010 RMB million | 31/12/2009 RMB million |
|--|--------------------------|---------------------------|
| Acquisition of property, plant and equipment contracted but not provided for | 3,464 | 4,454 |
| Acquisition of land use rights contracted but not provided for | - | 93 |

Investment commitment

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

| | 30/6/2010 RMB million | 31/12/2009 RMB million |
|---|--------------------------|---------------------------|
| Capital contribution to jointly controlled entities | 20,013 | 20,455 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

24. 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 operates in an economic environment currently predominated by government-related entities. Apart from the transactions with CRECG and its subsidiaries not comprising the Group (the "CRECG Group"), the Group also conducts business with other government-related entities. The Directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

The following is a summary of significant related party transactions between the Group and its related parties, including other government-related entities, during the period and balances arising from related party transactions at the end of the reporting period.

Significant related party transactions

The Group had the following significant transactions with related parties:

| | Six months ended | |
|--|--------------------------|--------------------------|
| | 30/6/2010 RMB million | 30/6/2009 RMB million |
| <i>Transactions with the CRECG Group</i> | | |
| Revenue from construction contracts | 116 | – |
| Revenue from sale of goods | 81 | – |
| Service expenses paid | 18 | 36 |
| Rental fee | 18 | 15 |
| <i>Transactions with jointly controlled entities</i> | | |
| Revenue from construction contracts | 13 | 1 |
| Revenue from sale of goods | 24 | – |
| Interest income | 9 | – |
| <i>Transactions with associates</i> | | |
| Revenue from construction contracts | 217 | 86 |
| Purchases | – | 52 |
| <i>Transactions with other government-related entities</i> | | |
| Revenue from construction contracts | 65,581 | 43,498 |
| Revenue from design and other services | 9,295 | 5,967 |
| Purchases | 17,961 | 21,410 |
| Interest income on bank balances | 225 | 238 |
| Interest expenses on bank borrowings | 583 | 424 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

24. Related party transactions (continued)

Balances with related parties

| | 30/6/2010 RMB million | 31/12/2009 RMB million |
|--|--------------------------|---------------------------|
| <i>Balances with the CRECG Group</i> | | |
| Trade receivables | 59 | 26 |
| Trade payables | 51 | 4 |
| Other payables | 432 | 38 |
| Advance from customers | 12 | 63 |
| Dividend payables | 2,005 | 2,405 |
| <i>Balances with jointly controlled entities</i> | | |
| Trade receivables | 108 | 175 |
| Other receivables | 739 | 464 |
| Advance from customers | 8 | – |
| Loan receivables | 102 | 102 |
| Dividend receivables | 16 | 16 |
| <i>Balances with associates</i> | | |
| Trade receivables | 345 | 490 |
| Other receivables | 171 | 265 |
| Advance to suppliers | 17 | 134 |
| Trade payables | – | 6 |
| Other payables | 52 | 69 |
| Advance from customers | – | 11 |
| Loan receivables | 1,066 | 828 |
| <i>Balances with other government-related entities</i> | | |
| Trade receivables | 27,313 | 27,292 |
| Other receivables | 11,630 | 10,875 |
| Bank balances | 22,082 | 2,689 |
| Trade payables | 21,005 | 13,688 |
| Other payables | 9,104 | 19,004 |
| Bank borrowings | 21,391 | 22,631 |
| Other borrowings | 18,888 | 15,636 |

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by associates and other government-related entities, the maximum exposure of which are disclosed in Note 22.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

24. Related party transactions (continued)

Compensation of key management personnel

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

| | Six months ended | |
|---|------------------|-------------|
| | 30/6/2010 | 30/6/2009 |
| | RMB million | RMB million |
| Basic salaries, allowances and other benefits-in-kind | 1,064 | 1,067 |
| Contributions to pension plans | 301 | 200 |
| Discretionary bonus | 131 | 244 |
| | 1,496 | 1,511 |

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

Guarantees and security

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

| | 30/6/2010 | 31/12/2009 |
|-------|-------------|-------------|
| | RMB million | RMB million |
| CRECG | 5,967 | – |

25. Events after the end of the interim period

Subsequent to 30 June 2010, the following significant events took place:

Pursuant to the approval of the first extraordinary general meeting for the year 2010 and 2010 first class meetings of holders of A shares and H shares of the Company, which were held on 12 August 2010: (i) The Company shall issue a maximum of 1,517,880,000 new A Shares for subscription by not more than 10 target investors (including CRECG), among which a maximum of 851,580,000 new A Shares will be subscribed for by CRECG ("Private Placement"). In the event that there is any ex-dividend or ex-right adjustment on the A Shares during the period from the Date of Benchmark Pricing (the average trading price of the A Shares over the 20 trading days prior to the Date of Benchmark Pricing = the total turnover of the A Shares over the 20 trading days prior to the Date of Benchmark Pricing/the total trading volume of the A Shares over the 20 trading days prior to the Date of Benchmark Pricing), which is 19 June 2010, the date of the 31st session of the first board meeting, to the date of issue under the Private Placement as a result of distribution of dividends, issue of bonus shares, capitalisation issue, issue of new shares or rights issue, the base issue price and the maximum number of Shares to be issued under the Private Placement shall be adjusted accordingly. The issue price of the A Shares to be issued under the Private Placement shall be not less than RMB4.11 per new A Share, which price is not less than 90% of the average trading price of the Company's A Shares over the 20 trading days prior to the Date of Benchmark Pricing. The final issue price will be determined in accordance with the relevant requirements of China Securities Regulatory Commission ("CSRC") and will be negotiated with reference to the prices quoted by the target investors after receiving the approval from CSRC; and (ii) The Company will issue a maximum of RMB5,000 million short-term debentures in the forthcoming future.



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