



## Contents

- 2** Company Profile
- 3** Financial Summary
- 5** Chairman's Report
- 7** Changes in Share Capital and Information on Shareholders
- 12** Directors, Supervisors and Senior Management
- 15** Management Discussion and Analysis
- 25** Significant Events
- 43** Definition and Glossary of Technical Terms
- 44** Company Information
- 46** Report on Review of Interim Financial Information
- 47** Interim Condensed Consolidated Financial Statements

# Company Profile



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

We are one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of aggregate engineering contract income, and rank 95 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 Standard 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

	2011	For the six months ended 30 June				Change 2011 vs 2010 (%)
		2010	2009	2008	2007	
		RMB million				
<b>Revenue</b>						
Infrastructure Construction	192,556	170,213	133,201	84,927	68,598	13.1
Survey, Design and Consulting Services	4,484	4,283	3,197	1,887	1,507	4.7
Engineering Equipment and Component Manufacturing	6,029	5,876	5,248	3,566	2,222	2.6
Property Development	4,487	4,334	1,688	1,528	1,408	3.5
Other Businesses	18,962	12,258	7,089	6,780	4,043	54.7
Inter-segment Eliminations and Adjustments	(11,986)	(8,395)	(8,092)	(5,600)	(4,328)	
<b>Total</b>	<b>214,532</b>	<b>188,569</b>	<b>142,331</b>	<b>93,088</b>	<b>73,450</b>	<b>13.8</b>
<b>Gross Profit</b>	<b>13,021</b>	<b>11,965</b>	<b>9,030</b>	<b>7,442</b>	<b>5,556</b>	<b>8.8</b>
<b>Profit before Taxation</b>	<b>3,601</b>	<b>4,450</b>	<b>4,057</b>	<b>2,859</b>	<b>1,193</b>	<b>(19.1)</b>
<b>Profit for the Period</b>	<b>2,737</b>	<b>3,477</b>	<b>3,216</b>	<b>2,208</b>	<b>815</b>	<b>(21.3)</b>
<b>Profit Attributable to Owners of the Company</b>	<b>2,487</b>	<b>3,209</b>	<b>3,081</b>	<b>1,919</b>	<b>657</b>	<b>(22.5)</b>
<b>Basic Earnings per Share (RMB)</b>	<b>0.117</b>	<b>0.151</b>	<b>0.145</b>	<b>0.090</b>	<b>0.051</b>	<b>(22.5)</b>

# Financial Summary

## Summary of Consolidated Statement of Financial Position

	30 June 2011	As at 31 December 2010 RMB million	30 June 2010	Change	
				30 June 2011 vs 31 December 2010 (%)	30 June 2011 vs 30 June 2010 (%)
<b>Assets</b>					
Current Assets	338,921	298,654	255,372	13.5	32.7
Non-current Assets	94,112	90,482	79,429	4.0	18.5
<b>Total Assets</b>	<b>433,033</b>	389,136	334,801	11.3	29.3
<b>Liabilities</b>					
Current Liabilities	295,344	264,400	223,158	11.7	32.3
Non-current Liabilities	62,849	51,015	43,154	23.2	45.6
<b>Total Liabilities</b>	<b>358,193</b>	315,415	266,312	13.6	34.5
<b>Total Equity</b>	<b>74,840</b>	73,721	68,489	1.5	9.3
<b>Total Equity and Liabilities</b>	<b>433,033</b>	389,136	334,801	11.3	29.3

# Chairman's Report

In the first half of 2011, the Chinese government focused on “strengthening and improving macro control and maintaining steady and healthy economic development” as well as implemented proactive fiscal policies and sound monetary policies, so as to stabilize prices, adjust the structure, ensure people’s standards of living and promote harmony, and maintain the stable development of the overall social economy. In general, China’s current economy is turning from the policy stimulus to self-growth regularly. The market development of domestic infrastructure constructions such as highways, municipal works and rail transportation remained stable. However, there were some changes in railway construction due to various factors, which brought new challenges to the enterprises. At present, the key focus of national economy is to change the development mode and improve the development quality, which may also act as the Group’s radical moves for adapting to changes in current market environment. While actively responding to the difficulties and challenges, the Group also has to settle down to reinforce its management, immerse itself in improvement, and devote to consolidate its foundation, so as to enhance the quality of corporate development and its competitiveness. The Group will appropriately adjust its business focus and actively respond to changes in the macro environment. In the first half of the year, with the support of the shareholders and the joint efforts of management and all staffs of the Company, the business of China Railway maintained a stable growth momentum on the whole. The Company ranked 95 in the recently published Fortune Global 500 in 2011, up 42 in ranking as compared to that in 2010.

## 1 Financial Results

In the first half of 2011, the value of new contracts entered into by the Company reached RMB238.7 billion, representing a decrease of 35.9% over the same period of last year. Total revenue amounted to RMB214.532 billion, representing an increase of 13.8% over the same period of last year. During the same period, profit attributable to owners of the Company reached RMB2.487 billion, representing a decrease of 22.5% over the same period of last year.

## 2 Business Development

During the first half of 2011, the Group actively responded to the complex and ever-changing development environment with firm determination. Firstly, the Group accelerated the industrial restructuring and the change of development mode, and further promoted corporate transformation and upgrade. Secondly, the Group properly managed the synergistic development between core businesses and related businesses, the coordinated development of infrastructure markets such as railways, highways and municipal works by emphasizing on both domestic and international markets. Thirdly, the Group extensively promoted the intensive, standardized and refined management by grasping the pace of development, reinforcing the measures against risks, exploring more income sources and reducing expenditures. Fourthly, the Group continued to promote corporate technology innovation and management innovation with an aim to improving the internal management quality.

In respect of the infrastructure construction business, the Group strengthened the market development according to the development strategy of “focusing on railway market, accelerating the development of non-railway market and actively entering emerging markets”. The value of new contracts entered into by the Group during the first half of 2011 amounted to RMB177.07 billion, which included a large number projects such as the rail transport line 3 in Kunming City, the newly built Jilin to Huichun railway control project, the newly built Tianjin Xingang Port north railway container terminal project, phase 1 GYI-SGB7 of Gonghe to Yushu (Jiegu) highway in Qinghai Province, Shenyang Fourth Ring Expressway investment – construction project. Especially, the Group has won the bid of RMB17.67 billion, representing a share of 55.7% of the total amount (RMB31.73 billion) of bid opening for primary market of railway construction during the first half of the year.

In respect of the survey, design and consulting services business, the Group continued to speed up the diversified development according to the development strategy of “strengthening professional advantages, enhancing comprehensive ability, extending industrial chains and expanding business scope”. The value of new contracts entered into by the Group during the first half of 2011 amounted to RMB5.47 billion, which included a large number of survey and design projects such as the Shenzhen urban rail transit line 11 project, Argentina Belgrano cargo railway reconstruction project. The Group continued to consolidate its competitiveness in the field of survey, design and consulting services business.

In respect of the engineering equipment and component manufacturing business, the Group accelerated to enhance its ability of self-research and self-development according to the development strategy of “improving operational layout, adjusting product structure, speeding up product research and development and promoting optimization and upgrade”. The value of new contracts entered into by the Group during the first half of 2011 amounted to RMB10.3 billion. Benefiting from the market’s stable demand for steel structure, rail and other engineering equipments, the Group’s competitiveness in the manufacturing of engineering equipments and components continued to solidify and the new contracts entered into continued to increase.

# Chairman's Report

## 2 Business Development *(continued)*

In respect of the property development business, the Group responded effectively to the macro control policies in the domestic real estate market, and put forward the development strategy of “making ends meet, developing rationally, grasping the pace and developing steadily”, and devoted more efforts in construction development of the projects in progress. In the first half of 2011, site area and total gross floor area of the Group's projects under development were approximately 14.32 million square meters and 25.52 million square meters, respectively.

In respect of the other businesses, the Group's businesses such as BOT projects, materials trade and mining resources development progressed smoothly. The revenue from expressway BOT projects of the Group increased steadily by 114.9% as compared to the same period of last year. The revenue from materials trade increased by 101.4% as compared to the same period of last year. With regard to mining resources development, the Group actively promoted the development of copper, cobalt, molybdenum and other mineral resources in addition to the existing mineral resources such as coal and gold according to the development strategy of “investing effectively, increasing output, implementing step by step and rolling development”.

## 3 Corporate Governance

During the reporting period, the Group further improved its corporate governance system through innovation of systematic mechanisms and further strengthening of internal control management in compliance with 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, enabling it to be more scientific, systematic and effective. The shareholders' general meetings, the board of directors' meetings and the supervisory committee meetings were convened according to the relevant laws and regulations and the respective duties were effectively carried out. In addition, the Group also effectively maintained its positive image of integrity and transparency in the capital markets by strictly performing information disclosure and actively improving the investor communication system. In the first half of the year, the Company received various awards, including the “Best Board of Directors” and “Top 100 Listed Companies in China”.

## 4 Outlook

In the second half of 2011, the Chinese government will continue to implement its macro control measures and the overall economy and social development will maintain a good shape. However, we are also well aware of the significant contradictions arising from the imbalance, uncertainty, inconsistency and instability of the macro economic development and the market environment and that the Group is still facing complicated external environment. The Group will continue to pursue the path of scientific development, accelerate the change in development mode, to focus on its core businesses by adhering to its strategy of “improving internal management, consolidating business foundation, reinforcing management efforts and striving for innovation”, to expand domestic and international markets, to strengthen the organization of constructions and manufacturing, to reinforce safety and quality management, vigorously promote self-innovation, to speed up structural adjustment and strengthen internal control so as to procure comprehensive, balanced and sustainable development of the Group and be well prepared for implementing the development strategy of “driving two substantial changes, realizing second startup” under the 12th Five-Year Plan.

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 2011

# 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 2011, the Company had a total of 796,438 shareholders, of which 768,725 were holders of A Shares (including CRECG) and 27,713 were holders of H Shares. Based on the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float which is in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

### (1) Shareholdings of the top ten shareholders

Unit: Shares

No.	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shares with selling restrictions	Number of pledged or frozen shares
1	CRECG	State-owned	56.10	11,950,010,000	0	0	0
2	HKSCC Nominees Limited (Note 1)	Other	19.44	4,140,796,628	-5,008,932	0	0
3	No.3 Transfer Account of National Council for Social Security Fund	Other	2.20	467,500,000	0	467,500,000	0
4	ICBC – SSE 50 Exchange Traded Fund	Other	0.22	47,324,300	+1,906,970	0	0
5	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.13	27,013,262	-2,380,800	0	0
6	Changjiang Securities Company Limited	Other	0.13	26,688,214	+26,688,214	0	0
7	China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu	Other	0.10	22,000,000	0	0	0
8	Bill & Melinda Gates Trust	Other	0.09	20,000,090	0	0	0
9	UBS AG	Other	0.09	19,759,761	+2,775,200	0	0
10	Guotai Jun’an – CCB – HSBC	Other	0.09	18,300,302	-438,380	0	0

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

CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. 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 2011.

# 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

No.	Name of shareholder	Number of shares held without selling restrictions	Type of shares
1	CRECG	11,950,010,000	RMB-denominated ordinary shares
2	HKSCC Nominees Limited <i>(Note 1)</i>	4,140,796,628	Overseas listed foreign shares
3	ICBC – SSE 50 Exchange Traded Fund	47,324,300	RMB-denominated ordinary shares
4	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	27,013,262	RMB-denominated ordinary shares
5	Changjiang Securities Company Limited	26,688,214	RMB-denominated ordinary shares
6	China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu	22,000,000	RMB-denominated ordinary shares
7	Bill & Melinda Gates Trust	20,000,090	RMB-denominated ordinary shares
8	UBS AG	19,759,761	RMB-denominated ordinary shares
9	Guotai Jun'an – CCB – HSBC	18,300,302	RMB-denominated ordinary shares
10	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	18,000,000	RMB-denominated 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 9 shareholders. The SSE 50 Exchange Traded Fund and the ChinaAMC SSE-SZSE 300 Index Securities Investment Fund are under management of China Asset Management Co., Ltd.. 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 2011.



# 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

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		
			Trading commencement date	Additional number of approved tradable shares	Selling restrictions
1	No.3 Transfer Account of National Council for Social Security Fund <i>(Note)</i>	467,500,000	3 December 2013	–	Extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over

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

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

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

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

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

# Changes in Share Capital and Information on Shareholders

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

Save as disclosed below, as at 30 June 2011, none of the directors, chief executive and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of director/supervisor	Capacity	Number of A shares held (long position) (Shares)	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
<b>Directors</b>				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005
<b>Supervisors</b>				
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Ms. LIU Jianyuan (Note)	Beneficial owner	1,200	0.000007	0.000006

Notes: Ms. LIU Jianyuan was appointed as a Supervisor on 22 January 2011.

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

The Company has been notified of the following interests or short positions in the shares or underlying shares of the Company as at 30 June 2011 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

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

### Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (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	362,002,731	Long position	8.60	1.70
	Interest of controlled corporations	43,286,688	Short position	1.03	0.20

#### 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 Brothers Holdings Plc. which in turn wholly owns Lehman Brothers International (Europe) (which held 59,870,550 H Shares of the Company and 67,870,550 short 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 5 July 2011, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC. (which held 3,787,504 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 91,316,944 H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Fund Advisors (which held 179,652,000 H Shares of the Company); Blackrock, Inc. indirectly wholly owns BlackRock Group Limited, which in turn wholly owns BlackRock Asset Management Ireland Ltd (which held 26,459,000 H Shares of the Company), Blackrock Advisors UK Ltd. (which held 23,995,109 H Shares of the Company and 16,070,109 short position in H Shares of the Company), BlackRock International Ltd. (which held 5,476,595 H Shares of the Company), BlackRock Fund Managers Ltd (which held 322,000 H Shares of the Company), as well as BlackRock Asset Management Deutschland AG (which held 405,000 H Shares of the Company); Blackrock, Inc. also indirectly wholly owns BlackRock Asset Management Japan Limited (which held 122,000 H Shares of the Company), BlackRock Asset Management Australia Limited (which held 106,000 H Shares of the Company), BlackRock Asset Management Canada Limited (which held 382,000 H Shares of the Company), as well as BlackRock Asset Management North Asia Limited (which held 28,659,579 H Shares of the Company and 27,216,579 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 2011, 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.

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

During the six months ended 30 June 2011, 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 2011 are as follows:

Name	Age	Position
LI Changjin (李長進)	52	Chairman and Executive Director
BAI Zhongren (白中仁)	50	Executive Director and President
YAO Guiqing (姚桂清)	56	Vice Chairman and Executive Director
HAN Xiuguo (韓修國)	65	Non-executive Director
(Appointed on 27 January 2011)		
HE Gong (賀恭)	67	Independent Non-executive Director
GONG Huazhang (賈華章)	65	Independent Non-executive Director
WANG Taiwen (王泰文)	64	Independent Non-executive Director
SUN Patrick (辛定華)	52	Independent Non-executive Director

## 2 Supervisors

The supervisors of the Company during the six months ended 30 June 2011 are as follows:

Name	Age	Position
WANG Qiuming (王秋明)	58	Chairman of the Supervisory Committee
LIU Jianyuan (劉建媛)	49	Supervisor
(Appointed on 22 January 2011)		
ZHANG Xixue (張喜學)	58	Supervisor
LIN Longbiao (林隆彪)	53	Supervisor
CHEN Wenxin (陳文鑫)	47	Supervisor
(Appointed on 27 January 2011)		
JI Zhihua (季志華)	49	Supervisor
(Ceased to be a supervisor since 22 January 2011)		
ZHOU Yuqing (周玉清)	60	Supervisor
(Ceased to be a supervisor since 22 January 2011)		

## 3 Senior Management

The senior management of the Company during the six months ended 30 June 2011 are as follows:

Name	Age	Position
LI Jiansheng (李建生)	57	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui (劉輝)	51	Vice President and Chief Engineer
MA Li (馬力)	53	Vice President
ZHOU Mengbo (周孟波)	46	Vice President
DAI Hegen (戴和根)	45	Vice President
DUAN Xiubin (段秀斌)	57	Vice President
ZHANG Xian (章獻)	50	Vice President
XU Tingwang (許廷旺)	55	Chief Economist
YU Tengqun (于騰群)	41	Secretary to the Board and Joint Company Secretary
TAM Chun Chung (譚振忠)	38	Joint Company Secretary and Qualified Accountant

# Directors, Supervisors and Senior Management

## 4 The Engagement or Dismissal of Directors, Supervisors and Members of the Senior Management

The term of directorship of all directors of the first session of the Board should have expired on 12 September 2010. But according to the relevant laws, they shall continue to serve as directors until members of the second session of the Board assume their office. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing were re-elected as Executive Directors, Mr. HE Gong, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were re-elected as Independent Non-executive Directors, Mr. HAN Xiuguo was elected as a Non-executive Director. These directors comprise the second session of the Board of the Company. Furthermore, at the first meeting of the second session of the Board of the Company held on the same date, Mr. LI Changjin was elected as Chairman of the Board and Mr. YAO Guiqing was elected as Vice Chairman of the Board.

The term of office of all supervisors of the first session of the Supervisory Committee should have expired on 12 September 2010. According to the relevant laws, they shall continue to serve as supervisors until members of the second session of the Supervisory Committee assume their office. At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as employee representative Supervisors. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a shareholder representative Supervisor and Mr. CHEN Wenxin was elected as a shareholder representative Supervisor. Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be supervisors of the Company from 22 January 2011. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.

In addition, at the first meeting of the second session of the Board of the Company held on 27 January 2011, Mr. BAI Zhongren was appointed as President of the Company, Ms. LI Jiansheng was appointed as Vice President, Chief Financial Officer and General Legal Advisor of the Company, Mr. LIU Hui was appointed as Vice President and Chief Engineer of the Company, Mr. MA Li, Mr. ZHOU Mengbo, Mr. DAI Hegen, Mr. DUAN Xiubin and Mr. ZHANG Xian were appointed as Vice Presidents of the Company, Mr. XU Tingwang was appointed as Chief Economist of the Company, Mr. YU Tengqun was appointed as Secretary to the Board of the Company.

Except for the above, there was no engagement or dismissal of new directors, supervisors and senior management during the six months ended 30 June 2011.

## 5 Changes in the Personal Information of Directors and Supervisors

Mr. SUN Patrick, Independent Non-executive Director of the Company, was appointed as an independent non-executive director of China NT Pharma Group Company Limited which became listed in April 2011.

## 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 for both current and retired employees, and annual bonuses plan for our existing employees.

# Directors, Supervisors and Senior Management

## 6 Human Resources and Emolument Policy *(continued)*

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

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

As at 30 June 2011, the number of employees hired by the Group was 283,006. The following table sets forth a breakdown of the Group's employees by divisions as at 30 June 2011:

Division	Number of employees as at 30 June 2011
Production	136,563
Sales and Marketing	20,919
Engineering and Technology	95,274
Financing	13,425
Administration	16,825
Total	283,006

## 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 2011 to 30 June 2011.

# 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 2011, the State adopted proactive fiscal policies and sound monetary policies, and the domestic infrastructure construction market basically remained stable. The Group continually optimized its operating structure through accelerating the improvement of its infrastructure construction, survey, design and consulting services, property development, engineering equipment and components manufacturing, mining resources, BOT and financial trust services businesses. The Group will continually strive to the collaborative development of its "up-mid-down stream" business chain and forging a synergistic development of its infrastructure construction business and other related business segments.

For the six months ended 30 June 2011, the Group's revenue increased by 13.8% from the corresponding period of 2010 to RMB214.532 billion. The Group realized profit for the period of RMB2.737 billion, representing a decrease of 21.3% year on year. For the six months ended 30 June 2011, the profit attributable to owners of the Company was 2.487 billion and the basic earnings per share of the Company were RMB0.117, both of which decreased by 22.5% year on year. A comparison of the financial results for the six months ended 30 June 2011 and the corresponding period of 2010 is set forth below.

## 2 Consolidated Results of Operations

### Revenue

The Group's total revenue increased by 13.8% to RMB214.532 billion for the six months ended 30 June 2011 from RMB188.569 billion in the corresponding period of 2010. The increase in the Group's revenue was primarily attributable to the growth of infrastructure construction business. In the first half of 2011, the value of new contracts entered into by the Group decreased by 35.9% from the corresponding period of 2010 to RMB238.7 billion. At 30 June 2011, contract backlog increased by 1.2% to RMB977.992 billion compared with the end of 2010, among which, RMB857.533 billion is from infrastructure construction business, RMB13.983 billion is from survey, design and consulting services business and RMB11.463 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 2011, our cost of sales increased by 14.1% to RMB201.511 billion from RMB176.604 billion for the first half of 2010. In the first half of 2011, gross profit of the Group increased by RMB1.056 billion or 8.8% to RMB13.021 billion from RMB11.965 billion for the corresponding period of 2010. The gross profit margin for the first half of 2011 was 6.1%, representing a slight decrease from 6.3% for the first half of 2010 and an increase from 5.9% for 2010. The decrease in gross profit margin for the first half of 2011 as compared to the same period of last year was primarily due to 1) the lagging effect of adjustment of contract prices (changes in project design and adjustment on raw material prices) of infrastructure construction projects; 2) the decrease in gross profit margin of infrastructure construction business segment. As a result of the State's macroscopic controls, funding pressure faced by certain project owners led to the slow development progress of infrastructure construction projects and increase in project cost; 3) the Group's profitability was affected by the loss incurred on the sections A and C of A2 motorway project in Poland.

### Other income

The Group's other income primarily consists of income from sundry operations supplemental to our principal revenue-generating activities (such as sales of materials, rental, transportation and hotel operation), dividend income, relocation compensation and subsidies from government. For the six months ended 30 June 2011, the Group's other income increased to RMB0.519 billion from RMB0.312 billion for the corresponding period of last year. The increase of other income was due to the increase in income from sale of materials.

# Management Discussion and Analysis

## 2 Consolidated Results of Operations *(continued)*

### Other expenses

The Group's other expenses primarily include expenditures on research and development. For the six months ended 30 June 2011, other expenses increased by 254.0% from RMB0.239 billion for the same period of last year to RMB0.846 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capacities and enhanced energy saving and emission reduction efforts.

### Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of held-for-trading financial assets, gains/losses on disposal of fixed assets, available-for-sale financial assets and interests in subsidiaries. The other losses of RMB0.208 billion for the first half of 2011 (Six months ended 30 June 2010: other losses of RMB0.321 billion) included an impairment loss on trade and other receivables of RMB0.303 billion and gain on disposal of available-for-sale financial assets of RMB0.073 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 2011, the Group's selling and marketing expenses was RMB0.794 billion, representing an increase of 27.4% from RMB0.623 billion for the same period of last year. Selling and marketing expenses as a percentage of total revenue was 0.37% for the first half of 2011, an increase from 0.33% for the first half of 2010. Such increase was mainly due to the increase in selling and marketing expenses resulted from the growth of the Group's property development business.

### 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 2011, the Group's administrative expenses increased by 11.7% to RMB6.957 billion from RMB6.228 billion for the corresponding period of 2010. Administrative expenses as a percentage of total revenue was 3.2%, remained at a similar level as 3.3% for the first half of 2010.

### Interest income

For the six months ended 30 June 2011, the interest income increased by 33.8% to RMB0.843 billion from RMB0.630 billion for the corresponding period of 2010. The increase of interest income was primarily due to the optimization of deposit mix and increase in deposit interest rate.

### Interest expenses

For the six months ended 30 June 2011, the interest expenses increased by 95.3% to RMB1.887 billion from RMB0.966 billion for the first half of 2010. It was primarily due to the fact that the increase in principal amount of borrowings led to the increase in financing costs. The Group will continually improve the centralization of fund management and enhance the efficiency of fund utilization.

### Profit before tax

As a result of the foregoing factors, the profit before tax for the six months ended 30 June 2011 decreased by 19.1% to RMB3.601 billion from RMB4.450 billion for the corresponding period of 2010.

### Income tax expense

For the six months ended 30 June 2011, the income tax expense decreased by 11.2% to RMB0.864 billion from RMB0.973 billion for the corresponding period of 2010. The effective tax rate of the Group was 24.0% for the first half of 2011, an increase from 21.9% for the corresponding period of 2010. Such increase was mainly due to the change in preferential tax rates entitled by certain subsidiaries of the Company.



# Management Discussion and Analysis

## 2 Consolidated Results of Operations *(continued)*

### Profit attributable to owners of the company

The profit attributable to owners of the Company for the six months ended 30 June 2011 decreased by 22.5% to RMB2.487 billion from RMB3.209 billion for the corresponding period of 2010. The profit margin of the profit attributable to owners of the Company for the first half of 2011 decreased to 1.2% from 1.7% for the corresponding period of 2010.

## 3 Segment Results

The revenue, results and profit before tax margin of each segment of the Group's businesses for the six months ended 30 June 2011 are set forth in the table below.

Business segments	Segment revenue RMB million	Growth rate (%)	Profit before tax RMB million	Growth rate (%)	Profit before tax margin <sup>1</sup> (%)	Segment revenue as a percentage of total (%)	Profit before tax as a percentage of total (%)
Infrastructure Construction	192,556	13.1	2,925	(22.5)	1.5	85.0	60.7
Survey, Design and Consulting Services	4,484	4.7	413	6.2	9.2	2.0	8.6
Engineering Equipment and Component Manufacturing	6,029	2.6	331	(21.4)	5.5	2.7	6.9
Property Development	4,487	3.5	705	85.5	15.7	2.0	14.6
Other Businesses	18,962	54.7	441	114.1	2.3	8.3	9.2
Inter-segment Eliminations and Adjustments	(11,986)		(1,214)				
Total	214,532	13.8	3,601	(19.1)	1.7	100.0	100.0

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

### Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In the first half of 2011, the revenue from the infrastructure construction business accounted for 85.0% of the total revenue of the Group (First half of 2010: 86.4%). For the six months ended 30 June 2011, segment revenue of the infrastructure construction business was RMB192.556 billion, representing an increase of 13.1% as compared to the same period of last year. Profit before tax margin of the infrastructure construction segment decreased to 1.5% for the first half of 2011 from 2.2% for the first half of 2010. It was mainly due to 1) the lagging effect of adjustment of contract prices (changes in project design and adjustment on raw material prices); 2) the decrease in gross profit margin of the segment. As a result of the State's macro controls, funding pressure faced by certain project owners led to the slow development progress of infrastructure construction projects and increase in project cost; 3) the Group's profitability was affected by the loss incurred on the sections A and C of A2 motorway project in Poland.

# Management Discussion and Analysis

## 3 Segment Results *(continued)*

### Infrastructure construction business *(continued)*

The consortium jointly established by China Overseas Engineering Group Co., Ltd, China Railway Tunnel Group (both of which are subsidiaries of the Company) and two other third parties (the “**Consortium**”), won the bid for Sections A and C of the A2 Motorway Project in Poland (the “**A2 Project**”) in September 2009 through public tender. The project owner of the A2 Project is General Directorate of National Roads and Motorways of Poland (the “**Project Owner**”). The A2 Project is funded by the Project Owner and the construction period is 32 months. The Group’s share of the total contract value for the A2 Project is approximately US\$0.42 billion (equivalent to approximately RMB2.721 billion), accounting for approximately 0.37% of the total value of new contracts of RMB735.48 billion of the Group for the year of 2010, and approximately 1.14% of the total value of new contracts of RMB238.7 billion of the Group for the six months ended 30 June 2011. The Group’s share of the total amount of the performance bond for the A2 Project is approximately US\$42.00 million (equivalent to approximately RMB0.27 billion). During the performance of the contract, there were disputes between the Consortium and the Project Owner in areas such as modification of design standards and approval of the volume of engineering works which resulted in additional expenditures incurred. Thus the Consortium issued a notice to the Project Owner on 3 June 2011 to terminate the A2 Project. Subsequently, the Project Owner also issued a termination notice to the Consortium on 13 June 2011. The A2 Project was terminated before 30 June 2011. The Group has confirmed that as of 30 June 2011, the losses incurred in respect of the project is RMB550 million which resulted in the profit before tax decreased by RMB550 million. The dispute resolution procedure for such matter has just begun and as of the date of this report, the Consortium and the Project Owner are conducting on-site transfer. Neither the Consortium nor the Project Owner has claimed for any specific amount of damages in any formal dispute resolution procedure. The Company will continue to take active measures to protect the rights and interests of the Company.

### 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 2011, segment revenue of survey, design and consulting services business increased by 4.7% year on year to RMB4.484 billion from RMB4.283 billion for the corresponding period of last year. For the first half of 2011, profit before tax margin for the segment was 9.2%, a moderate increase from 9.1% for the first half of 2010. It was mainly due to 1) the strengthened control on staff cost; 2) the decrease in proportion of outsourcing projects.

### 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 construction equipment, bridge steel structures and engineering machinery. For the six months ended 30 June 2011, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 2.6% to RMB6.029 billion from RMB5.876 billion for the corresponding period of 2010. Profit before tax margin decreased from 7.2% for the corresponding period of 2010 to 5.5% for the first half of 2011. This was mainly due to the increase in expenditures on research and development.

### 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 2011, leveraging on the business platform of “China Railway 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 completed and sold. For the six months ended 30 June 2011, segment revenue from property development business increased by 3.5% to RMB4.487 billion from RMB4.334 billion for the corresponding period of 2010. Profit before tax margin increased from 8.8% for the corresponding period of 2010 to 15.7% for first half of 2011. Such increase was mainly due to the increase in gross profit margin and profit before tax margin resulted from improvement in sales plan, overall profitability and geographical distribution of projects sold in the first half of 2011. At 30 June 2011, the Group’s gross site and construction area under development was 14.32 million square metres and 25.52 million square metres, respectively.

# Management Discussion and Analysis

## 3 Segment Results *(continued)*

### Other businesses

In the first half of 2011, 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 operation of expressway BOT projects grew steadily. Segment revenue from other businesses increased by 54.7% from RMB12.258 billion for the first half of 2010 to RMB18.962 billion for the same period of 2011. Profit before tax margin increased from 1.7% for the first half of 2010 to 2.3% for the same period of 2011. The increase in profit before tax margin was primarily due to the significant improvement in performance of expressway BOT projects, with revenue increased by 114.9% and gross profit margin increased by 10.8 percentage points as compared to the same period of last year.

## 4 Cash Flow

For the six months ended 30 June 2011, the net cash used in operating activities amounted to RMB16.998 billion, a significant increase from the net cash used in operating activities of RMB0.619 billion for the corresponding period of 2010. It was mainly due to 1) slow repayment from project owners pursuant to contracts and project progress, especially those infrastructure construction project owners who had funding pressure as a result of the State's stringent macro credit policies in the first half of 2011; 2) increase in land reserve. For the six months ended 30 June 2011, the net cash used in investing activities of the Group amounted to RMB6.633 billion, remained at a similar level to RMB6.587 billion for the corresponding period of 2010. For the six months ended 30 June 2011, the net cash generated from financing activities of the Group amounted to RMB26.054 billion, a significant increase from RMB3.844 billion for the same period in 2010. The increase in net cash inflow from financing activities was primarily due to the increase in funding requirements as a result of expansion in the Group's operating scale and slow repayment from certain projects. The Group has adopted measures, including issuance of medium-term notes and raising project loans to fulfil its working capital and capital expenditure requirements.

### 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 2011 was RMB4.885 billion, an increase of 9.9% from RMB4.443 billion for the corresponding period of 2010.

### Working capital

	As at	
	30 June 2011 RMB million	31 December 2010 RMB million
Inventories	34,585	30,026
Properties under development for sale	46,474	38,411
Trade and bills receivables	92,180	83,198
Trade and bills payables	151,492	136,716
Turnover of inventory (days)	29	23
Turnover of trade and bills receivables (days)	74	60
Turnover of trade and bills payables (days)	129	97

As at 30 June 2011, the Group's inventories increased by 15.2% to RMB34.585 billion from RMB30.026 billion as at the end of 2010 while the inventory turnover days for the first half of 2011 increased to 29 days from 23 days for the first half of 2010. The increase in balance of inventories and inventory turnover days was mainly due to increase in purchase of raw materials and consumables as a result of the growth of the Group's infrastructure construction business.

# Management Discussion and Analysis

## 4 Cash Flow (continued)

### Working capital (continued)

As at 30 June 2011, properties under development for sale increased by 21.0% from RMB38.411 billion as at the end of 2010 to RMB46.474 billion. It was primarily due to increase in development cost resulted from the significant growth of the Group's property development business.

As at 30 June 2011, trade and bills receivables was RMB92.180 billion, an increase of 10.8% from RMB83.198 billion as at the end of 2010. The turnover days of trade and bills receivables was increased by 11 days from 63 days for 2010 to 74 days for the first half of 2011. It was because 1) slow repayment of project owners who had funding pressure as a result of the State's stringent macro credit policies; 2) the increase in trade and bills receivables was in line with the increase in revenue. According to the ageing analysis of the trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 28.1% (31 December 2010: 25.7%) of the total amount, reflecting the sound receivables management capability of the Group.

Trade and bills receivables	As at	
	30 June 2011 RMB million	31 December 2010 RMB million
Less than six months	43,677	43,449
Six months to one year	22,555	18,386
One year to two years	14,961	13,415
Two years to three years	7,244	5,833
More than three years	3,743	2,115
<b>Total</b>	<b>92,180</b>	<b>83,198</b>

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As at 30 June 2011, the Group's trade and bills payables increased by 10.8% from RMB136.716 billion as at the end of 2010 to RMB151.492 billion. The turnover days of trade and bills payables for the first half of 2011 was 129 days, representing an increase of 32 days from 97 days for 2010. It was mainly due to the adjustment made to the payment of trade payables corresponding to the slow repayment of trade receivables. According to the ageing analysis of the trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 10.1% (31 December 2010: 10.3%) of the total amount.

Trade and bills payables	As at	
	30 June 2011 RMB million	31 December 2010 RMB million
Less than one year	136,190	122,630
One year to two years	10,367	10,444
Two years to three years	3,271	2,475
More than three years	1,664	1,467
<b>Total</b>	<b>151,492</b>	<b>136,716</b>

# Management Discussion and Analysis

## 5 Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2011 and 31 December 2010. As at 30 June 2011, 50.8% (31 December 2010: 48.5%) of our borrowings were short-term borrowings. The Group is generally capable of making timely repayments.

	As at	
	30 June 2011 RMB million	31 December 2010 RMB million
Bank loans		
Secured	16,177	14,666
Unsecured	61,078	42,114
	77,255	56,780
Short-term debentures, unsecured	6,693	6,702
Long-term debentures, unsecured	7,915	–
Long-term debentures, secured	11,936	11,933
Other short-term loans, unsecured	5,989	6,136
Other long-term loans, unsecured	2,289	1,808
Total	112,027	83,359
Long-term borrowings	55,112	42,915
Short-term borrowings	56,965	40,444
Total	112,027	83,359

Bank loans carry interest rates ranging from 3.42% to 13.00% (31 December 2010: 3.86% to 10.00%) per annum. Short-term debentures carry fixed interest rates ranging from 2.92% to 4.06% (31 December 2010: 1.65% to 4.06%) per annum. Long-term debentures carry fixed interest rates ranging from 4.34% to 5.23% (31 December 2010: 4.34% to 4.88%) per annum. Other short-term loans carry interest rates ranging from 4.78% to 9.00% (31 December 2010: 3.82% to 6.98%) per annum. Other long-term loans carry interest rates ranging from 3.89% to 13.00% (31 December 2010: 3.89% to 13.00%) per annum.

As at 30 June 2011 and 31 December 2010, the Group's bank loans comprised fixed-rate bank loans amounting to RMB0.696 billion and RMB0.701 billion and floating-rate bank loans amounting to RMB76.559 billion and RMB56.079 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 30 June 2011 and 31 December 2010. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	Borrowings in U.S. dollars RMB million	Borrowings in Euros RMB million	Borrowings in other currencies RMB million
As at 30 June 2011	1,434	251	13
As at 31 December 2010	740	349	42

# Management Discussion and Analysis

## 5 Borrowings (continued)

As at 30 June 2011, approximately RMB16.177 billion (31 December 2010: RMB14.666 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB23.945 billion (31 December 2010: RMB22.703 billion). As at 30 June 2011, the Group had unutilized banking credit facilities with an aggregate amount of RMB202.687 billion (31 December 2010: RMB231.574 billion).

As at 30 June 2011, the Group's gearing ratio (total liabilities/total assets) was 82.7%, an increase of 1.6 percentage points as compared with 81.1% as at 31 December 2010. Such increase was primarily attributable to the fact that the Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. The Group will utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other convertible securities) to secure financing for business development.

On 23 March 2011, the Company issued the first tranche of the medium-term notes of a principal amount of RMB8 billion with a maturity date of 23 March 2021. The notes bear fixed interest at 5.23% per annum for the first five years, up to 23 March 2016. Interest is payable annually in arrears. At the end of the fifth year, on 23 March 2016, the Company has a right to adjust the interest rate of the notes and the note holders have a right to redeem all or part of the notes at its face value. Besides, the proposal on the private placement of A shares to target investors, which was considered and approved by the Company's 2010 first extraordinary general meeting, 2010 first class meeting of shareholder of A shares and 2010 first class meeting of shareholder of H shares on 12 August 2010 (the "Shareholders Meetings"), pursuant to which the Company may issue not more than 1,517,880,000 new A shares (subject to adjustment) by way of private placement. The resolutions shall remain effective for a period of 12 months after the date of passing of such resolutions at the Shareholders Meetings. In light of the adjustment and control policies for the real estate industry of the State, there are uncertainties in relation to the obtaining of the relevant government approvals for equity refinancing by listed company engaging in real estate business, and the said refinancing proposal has not been implemented, and has therefore lapsed automatically on 11 August 2011 due to the expiration of the resolutions passed at the Shareholders Meetings.

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 mainly denominated in US dollars.

## 6 Contingent Liabilities

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

	As at	
	30 June 2011	31 December 2010
	RMB million	RMB million
Pending lawsuits		
– arising in the ordinary course of business (Note 1)	345	237
– other (Note 2)	572	–
Total	917	237

Note 1: The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcomes 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.

Note 2: China Railway Real Estate Group Co., Ltd, a subsidiary of the Company, has been named in a lawsuit arising in the equity transfer agreement with its subsidiary's non-controlling shareholder. No provision has been made for the pending lawsuit where the management considered that the claim will not be successful.

# Management Discussion and Analysis

## 6 Contingent Liabilities (continued)

In addition to the above, as at 30 June 2011, Yichang Hongming Real Estate Co., Ltd., a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd. (“Yichang Sanxia”) to the extent of RMB303 million (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd.) if Yichang Sanxia failed to repay those liabilities in future.

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 2011		As at 31 December 2010	
	Amount RMB million	Expiry period	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilized by:				
Jointly controlled entities and associates	5,605	2013 – 2027	5,283	2011 – 2027
Other State-owned enterprises	342	2011 – 2011	659	2011 – 2012
Property purchasers	6,134	2011 – 2014	5,250	2011 – 2012
Investees of the Group	43	2011 – 2016	43	2011 – 2016
Other independent parties	6	2011 – 2012	50	2011 – 2011
Total	12,130		11,285	

## 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.

**Management risk:** The Group’s incapability to completely control all the actions of its non-wholly owned subsidiaries could result in management risks.

**Policy risk:** Changes in the administration system of foreign exchange, PRC government policies of preferential taxation, real estate industry and macroeconomy 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.

# Management Discussion and Analysis

## 7 Business Risks *(continued)*

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

**Interest rate risk:** The Group's exposure to changes in interest rate is mainly attributable to its external borrowings. According to the analysis of the Group's 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. The fluctuation of foreign exchange rate will affect the Group to a certain extent as the Group's overseas operation grows and increase in receipt of foreign currencies. However, the Group's exposure to foreign exchange risk is limited as the Group's principal businesses are mainly carried out in the PRC. 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 with its both A and H Shares listed, the Company operated in strict compliance with the laws and regulations such as the Company Law, the Securities Law and the Corporate Governance Standards for Listed Companies, as well as the relevant regulations of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. As one of the sample share of the SSE 180 Corporate Governance Index, the Company's corporate governance structure and internal control system are well established and its operations are adequately regulated. The level of the Company's corporate governance and the disclosure transparency are being assured.

### 1. Change in composition of the Board of Directors and the Supervisory Committee of the Company

On 27 January 2011, the "Resolution on the Candidates for the Composition of the 2nd Board of Directors and the Shareholder Representative Supervisor of the China Railway Group Limited" was reviewed and adopted in the first extraordinary general meeting in 2011. Eight directors (including 3 executive directors, 1 non-executive director and 4 independent non-executive directors), were elected to form the 2nd Board of the Company, while 2 shareholder representative Supervisors and 3 employee representative Supervisors which were elected from the employee representative Supervisors' meeting of the Company, jointly formed the 2nd Supervisory Committee and officially performed their duties on 27 January 2011.

### 2. The operation of each department under the corporate governance structure of the Company

During the reporting period, shareholders' general meeting of the Company, the Board and its committees and Supervisory Committee duly followed the prescribed rules and regulations, complied with the procedures and performed their respective duties effectively. During the reporting period, the Company held 2 shareholders' general meetings, 7 Board meetings, and 13 and 51 resolutions were reviewed and adopted respectively. The Company also held 5 board committee meetings, of which 2 Remuneration and Evaluation Committee meetings and 3 Audit Committee meetings were held. Three Supervisory Committee meetings were held and 14 resolutions were reviewed and adopted. The Company timely fulfilled the obligation to disclose the resolutions which are required to disclose, reviewed and adopted in the above meetings.

### 3. Information disclosure

During the reporting period, the Company performed its duty of information disclosure in both the Mainland China and Hong Kong markets in strict compliance with the requirements of the Stock Listing Rules of the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the relevant requirements of the Company for the information disclosure in the principle of simultaneously disclosure by companies listed in different regions. A total of 87 announcements and circulars were released, of which 33 were A shares announcements and 54 were H shares announcements and circulars. The above announcements and circulars were posted on the Company's website at the date of issuance to make available for the public investors.

### 4. Investor relations

During the reporting period, the Company continued to improve the communications with public investors and the service of public investors. On-site research and visit with a total of 330 investors and institutions in the reporting period, including domestic and foreign institutional investors coordinated by Morgan Stanley, CITIC Securities, Haitong Securities, Fidelity, BlackRock, MasterLink Securities, Bank of Scotland, Shenyn Wanguo Securities, Daiwa Securities, BOCI, CICC, Macquarie Capital Securities, were arranged. 23 roadshows of results were conducted and over 1,000 phone calls from investors were answered.

# Significant Events

## 1 Corporate Governance of the Company *(continued)*

### 5. Establishment of the internal control system

During the reporting period, the Company progressively complied with the relevant requirements of “Basic Standards for Internal Control of” and “Supplemental Guidelines for Internal Control of” issued by five ministries and commissions including the Ministry of Finance and China Securities Regulatory Commission. The Company established an “Implementation Plan for Internal Control Regulations of China Railway Group Limited” and reported to Beijing Securities Regulatory Bureau monthly in terms of the implementation progress. Furthermore, the Company issued and implemented “Manual on Internal Control System of China Railway Group Limited” to push forward the development of an internal control system for its subsidiaries. Meanwhile, the Company engaged Deloitte Touche Tohmatsu CPA Ltd. as its internal control audit firm, so as to be well prepared for the annual internal control audit.

During the first half of 2011, the Company received recognition and awards from regulatory bodies, capital market and public investors, and accessed a number of awards such as “Best Board of Directors”, “Top 100 Listed Companies in China” and etc. Meanwhile, Mr. Li Changjin, the Chairman of the Company, was awarded recognitions such as “Chairman of the Board with Most Strategic Vision”, “the Best Business Leader from Golden Bull Award”, and “Award of Exceptional Entrepreneur in China”. Mr. Bai Zhongren, the President, was awarded recognitions such as “the Best Business Leader in China”, and “2011 the Most Valuable President among the Listed Companies in China”. Mr. Yu Tengqun, the Company Secretary of the Board, was awarded recognitions such as “the Best Company Secretary from New Fortune”, “the Most Innovative Company Secretary”, “Top 100 Company Secretary”, and “the Best Company Secretary from Golden Bull Award”. In addition, he has achieved excellent result in the examination for company secretary held by the Shanghai Stock Exchange in 2010-2011.

## 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 25%, with a total profit of RMB1.1725 billion by paying a cash dividend of RMB0.55 (including tax) for every 10 shares, pursuant to the profit distribution resolution adopted at 2010 annual general meeting which was held on 16 June 2011. The announcement of profit distribution was published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily published on 12 July 2011 and the website of Shanghai Stock Exchange. As of 2 August 2011, the Company’s 2011 profit distribution scheme 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. 2010 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.
3. The total profit distribution in cash for three years since listing was RMB2.523 billion, while the average annual distributable profit for the last three years was RMB2.665 billion.

# Significant Events

## 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.

## 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 (Shares)	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	27,800,803.80	57.32	-8,560,620.81
2	Stock investment	600739	Liaoning ChengDa	12,453,853.20	297,228	5,489,801.16	11.32	-3,462,706.20
3	Stock investment	600536	China National Software	2,978,897.92	145,454	2,847,989.32	5.87	-130,908.60
4	Stock investment	600250	Nanjing Textiles	2,810,070.18	299,262	2,528,763.90	5.21	-281,306.28
5	Stock investment	600756	Inspur Software	2,245,188.12	151,293	2,105,998.56	4.34	-139,189.56
6	Stock investment	600526	Feida Environmental	1,704,949.57	104,791	1,368,570.46	2.82	-336,379.11
7	Stock investment	000959	Beijing Shougang Company Ltd.	1,245,000.00	300,000	1,326,000.00	2.73	81,000.00
8	Stock investment	600062	DCPC	1,060,260.76	46,852	1,161,461.08	2.39	-173,352.40
9	Stock investment	600721	Bai Hua Cun	855,586.56	55,128	1,299,918.24	2.68	444,331.68
10	Stock investment	601186	CRCC	653,760.00	72,000	435,600.00	0.90	-52,560.00
Other securities investments held at the end of the period				2,310,063.45		2,139,132.55	4.41	-429,086.85
Gains/losses on disposal of securities investments in the reporting period				/	/	/	/	1,577,538.90
Total				139,652,125.08	/	48,504,039.07	100.00	-11,463,239.23

### (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	87,039,950.40	0.0668	228,949,546.82	-	2,238,924.79	Available-for-sale financial assets	Purchase from market
HK0061	North Asia Resources	76,240,948.49	4.45	35,831,202.17	2,503,771.68	2,503,771.68	Available-for-sale financial assets	Conversion
601601	CPIC	7,481,091.07	0.06828	131,476,945.92	2,055,244.80	-2,994,785.28	Available-for-sale financial assets	Purchase from market
600999	China Merchants Securities	4,233,267.00	0.00004	2,509,917.66	-79,203.06	-	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
Total		174,997,256.96	/	398,769,612.57	4,479,813.42	1,747,911.19	/	/

# 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 (Shares)	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
Hubei Pengcheng Insurance Brokers Co., Ltd.	200,000.00	-	4.00	200,000.00	-	-	Long-term equity investment	Purchase
China Golden Valley International Trust & Investment Co., Ltd.	17,500,000.00	-	7.00	16,850,500.00	-	-	Long-term equity investment	Establishment
Western Trust Co., Ltd.	9,094,630.00	9,094,630	1.39	9,094,630.00	-	-	Long-term equity investment	Purchase
Western Securities Co., Ltd.	10,000,000.00	10,000,000	1.00	10,000,000.00	-	-	Long-term equity investment	Purchase
Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000	0.82	96,457,687.47	-	-	Long-term equity investment	Purchase
Sichuan Trust Investment Co. Ltd.	5,452,204.94	-	0.42	5,452,204.94	-	-	Long-term equity investment	Transfer debt to equity
Bank of Chengdu Company Limited	3,002,000.00	3,731,600	0.12	3,002,000.00	559,740.00	559,740.00	Long-term equity investment	Purchase
Total	147,248,834.94	/	/	141,057,022.41	559,740.00	559,740.00	/	/

# 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 date of acquisition to the end of the period	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 rights of the property concerning 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
6 natural persons including Wang Zhuping	Beijing Electric Lighthouse Co., Ltd.	2011-01-01	1,500	-757	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Hainan Lihui Holiday Travel Investment Co., Ltd.	Hainan Majiar Investment Co., Ltd.	2011-05-25	7,000	0	N/A	No	Asset valuation	Yes	Yes	0	N/A
Baotou Longfeng Real Estate Development Co., Ltd.	Baotou Shidai Jinke Real Estate Development Co., Ltd.	2011-01-04	20,000	2	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A

### (2) Disposal of assets

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

### (3) Asset swap

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

### (4) Merger and acquisition

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

# Significant Events

## 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

According to the requirements of “the Content and Format of Disclosure of Information by Listed Companies No. 3 – The Content and Format of Interim Report” issued by CSRC, the Stock Listing Rules of Shanghai Stock Exchange and the Guideline for Related Parties Transactions of Listed Companies of the Shanghai Stock Exchange issued by Shanghai Stock Exchange, the related parties of the Company involved in the related party transactions were mainly CRECG, its controlling shareholder, and China Railway Hongda Asset Management Center and Henan Pingzheng Expressway Development Co., Ltd., which are under the control of CRECG. The definitions of related party and related party transaction in the financial reports are slightly different.

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

Unit: Thousand Currency: Renminbi

Related party	Relationship	Types of the related transaction	Particulars of the related party transaction	Pricing principle of the related transaction	Price of the related transaction	Amount involved in the related transaction	Percentage to similar transactions (%)
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of the parent company	Receipt of services	Leasing and office	Contract price as agreed by both parties	6,343	6,343	Less than 1
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of the parent company	Receipt of services	Receipt of integrated services	Contract price as agreed by both parties	7,428	7,428	Less than 1

Notes: The two transactions listed above indicate the performance of Integrated Service Agreement and Property Leasing Agreement between the Company and CRECG which were renewed on 26 April 2010. The term of such agreements is 3 years. The total contract amount involved in the above agreements is within the decision-making authority of the Board which is in compliance with the relevant regulations of listing rules of Shanghai Stock Exchange. Meanwhile, the annual caps for the transactions under the two agreements set above also meet the de minimis standard and are exempted from reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

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

Unit: Thousand Currency: Renminbi

Related party	Relationship	Types of the related transaction	Particulars of the related party transaction	Pricing principle of the related transaction	Valuation amount of the transferred assets	Transfer price
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of the parent company	Purchase of assets, other than goods	Sales of real estate	Contract price as agreed by both parties	177,700	177,700

# Significant Events

## 10 Significant Related Party Transactions of the Company During the Reporting Period *(continued)*

### (3) Amounts due from/to related parties

Unit: Thousand Currency: Renminbi

Related party	Relationship	Amounts due from the related parties for funds provided	Amounts due to the related parties by the listed company for funds provided
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of the parent company	5,639	38,655
Henan Pingzheng Expressway Development Co., Ltd.	Wholly-owned subsidiary of the parent company	6,594	
CRECG	Controlling shareholder		36,497

Reason for the related party debt balance incurred

The related party debt balance between the Company and the related party was in operational nature.

### (4) Other significant related party transactions

#### *Related party guarantees*

Unit: Thousand Currency: Renminbi

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
CRECG <i>(note 1)</i>	China Railway Group Limited	1,000,000	2010-01	2015-01	No
CRECG <i>(note 1)</i>	China Railway Group Limited	5,000,000	2010-01	2020-01	No
CRECG <i>(note 1)</i>	China Railway Group Limited	2,500,000	2010-10	2020-10	No
CRECG <i>(note 1)</i>	China Railway Group Limited	3,500,000	2010-10	2025-10	No
CRECG <i>(note 2)</i>	China Railway Group Limited	488,000	2010-12	2011-12	No

Note 1: These are the unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 5-year and 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010.

Note 2: These are the short-term loan guarantee provided by CRECG for China Railway Airport, the subsidiary of the Company.

# Significant Events

## 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 thousand Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Guarantee Commencement date (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway	The same entity	Lince Railway Co., Ltd.	78,300.00	2008-08-01	2008-08-01	2024-06-20	Suretyship of joint and several liability	No	No	-	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Sino rail Bohai Train Ferry Co., Ltd.	4,303.00	2004-12-24	2004-12-24	2016-12-23	Suretyship of joint and several liability	No	No	-	No	No	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyuan Expressway Co., Ltd.	308,000.00	2009-01-01	2009-01-01	2013-12-31	Suretyship of joint and several liability	No	No	-	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyuan Expressway Co., Ltd.	98,000.00	2007-08-30	2007-08-30	2022-06-30	Suretyship of joint and several liability	No	No	-	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyuan Expressway Co., Ltd.	76,200.00	2007-12-20	2007-12-20	2022-12-20	Suretyship of joint and several liability	No	No	-	No	Yes	Associate
Daxin Cuijing Mountain Real Estate Development Company	Wholly-owned subsidiary	Dazhou Longjun Project Owner	8,145.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu China Railway Badong Badong Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Yueli Bay Phase I Project Owner	5,910.40	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	
New Schuan-The Road & Bridge Company	Wholly-owned subsidiary	China Railway Ruicheng Xinjie Project Owner	44,553.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Hongyuan Property Development Co., Ltd.	Wholly-owned subsidiary	China Railway Ruicheng Shujun Project Owner	3,767.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
China Railway Ruicheng Real Estate Co., Ltd. Ziqong Taimulin Branch	Wholly-owned subsidiary	Taimulin Guobinfun Project Owner	16,117.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xijun Yinghua Hongyuan project	12,725.46	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	
Chengdu Yingying Real Estate Co., Ltd.	Wholly-owned subsidiary	Yueying Long Beach Project Owner	17,975.90	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	
Shanghai New City Project Department	Wholly-owned subsidiary	Shanghai New City Project Owner	3,280.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	



# Significant Events

## 11 Material Contracts and Their Performance (continued)

### (2) Guarantee (continued)

Unit: Ten thousand Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
Chengdu China Railway Badong Badong Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Qingsheng 365	973.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Chengdu Hua Xin Tian Yu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan International New City Area H	2,829.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Huairan Sunshine City Property Owner	1,684.60	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Feidong Rainbow New City	1,206.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Fengtan Balu	4,984.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Guiyang Tewujian Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Xinglong Phase II	1,538.83	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhujiang Wan Pan	1,679.57	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Shuanglongwan project	18,005.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe project	62,224.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Dragon Town project	8,969.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longjun project	9,310.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Chengdu Guochuang Real Estate Co., Ltd.	Wholly-owned subsidiary	China Railway Tamiya Project Owner	13,289.10	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Mingcheng Phase I	20,722.90	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway NO.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Mingcheng Phase II	19,797.90	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

# Significant Events

## 11 Material Contracts and Their Performance (continued)

### (2) Guarantee (continued)

Unit: Ten thousand Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Guarantee Commencement date of guarantee (Agreement execution date)	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
China Railway NO.8 Engineering Chengtu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Lanting	16,454.10	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.9 Engineering	Wholly-owned subsidiary	Yantan Mountain Project Owner	931.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of "Huayang Nianhua"	692.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of "Shengshi Longcheng"	3,424.60	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway NO.10 Engineering	Wholly-owned subsidiary	China Railway Show International project	8,096.20	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of "Donghai Chuncheng"	4,330.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	12,814.16	2006-06-30	2006-06-30	2011-12-29	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	21,356.94	2010-01-22	2010-01-22	2011-07-15	Suretyship of joint and several liability	No	No	-	No	No	No
Lanzhou Huasteng Real Estate Co., Ltd.	Wholly-owned subsidiary	Lanzhou North Shore Mansion Purchasing Owner	546.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
Baotou China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Purchasing owners of China Railway Noble International Garden	1,088.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
Guangzhou Fan Yu Li Ren Real Estate Co., Ltd.	Wholly-owned subsidiary	Purchasing owners of Guangzhou Nucleating City	691.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongxing Shengshi Changnan project	49,831.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongxing The Ode of Land project	36,217.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No
China Railway Hengfeng Real Estate Co., Ltd	Non-wholly-owned controlling subsidiary	Property owners of basement carpark and commercial units of southern square of the Beijing West Railway Station	1,694.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	-	No	No	No

# Significant Events

## 11 Material Contracts and Their Performance (continued)

### (2) Guarantee (continued)

Unit: Ten thousand Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee (agreement execution date)	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Hanlan Jingshu Naiting project	49,160.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Xian China Railway Changfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Xi'an Bingten Nanjun project	49,344.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Hunan Qingzhu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Shuiying Jiazhou project	6,465.90	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	56,123.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Shenyang Shengfeng Renjile Lake Project Owner	8,820.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	-	No	No	No
China Railway Eryuan (Chengde) Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Yishabala project	23,771.90	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 Airport Construction Co., Ltd.	Wholly-owned subsidiary	Beijing Pengyun Industry and Trade Development Co., Ltd.	190.00	2005-04-26	2005-04-26	2007-01-16	Suretyship of joint and several liability	No	-	No	No	No
China Airport Construction Co., Ltd.	Wholly-owned subsidiary	Beijing Pengyun Industry and Trade Development Co., Ltd.	400.00	2005-04-26	2005-04-26	2007-03-16	Suretyship of joint and several liability	No	-	No	No	No
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												
Total balance of guarantee as at the end of the reporting period (excluding those provided to 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												
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												
Guarantee provided by the Company to its subsidiaries												
Aggregate guarantee of the Company (including those provided to subsidiaries)												
88,846.46												
1,196,957.16												
50,326.71												
365,724.37												
1,562,661.53												
20.83												
713,908.98												
713,908.98												

# Significant Events

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

### (3) Financial trust management and Entrusted loans

#### (1) *Financial trust management*

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

#### (2) *Entrusted loans*

*Unit: Ten thousand Currency: Renminbi*

Name of borrowers	Amount of entrusted loans	Maturity	Interest rate	Overdue?	Connected transaction?	Relationship
Guizhou Province Affordable Housing Construction and Development Center	5,000.00	2009-09-24 – 2012-09-23	9.18%	No	No	Nil
Guizhou Province Affordable Housing Construction and Development Center	6,000.00	2009-11-26 – 2011-11-25	9.18%	No	No	Nil
Guizhou Province Affordable Housing Construction and Development Center	5,000.00	2010-03-22 – 2012-03-21	9.18%	No	No	Nil
Guizhou Province Affordable Housing Construction and Development Center	8,000.00	2010-10-22 – 2012-10-21	9.18%	No	No	Nil
Guangxi Local Railway Co.	2,000.00	2007-02-05 – 2009-10-30	Bank benchmark rate over the same period	Overdue	No	Nil
Guangxi Local Railway Co.	2,000.00	2007-02-12 – 2009-10-30	Bank benchmark rate over the same period	Overdue	No	Nil
Guangxi Local Railway Co.	5,000.00	2007-12-18 – 2010-06-30	Bank benchmark rate over the same period	Overdue	No	Nil
Guangxi Local Railway Co.	5,000.00	2007-12-18 – 2010-12-30	Bank benchmark rate over the same period	Overdue	No	Nil
Guangxi Local Railway Co.	5,000.00	2008-04-25 – 2011-06-30	Bank benchmark rate over the same period	Overdue	No	Nil
Guangxi Local Railway Co.	5,000.00	2008-04-25 – 2011-12-30	Bank benchmark rate over the same period	No	No	Nil
Guangxi Local Railway Co.	6,000.00	2008-04-25 – 2012-12-30	Bank benchmark rate over the same period	No	No	Nil

# Significant Events

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

### (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
<b>Railway</b>						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-09	2,187,104	66 months
2	China Railway NO. 3 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008-01	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	1,064,927	60 months
<b>Highway</b>						
1	China Railway NO. 5 Engineering	Hunan Li Lian An Shao Expressway Development Co., Ltd.	Civil construction works for Erianhaote – Anhua (Mei Cheng) – Shaoyang highway in Hunan province of Guangzhou State Expressway (Section TJ1)	2010-05	194,907	30 months
2	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Guangshen Coastal Expressway (Shenzhen Section) Project 2nd	2009-03	185,165	28 months
3	China Railway Tunnel	Guangdong Guang Le Expressway Co., Ltd.	Civil construction works contract of Section T10 of Lechang–Guangzhou Expressway	2010-05	116,625	24 months
<b>Municipal Works</b>						
1	China Railway	Shenzhen Metro Group Co., Ltd	BT Project and related engineering Contract A of Shenzhen Metro Line 5	2008-09	950,000	43 months
2	China Railway	Zhengzhou Rail Transit Co., Ltd.	Zhengzhou City Rail Line 2 Phase I Construction Contract Project	2010-07	342,000	37 months
3	China Railway Southern Company	Shenzhen Metro Group Co., Ltd.	Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1)	2009-09	258,200	40 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	Gui-Guang 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	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	Reconstruction works for improvement of capacity of Yongzhou-Liuzhou Section of Hunan-Guangxi Railway	2010-02	50,746	43 months
3	China Railway Eryuan Engineering	Lanyu Railway Co., Ltd	New Lanzhou-Chongqing Railway, Guangyuan to Chongqing survey and design	2010-03	49,800	31 months
4	China Railway Eryuan Engineering	Yuli Railway Co., Ltd	New Chongqing to Lichuan Railway, survey and design	2008-12	49,032	96 months
5	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Ethiopia, Addis Ababa – Djibouti Railway Survey and Design Project	2010-08	42,465	19 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
<b>Steel Structure</b>						
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	46,507	23 months
2	China Railway Shanhaiguan Bridge	Fujian Xiashang Bridge Co., Ltd.	Fujian Province Xiashang Bridge Steel manufacturing contract	2010-08	44,855	22 months
3	China Railway Shanhaiguan Bridge	Zhejiang Jiashao Bridge Investment and 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
<b>Turnout</b>						
1	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
2	China Railway Turnout & Bridge	Nanjing-Hangzhou Railway Co., Ltd.	The new Ninghang Passenger Railway Line (Station Construction)	2010-06	19,619	19 months
3	China Railway Turnout & Bridge	Shanghai Han Rong Railway Hubei Co., Ltd.	Purchasing of high speed turnouts for the Hanyi Railway	2009-12	16,247	15 months
<b>Construction (Track) Machinery</b>						
1	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Purchasing Contract of integrated equipment for domestic turnout system	2010-12	4,136	24 months
2	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd.	Purchasing Contract of integrated equipment for domestic turnout system	2010-12	2,882	24 months
3	China Railway Shanhaiguan Bridge	Manzhouli international railway freight yard of Harbin Railway Administration Project command	Manufacturing and Installing Contract of 40T Gantry crane for Harbin Railway Bureau	2010-06	1,999	14 months

#### (4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	China Railway Yidu International	Guiyang City, Guizhou Province	Residential	230.6
2	Bairuijing Central Living Area	Hubei City, Wuhan Province	Residential	105.5
3	Nuodeming City	Shandong City, Jinan Province	Residential	89.34
4	Xi'an Binfen Nanjun	Xi'an City, Shannxi Province	Residential	62.7
5	China Railway Huaxu Meibang	Qingdao City, Shandong Province	Residential	53.45
6	Dianlian Nuode Coastal Garden	Dalian City, Liaoning Province	Residential	52.09

#### (5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB '0,000)	Construction period	Operation (Repurchase) term
<b>BOT</b>							
1	China Railway NO.2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of the Guangxi Cenxi-Xingye Expressway Project	2005-08	516,361	36 months	28 years
3	China Railway	Yunan Department of communications	BOT Project of the Yunnan Funing-Guangnan, Guangnan-Yanshan Expressway Project	2005-12	644,000	36 months	27 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
<b>Railway</b>						
1	China Railway Tunnel	Ji Tu Hui Express Railway Co., Ltd	Master Construction Contract for JHSK I Section of New Jilin-Chunhui Railway Project Construction under Key Control	2011-01	538,013	12 months
2	China Railway NO. 4 Engineering	Jilin Intercity Railway Co., Ltd	New Jilin-Huichun Railway Station Other Projects JHS I Section	2011-06	193,101	12 months
3	China Railway Electrification Engineering Group	Beijing Railways Bureau	New Railway Container Terminal Project in the north of Xingang Port, Tianjin	2011-01	132,550	24 months
<b>Highway</b>						
1	China Railway Group	Shenyang Transport Bureau	Shenyang Fourth Ring Expressway Construction – Transferring (BT) Project	2011-05	650,000	23 months
2	China Railway Major Bridge Engineering Group	Wuhan Construction Investment & Development Group Co., Ltd.	Wuhan Yingwuzhou Yangtze River Bridge Improvement Project Construction – Transferring (BT) Project	2011-04	247,500	44 months
3	China Railway Major Bridge Engineering Group	Hubei Express Exi Expressway Co., Ltd	Phase I Section TJ-6 of Construction Project for Hubei Shien– Laifeng Highway and Xuanen-Xianfeng (E Yu Boarder) Section of Hubei Enshi– Chongqing Qinjiang Highway	2011-06	190,775	33 months
<b>Municipal Works</b>						
1	China Railway Group	Kunming Rail Transport Co., Ltd.	Rail transport line 3 in Kunming City	2011-04	146,530	22 months
2	China Railway Airport	Sanya Huachuang Qixing Real Estate development Co., Ltd	Hainan Province Sanya Meilizhiguan Hotel Construction	2011-02	108,888	24 months
3	China Railway Electrification Engineering Group	Kunming Metro Co., Ltd.	Master Construction Project for the Power Supply System of Kunming Rail Transit	2011-03	89,464	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 Group	China National Machinery and Equipment Import & Export Corporation	Argentina Belgrano Cargo Railway Reconstruction Project Survey and Design	2011-01	26,501	Completion of Performance of Contract
2	China Railway Eryuan Engineering Group	Shenzhen Metro Co., Ltd.	Master Construction and Design Project of Shenzhen Urban Rail Transit line 11	2011-04	21,000	56 months
3	China Railway Eryuan Engineering Group	Liupanshui Zhongshan Economic Development Zone Development Corporation	Liupanshui Huayuan Road, Guizhou Province to Water-filled Steel Tunnel Project Survey and Design	2011-03	12,600	9 months

# Significant Events

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

### (4) Other material contracts *(continued)*

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

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

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB' 0,000)	Construction period
<b>Steel Structure</b>						
1	China Railway Shanhaiguan Bridge Group	Tianjin Urban Construction Group Co Ltd	Purchase Contract of steel box girder and steel tower for No.4 Bridge of Wulanmulun River, Kangbashi District, Erdos	2011-04	23,583	15 months
2	China Railway Turnout & Bridge Group	Daxie Bridge Co., Ltd	Construction of steel box girder and steel lock tower for Daxie External Second Highway (Daxie Second Bridge)	2011-03	21,740	14 months
<b>Turnout</b>						
1	China Railway Turnout & Bridge Group	Lanyu Railway Co., Ltd	New Lanzhou-Chongqing Railway, 124 turnouts for passengers only	2011-03	28,056	9 months
2	China Railway Turnout & Bridge Group	Hefei Railway Terminal of Shanghai Railway Administration Construction Headquarters	Hefei Railway Hub, South Ring Project, 51 turnouts for passengers only	2011-01	10,728	12 months

#### *(4) Property development business*

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Dalian Lushunkou Hupo Bay Project	Dalian, Liaoning	Residential	59
2	China Railway Lakeside Mansion	Hefei, Anhui	Residential	37.09
3	Beijing Nuode Center	Beijing	Office	24.82
4	Tianjing Yujiabao Project	Tianjing	Office	21.01
5	China Railway Nuode International Square	Beijing	Office, Commercial	19.76



# Significant Events

## 12 Performance Status of Undertakings

### (1) 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	<ol style="list-style-type: none"><li>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 the Company 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 the lock-up period mentioned above.</li><li>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.</li></ol>	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. Upon shareholders' approval at the 2010 AGM of the Company, the Company has appointed Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the domestic and international auditing firm (including interim review) of the Company for 2011, respectively. The services provided cover annual audit and interim review. At the same general meeting, the Company also appointed Deloitte Touche Tohmatsu CPA Ltd. as the auditor of internal control for 2011.

## 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

### The explanatory note on the proposal of private placement of A shares

The Company issued an announcement on 11 August 2011, illustrating an explanatory note on the Proposal of Private Placement of A Shares to Target Investors by the Company. The 2010 first extraordinary general meeting of the Company, the 2010 first class meeting of holders of A shares of the Company and the 2010 first class meeting of holders of H shares of the Company were held on 12 August 2010, where the Proposal on the Private Placement of A Shares to Target Investors was considered and approved ("**Shareholders Meetings**"), pursuant to which the Company may issue not more than 1,517,880,000 A shares by way of private placement. The resolutions shall remain effective for a period of 12 months after the date of passing of such resolutions at the Shareholders Meetings. In light of adjustment and control policies for the real estate industry of the State, there are uncertainties in relation to the obtaining of the relevant government approvals for equity refinancing by listed company engaging in real estate business, and the said refinancing proposal has not been implemented, and has therefore lapsed automatically on 11 August 2011 due to the expiration of the resolutions passed at the Shareholders Meetings.

## 16 Compliance with the Code on Corporate Governance Practices

The term of directorship of all directors of the first session of the Board should have expired on 12 September 2010. According to the provisions of the Company Law, where a company has not re-elected a director upon the expiry of his/her term of office or the number of director is less than the required quorum as a result of the resignation of a director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. As such, these directors continued as directors until members of the second session of the Board assume their office. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, members of the second session of the Board were elected. Accordingly, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules ("**Code on Corporate Governance Practices**") during the period from 12 September 2010 to 26 January 2011.

Save as disclosed above, for the six months ended 30 June 2011, the Company has complied with all code provisions stipulated in the Code on Corporate Governance Practices.

## 17 Review of Interim Financial Report

The 2011 interim financial report of the Company prepared in accordance with CAS and IFRS has not been audited. The 2011 interim financial report has been reviewed by the Company's auditors and 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	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks

# Company Information

## Directors

### *Executive Directors*

LI Changjin (*Chairman*)  
BAI Zhongren  
YAO Guiqing

### *Non-executive Director*

HAN Xiuguo

### *Independent Non-executive Directors*

HE Gong  
GONG Huazhang  
WANG Taiwen  
SUN Patrick

## Supervisors

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

## Joint Company Secretaries

YU Tengqun  
TAM Chun Chung *CPA, FCCA*

## Authorized Representatives

BAI Zhongren  
TAM Chun Chung *CPA, FCCA*

## Audit Committee

GONG Huazhang (*Chairman*)  
WANG Taiwen  
SUN Patrick

## Remuneration Committee

HE Gong (*Chairman*)  
WANG Taiwen  
SUN Patrick

## Strategy Committee

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

## Nomination Committee

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

## Safety, Health and Environmental Protection Committee

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

# 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

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 47 to 76, 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 2011 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.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended	
		30/6/2011 RMB million (unaudited)	30/6/2010 RMB million (unaudited/ restated)
Revenue	3	214,532	188,569
Cost of sales		(201,511)	(176,604)
Gross profit		13,021	11,965
Other income	4	519	312
Other expenses	4	(846)	(239)
Other gains and losses	5	(208)	(321)
Selling and marketing expenses		(794)	(623)
Administrative expenses		(6,957)	(6,228)
Interest income	6	843	630
Interest expenses	6	(1,887)	(966)
Share of profits of jointly controlled entities		49	55
Share of losses of associates		(139)	(135)
Profit before tax		3,601	4,450
Income tax expense	7	(864)	(973)
Profit for the period	8	2,737	3,477
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		(43)	(58)
Fair value gain (loss) on available-for-sale financial assets		20	(112)
Reclassification upon disposal of available-for-sale financial assets		(73)	(4)
Share of other comprehensive expense of associates		2	–
Income tax relating to fair value change on available-for-sale financial assets		7	23
Other comprehensive expense for the period, net of tax		(87)	(151)
Total comprehensive income for the period		2,650	3,326
Profit for the period attributable to:			
Owners of the Company		2,487	3,209
Non-controlling interests		250	268
		2,737	3,477
Total comprehensive income for the period attributable to:			
Owners of the Company		2,405	3,053
Non-controlling interests		245	273
		2,650	3,326
Earnings per share (Basic)	10	RMB 0.117	RMB 0.151

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30/6/2011 RMB million (unaudited)	31/12/2010 RMB million (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	35,260	34,291
Deposits for acquisition of property, plant and equipment		1,242	935
Lease prepayments		7,289	7,058
Deposits for land use rights		668	192
Deposits for investment		45	157
Investment properties		1,952	1,971
Intangible assets	12	22,699	22,407
Mining assets	13	4,294	4,287
Interests in jointly controlled entities		745	751
Interests in associates		4,816	4,136
Goodwill		865	865
Available-for-sale financial assets		4,353	4,287
Other loans and receivables		4,419	4,243
Deferred income tax assets		3,080	2,736
Other prepayments		37	20
Trade and other receivables	15	2,348	2,146
		<b>94,112</b>	90,482
<b>Current assets</b>			
Lease prepayments		184	183
Properties held for sale		3,351	4,059
Properties under development for sale	14	46,474	38,411
Inventories		34,585	30,026
Trade and other receivables	15	142,106	121,137
Amounts due from customers for contract work	16	51,188	46,472
Other loans and receivables		1,071	1,062
Held-for-trading financial assets		139	153
Restricted cash		2,560	2,291
Cash and cash equivalents		57,263	54,860
		<b>338,921</b>	298,654
<b>Total assets</b>		<b>433,033</b>	389,136



# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30/6/2011 RMB million (unaudited)	31/12/2010 RMB million (audited)
<b>EQUITY</b>			
Share capital	17	21,300	21,300
Share premium and reserves		46,474	45,281
Equity attributable to owners of the Company		67,774	66,581
Non-controlling interests		7,066	7,140
<b>Total equity</b>		<b>74,840</b>	<b>73,721</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	18	483	630
Borrowings	19	55,112	42,915
Obligations under finance lease		42	66
Financial guarantee contracts		29	31
Retirement and other supplemental benefit obligations		5,906	6,111
Provisions		83	68
Deferred income government grant		578	573
Deferred income tax liabilities		616	621
		62,849	51,015
<b>Current liabilities</b>			
Trade and other payables	18	224,004	209,308
Amounts due to customers for contract work	16	12,721	12,054
Current income tax liabilities		664	1,325
Borrowings	19	56,965	40,444
Obligations under finance lease		97	259
Financial guarantee contract		2	2
Retirement and other supplemental benefit obligations		790	915
Held-for-trading financial liabilities		101	93
		295,344	264,400
<b>Total liabilities</b>		<b>358,193</b>	<b>315,415</b>
<b>Total equity and liabilities</b>		<b>433,033</b>	<b>389,136</b>
<b>Net current assets</b>		<b>43,577</b>	<b>34,254</b>
<b>Total assets less current liabilities</b>		<b>137,689</b>	<b>124,736</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Equity attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange translation reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB million (note 17)	RMB million	RMB million (note (b))	RMB million (note (a))	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2011 (audited)	21,300	33,647	(3,443)	4,018	(68)	213	10,914	66,581	7,140	73,721
Profit for the period	-	-	-	-	-	-	2,487	2,487	250	2,737
Other comprehensive expense for the period	-	-	2	-	(37)	(47)	-	(82)	(5)	(87)
Total comprehensive income (expense) for the period	-	-	2	-	(37)	(47)	2,487	2,405	245	2,650
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(242)	(242)
Acquisition of subsidiaries (Note 20)	-	-	-	-	-	-	-	-	3	3
Acquisition of additional interests in subsidiaries	-	-	(41)	-	-	-	-	(41)	(246)	(287)
Capital contribution	-	-	-	-	-	-	-	-	166	166
Transfer to reserves	-	-	-	145	-	-	(145)	-	-	-
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,171)	(1,171)	-	(1,171)
At 30 June 2011 (unaudited)	21,300	33,647	(3,482)	4,163	(105)	166	12,085	67,774	7,066	74,840
At 1 January 2010 (audited)	21,300	33,647	(2,963)	2,671	(4)	400	6,113	61,164	5,420	66,584
Profit for the period as restated	-	-	-	-	-	-	3,209	3,209	268	3,477
Other comprehensive income (expense) for the period	-	-	-	-	(56)	(100)	-	(156)	5	(151)
Total comprehensive income (expense) for the period	-	-	-	-	(56)	(100)	3,209	3,053	273	3,326
Dividend declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(144)	(144)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	204	204
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(12)	(12)
Acquisition of additional interests in subsidiaries	-	-	(54)	-	-	-	-	(54)	(80)	(134)
Capital contribution	-	-	-	-	-	-	-	-	339	339
Consideration for acquisition of subsidiaries under common control	-	-	(353)	-	-	-	-	(353)	-	(353)
Transfer to reserves	-	-	-	8	-	-	(8)	-	-	-
Dividend recognised as distribution (Note 9)	-	-	-	-	-	-	(1,342)	(1,342)	-	(1,342)
At 30 June 2010 (unaudited)	21,300	33,647	(3,370)	2,679	(60)	300	7,972	62,468	6,000	68,468

## Notes:

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	Six months ended	
		30/6/2011 RMB million (unaudited)	30/6/2010 RMB million (unaudited/ restated)
<b>Net cash used in operating activities</b>		<b>(16,998)</b>	<b>(619)</b>
<b>Net cash used in investing activities:</b>			
Additions of property, plant and equipment		(3,617)	(4,360)
Deposits for acquisition of property, plant and equipment		(887)	(245)
Disposal of property, plant and equipment		217	202
Deposits paid for land use rights		(490)	(73)
Additions of lease prepayments		(312)	(24)
Additions of intangible assets		(467)	(1,059)
Acquisition of subsidiaries	20	29	(579)
Acquisition of subsidiaries in prior year		(456)	–
Acquisition of a subsidiary under common control		–	439
Disposal of subsidiaries		–	47
Investment in associates		(687)	(117)
Purchase of available-for-sale financial assets		(359)	(353)
Disposal of available-for-sale financial assets		313	3
New other loans and receivables		(753)	(1,900)
Repayment of other loans and receivables		517	865
Interests received		528	379
(Increase) decrease in restricted cash		(269)	105
Other investing cash flows		60	83
		<b>(6,633)</b>	<b>(6,587)</b>
<b>Net cash from financing activities:</b>			
Share issue expenses paid		–	(2)
Acquisition of additional interests in subsidiaries		(287)	(134)
Capital contribution from non-controlling interests		166	339
New borrowings		46,176	25,206
Repayment of borrowings		(17,409)	(19,618)
Interest paid		(2,410)	(1,361)
Dividends paid to non-controlling shareholders of subsidiaries		(182)	(586)
		<b>26,054</b>	<b>3,844</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,423</b>	<b>(3,362)</b>
Effect of foreign exchange rate changes		(20)	(218)
Cash and cash equivalents at the beginning of the period		54,860	49,432
<b>Cash and cash equivalents at the end of the period</b>		<b>57,263</b>	<b>45,852</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. Basis of Preparation

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

### **Restatement due to business combination involving an entity under common control**

In accordance with the Equity Transfer Agreement entered into between the Company and China Railway Engineering Corporation (“**CRECG**”) on 27 December 2010, the Company acquired a 100% equity interest of China Airport Construction Co., Ltd. (“**CACCL**”) from CRECG for a consideration of RMB372.92 million. The acquisition of CACCL was completed by the end of December 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 consider that the Company and CACCL are under the common control of CRECG. CRECG acquired CACCL in January 2010 from State-owned Assets Supervision and Administration Commission of the State Council with no consideration. Hence, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for six months ended 30 June 2010 have been restated to include the operating results and cash flows of CACCL from the date CRECG acquired CACCL.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. Basis of Preparation (continued)

The effect of restatements arising from acquisition of CACCL accounted for as a combination of businesses under common control ("Adjustment") for the six months ended 30 June 2010 by line items presented according to their function is as follows:

	Six months ended 30/6/2010 (originally stated) RMB million	Adjustment RMB million	Six months ended 30/6/2010 (restated) RMB million
Revenue	185,685	2,884	188,569
Cost of sales	(173,745)	(2,859)	(176,604)
Gross profit	11,940	25	11,965
Other income	309	3	312
Other expenses	(239)	–	(239)
Other gains and losses	(289)	(32)	(321)
Selling and marketing expenses	(623)	–	(623)
Administrative expenses	(6,161)	(67)	(6,228)
Interest income	629	1	630
Interest expenses	(962)	(4)	(966)
Share of profits of jointly controlled entities	55	–	55
Share of losses of associates	(135)	–	(135)
Profit before tax	4,524	(74)	4,450
Income tax expense	(970)	(3)	(973)
Profit for the period	3,554	(77)	3,477
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations	(58)	–	(58)
Fair value loss on available-for-sale financial assets	(116)	–	(116)
Income tax relating to fair value change on available-for-sale financial assets	23	–	23
Other comprehensive income for the period, net of tax	(151)	–	(151)
Total comprehensive income for the period	3,403	(77)	3,326
Profit for the period attributable to:			
Owners of the Company	3,286	(77)	3,209
Non-controlling interests	268	–	268
	3,554	(77)	3,477
Total comprehensive income for the period attributable to:			
Owners of the Company	3,130	(77)	3,053
Non-controlling interests	273	–	273
	3,403	(77)	3,326
Earnings per share (Basic)	RMB0.154	RMB0.003	RMB0.151

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 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 2011.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures, (except for the partial exemption in paragraphs 25-27 for government related entities which have been early adopted)
Amendments to IFRS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

### **IAS 24 Related Party Disclosures (as revised in 2009)**

The Group has applied IAS 24 *Related Party Disclosures* (as revised in 2009) in the current period. IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities and (b) IAS 24 (as revised in 2009) has changed the definition of a related party.

In its annual consolidated financial statements for the year ended 31 December 2009, the Group had early applied the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party as set out in IAS 24 (as revised in 2009).

IAS 24 (as revised in 2009) requires retrospective application. The application of IAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods.

Related party transactions are disclosed in Note 23.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 2. Principal Accounting Policies (continued)

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

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>4</sup>
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>3</sup>
IAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
IAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires extensive use of judgment.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: joint controlled entities, jointly controlled assets and jointly controlled operations.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

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

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. Currently, the Group has applied equity method to account for its investments in jointly controlled entities.

The impact on the results and the financial position of the Group of these new and revised standards or amendments is being assessed by the Directors.

## 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, merchandise trading and other ancillary business ("Other businesses").

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

The segment information regarding the Group's operating segments is presented below. Segment information of infrastructure construction and other businesses for the six months ended 30 June 2010 has been restated to include the results of CACCL.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 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 businesses RMB million	Total segments RMB million
<b>Six months ended 30 June 2011</b>						
External revenue	190,873	4,174	4,697	4,446	17,343	221,533
Inter-segment revenue	989	216	1,062	-	1,085	3,352
Other operating income	694	94	270	41	263	1,362
Inter-segment other operating income	-	-	-	-	271	271
<b>Segment revenue</b>	<b>192,556</b>	<b>4,484</b>	<b>6,029</b>	<b>4,487</b>	<b>18,962</b>	<b>226,518</b>
<b>Segment results</b>						
Profit before tax	2,925	413	331	705	441	4,815
<b>Segment results included:</b>						
Share of profits (losses) of jointly controlled entities	45	(2)	6	-	-	49
Share of losses of associates	(136)	(1)	(2)	-	-	(139)
Interest income	936	10	3	105	52	1,106
Interest expenses	(1,391)	(27)	(26)	(80)	(511)	(2,035)

	Infrastructure construction RMB million (restated)	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million (restated)	Total segments RMB million (restated)
<b>Six months ended 30 June 2010 (restated)</b>						
External revenue	169,006	4,240	5,685	4,282	11,451	194,664
Inter-segment revenue	483	35	110	29	599	1,256
Other operating income	724	8	81	23	167	1,003
Inter-segment other operating income	-	-	-	-	41	41
<b>Segment revenue</b>	<b>170,213</b>	<b>4,283</b>	<b>5,876</b>	<b>4,334</b>	<b>12,258</b>	<b>196,964</b>
<b>Segment results</b>						
Profit before tax	3,776	389	421	380	206	5,172
<b>Segment results included:</b>						
Share of profits of jointly controlled entities	39	-	16	-	-	55
Share of losses of associates	(122)	-	-	-	(13)	(135)
Interest income	849	5	5	9	9	877
Interest expenses	(971)	(47)	(10)	(10)	(245)	(1,283)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 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	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Segment revenue	226,518	196,964
Inter-segment elimination	(3,623)	(1,297)
Reconciling items:		
Reclassification of sales tax <i>(note (a))</i>	(7,053)	(6,096)
Reclassification of other operating income <i>(note (b))</i>	(1,310)	(1,002)
Total consolidated revenue, as reported	214,532	188,569
Segment interest income	1,106	877
Inter-segment elimination	(263)	(247)
Total consolidated interest income, as reported	843	630
Segment interest expense	(2,035)	(1,283)
Inter-segment elimination	148	317
Total consolidated interest expense, as reported	(1,887)	(966)
Segment results	4,815	5,172
Inter-segment elimination	(1,265)	(760)
Reconciling items:		
Land appreciation tax <i>(note (c))</i>	51	38
Total consolidated profit before tax, as reported	3,601	4,450

Notes:

- (a) Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the condensed consolidated statement of comprehensive income.
- (b) Other operating income is included in revenue under segment reporting and is classified as other income in the condensed consolidated statement of comprehensive income.
- (c) Land appreciation tax is included in operating expenses under segment reporting and 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 2011

## 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*

	30/6/2011 RMB million	31/12/2010 RMB million
Infrastructure construction	303,436	277,288
Survey, design and consulting services	7,889	7,750
Engineering equipment and component manufacturing	16,605	16,757
Property development	71,961	55,433
Other businesses	66,292	58,438
<b>Total segment assets</b>	<b>466,183</b>	<b>415,666</b>

#### *Segment liabilities*

	30/6/2011 RMB million	31/12/2010 RMB million
Infrastructure construction	257,414	236,077
Survey, design and consulting services	4,890	5,163
Engineering equipment and component manufacturing	11,640	11,596
Property development	61,988	37,116
Other businesses	45,801	42,132
<b>Total segment liabilities</b>	<b>381,733</b>	<b>332,084</b>

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. Segment Information *(continued)*

### Segment assets and liabilities *(continued)*

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

	30/6/2011 RMB million	31/12/2010 RMB million
Segment assets	466,183	415,666
Inter-segment elimination	(36,059)	(29,095)
Reconciling items:		
Deferred income tax assets	3,080	2,736
Shares conversion scheme of subsidiaries <i>(note (d))</i>	(171)	(171)
<b>Total consolidated assets, as reported</b>	<b>433,033</b>	<b>389,136</b>
Segment liabilities	381,733	332,084
Inter-segment elimination	(24,927)	(18,620)
Reconciling items:		
Deferred income tax liabilities	616	621
Current income tax liabilities	664	1,325
Prepaid land appreciation tax included in current income tax liabilities	107	5
<b>Total consolidated liabilities, as reported</b>	<b>358,193</b>	<b>315,415</b>

Notes:

(d) Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and charged as expenses in prior periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 4. Other Income

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Other income from:		
Dividend income	8	23
Government subsidies ( <i>Note (a)</i> )	96	96
Compensation income	6	14
Relocation compensation from government	47	1
Amortisation of financial guarantee contracts	1	1
Income from sundry operations ( <i>Note (b)</i> )	315	135
Others	46	42
	<b>519</b>	312
Other expenses on:		
Research and development expenditure	846	239

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 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 income government grant and credited to profit or loss on a straight-line basis.*

- (b) *The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income and hotel operation income.*

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 5. Other Gains and Losses

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Gains on disposal and/or write-off:		
Property, plant and equipment	8	(7)
Lease prepayments	4	54
Interests in associates	–	48
Available-for-sale financial assets	73	4
Held-for-trading financial assets	2	–
Impairment loss recognised on:		
Trade and other receivables	(252)	(158)
Other loans and receivables	(51)	(115)
Loss from changes in fair value of financial assets classified as held for trading	(22)	(34)
Foreign exchange gains (losses), net	30	(181)
Gain on disposal of subsidiaries	–	32
Gain on liquidation of a subsidiary	–	36
	<b>(208)</b>	<b>(321)</b>

## 6. Interest Income and Expenses

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Interest income from:		
Cash and cash equivalents and restricted cash	401	339
Imputed interest income on retention receivables	315	222
Other loans and receivables	127	69
	<b>843</b>	<b>630</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. Interest Income and Expenses (continued)

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	1,367	645
Not wholly repayable within five years	321	214
Short-term debentures	122	35
Long-term debentures	397	123
Other short-term loans	198	238
Other long-term loans	215	139
Finance leases	9	15
	2,629	1,409
Imputed interest expenses on retention payables	60	43
Bank charges	34	49
	2,723	1,501
Total borrowing costs	2,723	1,501
Less: Amount capitalised	(836)	(535)
	1,887	966

## 7. Income Tax Expense

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	1,134	858
Land Appreciation Tax ("LAT")	51	38
Underprovision in prior years	21	32
Deferred tax	(342)	45
	864	973

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

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (six months ended 30 June 2010: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 15% or 24% (six months ended 30 June 2010: 15% or 22%) during the period.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 8. Profit for the Period

Profit for the period has been arrived at after charging:

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million (restated)
Depreciation and amortisation of:		
Property, plant and equipment	2,807	2,260
Lease prepayments	88	88
Investment properties	66	31
Intangible assets (included in administrative expenses)	27	15
Intangible assets (included in cost of sales)	166	111
Mining assets (included in cost of sales)	2	4
<b>Total depreciation and amortisation</b>	<b>3,156</b>	<b>2,509</b>
Impairment loss recognised on:		
Inventories (included in cost of sales)	1	–
Allowance for foreseeable loss on construction contracts	13	25

## 9. Dividend

On 30 March 2011, final dividend of RMB0.055 per share for 2010, amounting to RMB1,171 million in aggregate, was declared and was subsequently paid in July and August 2011.

The final dividend of RMB0.063 per share for 2009, amounting to RMB1,342 million in aggregate, was declared on 26 April 2010 and was subsequently paid in July and August 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 2011 is calculated by dividing the profit attributable to owners of the Company of RMB2,487 million (six months ended 30 June 2010: RMB3,209 million) by 21,299,900,000 shares (six months ended 30 June 2010: 21,299,900,000 shares) in issue during the period.

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 11. Movements in Property, Plant and Equipment

During the period, the Group incurred costs for construction in progress of RMB1,379 million (six months ended 30 June 2010: RMB764 million) and acquired buildings at a cost of RMB282 million (six months ended 30 June 2010: RMB80 million), infrastructure construction equipment at a cost of RMB1,440 million (six months ended 30 June 2010: RMB1,402 million), transportation equipment at a cost of RMB684 million (six months ended 30 June 2010: RMB624 million), manufacturing equipment at a cost of RMB97 million (six months ended 30 June 2010: RMB107 million), testing equipment and instruments at a cost of RMB184 million (six months ended 30 June 2010: RMB221 million), and other equipment at a cost of RMB41 million (six months ended 30 June 2010: RMB199 million) for the purpose of expanding the Group's business.

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of RMB187 million (31 December 2010: RMB182 million).

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB839 million (31 December 2010: RMB963 million) at 30 June 2011. 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 RMB481 million (six months ended 30 June 2010: RMB1,016 million) which consisted of service concession arrangements of RMB449 million (six months ended 30 June 2010: RMB999 million), computer software of RMB8 million (six months ended 30 June 2010: RMB3 million) and other intangible assets of RMB24 million (six months ended 30 June 2010: RMB14 million).

The rights in respect of toll road income under four (31 December 2010: four) concession agreements with an aggregate carrying amount of RMB11,631 million (31 December 2010: RMB11,749 million) are pledged against certain banking facilities of the Group.

## 13. Mining Assets

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

## 14. Properties under Development for Sale

At 30 June 2011, properties under development for sale amounting to RMB9,817 million (31 December 2010: RMB9,556 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 2011

## 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.

	30/6/2011 RMB million	31/12/2010 RMB million
Trade and bills receivables	93,711	84,530
Less: Impairment	(1,531)	(1,332)
	92,180	83,198
Other receivables (net of impairment)	25,644	19,316
Advance to suppliers	26,630	20,769
	144,454	123,283
Less: Amount due after one year included in non-current assets	(2,348)	(2,146)
	142,106	121,137

Included in trade and bills receivables are retention receivable of RMB39,167 million (31 December 2010: RMB34,917 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:

	30/6/2011 RMB million	31/12/2010 RMB million
Less than six months	43,677	43,449
Six months to one year	22,555	18,386
One year to two years	14,961	13,415
Two years to three years	7,244	5,833
More than three years	3,743	2,115
	92,180	83,198

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 16. Amounts due from (to) Customers for Contract Work

	30/6/2011 RMB million	31/12/2010 RMB million
Contract costs incurred plus recognised profits less recognised losses	1,497,936	1,352,743
Less: Progress billings	(1,459,469)	(1,318,325)
	38,467	34,418
Analysed for reporting purpose as:		
Amounts due from customers for contract work	51,188	46,472
Amounts due to customers for contract work	(12,721)	(12,054)
	38,467	34,418

## 17. Share Capital

	At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011 Number of shares '000	At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011 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 2011

## 18. Trade and Other Payables

	30/6/2011 RMB million	31/12/2010 RMB million
Trade and bills payables	151,492	136,716
Advance from customers	36,184	41,100
Accrued payroll and welfare	2,146	1,895
Other taxes	7,477	6,621
Deposits received in advance	108	110
Dividend payables	1,349	117
Other payables	25,731	23,379
	<b>224,487</b>	209,938
Analysed for reporting purpose as:		
Non-current	483	630
Current	224,004	209,308
	<b>224,487</b>	209,938

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB 4,951 million (31 December 2010: RMB4,331 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

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

	30/6/2011 RMB million	31/12/2010 RMB million
Less than one year	136,190	122,630
One year to two years	10,367	10,144
Two years to three years	3,271	2,475
More than three years	1,664	1,467
	<b>151,492</b>	136,716

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 19. Borrowings

	30/6/2011 RMB million	31/12/2010 RMB million
Bank loans:		
Secured	16,177	14,666
Unsecured	61,078	42,114
Short-term debentures, unsecured	77,255	56,780
Long-term debentures, unsecured	6,693	6,702
Long-term debentures, secured	7,915	–
Other short-term loans, unsecured	11,936	11,933
Other long-term loans, unsecured	5,989	6,136
	2,289	1,808
	112,077	83,359
Analysed for reporting purpose as:		
Non-current	55,112	42,915
Current	56,965	40,444
	112,077	83,359

On 23 March 2011, the Company issued the first tranche of the medium-term note of a principal amount of RMB8,000 million with a maturity date of 23 March 2021. The note bears fixed interest at 5.23% per annum for the first five years, up to 23 March 2016. Interest is payable annually in arrears. At the end of the fifth year, on 23 March 2016, the Company has a right to adjust the interest rate of the note and the note holders have a right to redeem all or part of the note at its face value.

## 20. Acquisition of Subsidiaries

### (a) Acquisition of businesses

During the period, in order to expand the real estate business, the Group acquired a 70% interest in 海南美杰投资有限公司. Further, the Group acquired the remaining 52.67% interest in 北京燈塔電汽有限責任公司 which was formerly held as to 47.33% by the Group in 2010. 北京燈塔電汽有限責任公司 is principally engaged in lighting equipment manufacturing activities.

#### Consideration transferred

	海南美杰投資 有限公司 RMB million	北京燈塔電汽 有限責任公司 RMB million	Total RMB million
Cash	7	1	8
Fair value and carrying amounts of previously – held investments in associates	–	1	1
Total	7	2	9

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 20. Acquisition of Subsidiaries (continued)

### (a) Acquisition of businesses (continued)

Assets and liabilities recognised at the date of acquisition

	海南美杰投資 有限公司 RMB million	北京燈塔電汽 有限責任公司 RMB million	Total RMB million
<b>Current assets</b>			
Inventories	–	4	4
Trade and other receivables	5	28	33
Cash and cash equivalents	5	–	5
<b>Non-current assets</b>			
Property, plant and equipment	–	1	1
<b>Current liabilities</b>			
Trade and other payables	–	(32)	(32)
	10	1	11

The receivables acquired with a fair value of RMB33 million had gross contractual amounts of RMB33 million.

#### Non-controlling interests

The non-controlling interest (30%) in 海南美杰投資有限公司 recognised at the acquisition date was measured at the non-controlling interests' share of the fair value of the identifiable net assets of 海南美杰投資有限公司, amounting to RMB3 million.

#### Net cash outflow arising on acquisition

	RMB million
Consideration paid in cash	(8)
Less: cash and cash equivalents acquired	5
	(3)

#### Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB1 million loss attributable to 北京燈塔電汽有限責任公司 and nil in respect of 海南美杰投資有限公司. Revenue for the period includes RMB10 million in respect of 北京燈塔電汽有限責任公司 and nil in respect of 海南美杰投資有限公司.

Assuming the acquisition of the subsidiaries had been effected at 1 January 2011, the financial impact to the Group for the six months ended 30 June 2011 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 2011, nor is intended to be a projection of future results.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 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 100% interest in 包頭市時代金科房地產開發有限公司 for a consideration of RMB20 million. The acquisition was accounted for as acquisition of assets and liabilities as the subsidiary did not carry on a business. The carrying amounts of net assets acquired are as follows:

	Six months ended 30/6/2011 RMB million
Fair value of net assets acquired:	
Inventories	26
Other receivables	284
Cash and cash equivalents	52
Other payables	(342)
<b>Net assets acquired</b>	<b>20</b>
Satisfied by:	
Cash consideration	20
Net cash (outflow) inflow arising from acquisition:	
Cash consideration paid	(20)
Cash and cash equivalents acquired	52
	32

## 21. Contingent Liabilities

	30/6/2011 RMB million	30/6/2010 RMB million
Pending lawsuits		
– arising in the ordinary course of business (note (a))	345	237
– other (note (b))	572	–
	917	237

Notes:

- (a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for these pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.
- (b) China Railway Real Estate Group Co., Ltd, a subsidiary of the Company, has been named in a lawsuit arising in the equity transfer agreement with its subsidiary's non-controlling shareholder. No provision has been made for the pending lawsuit where the management considered that the claim will not be successful.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 21. Contingent Liabilities (continued)

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

	30/6/2011		31/12/2010	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Jointly controlled entity and associate	5,605	2013-2027	5,283	2011-2027
Other state-owned enterprises	342	2011-2011	659	2011-2012
Property purchasers	6,134	2011-2014	5,250	2011-2012
Investees of the Group	43	2011-2016	43	2011-2016
Other independent parties	6	2011-2012	50	2011-2011
	<b>12,130</b>		11,285	

In addition to the above, as at 30 June 2011, 宜昌鴻銘置業有限公司, a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of 宜昌三峽鴻銘旅遊地產開發有限公司 ("宜昌三峽") to the extent of RMB303 million (being the amount of liabilities of 宜昌三峽 on the date it was spun off from 宜昌鴻銘置業有限公司) if 宜昌三峽 fails to repay those liabilities in the future.

## 22. Commitments

### Capital expenditure

	30/6/2011 RMB million	31/12/2010 RMB million
Acquisition of property, plant and equipment contracted but not provided for	1,668	2,585

### Investment commitment

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

	30/6/2011 RMB million	31/12/2010 RMB million
Loan commitment to an associate	18,384	19,397
Capital contributions to associates	–	24
available-for-sale financial assets	–	4
	<b>18,384</b>	19,425



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. Related Party Transactions

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

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

### Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2011 RMB million	30/6/2010 RMB million
<i>Transactions with the CRECG Group</i>		
Revenue from construction contracts	–	10
Revenue from sale of goods	–	81
Purchases	178	–
Service expenses paid	7	18
Rental fee	6	18
<i>Transactions with jointly controlled entities and their subsidiaries</i>		
Revenue from construction contracts	15	13
Revenue from sale of goods	–	24
Purchases	1	–
Interest income	1	9
<i>Transactions with associates and their subsidiaries</i>		
Revenue from construction contracts	92	217
Revenue from sale of goods	4	–
Purchases	2	–
Interest income	13	–
<i>Transactions with other government-related entities</i>		
Revenue from construction contracts	78,141	65,581
Revenue from design and other services	11,570	9,295
Purchases	25,426	17,961
Interest income on bank balances	245	225
Interest expenses on bank borrowings	1,065	583

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. Related Party Transactions (continued)

### Balances with related parties

	30/6/2011 RMB million	31/12/2010 RMB million
<i>Balances with the CRECG Group</i>		
Trade receivables	12	15
Trade payables	7	7
Other payables	75	61
Dividend payables	657	–
Advance to suppliers	–	8
<i>Balances with jointly controlled entities and their subsidiaries</i>		
Trade receivables	77	64
Other receivables	26	42
Loans receivables	50	89
Dividend receivables	29	29
<i>Balances with associates and their subsidiaries</i>		
Trade receivables	233	278
Other receivables	1,037	757
Advance to suppliers	–	17
Other payables	219	72
Advance from customers	241	43
Loans receivables	1,219	1,197
Dividends receivable	4	4
<i>Balances with other government-related entities</i>		
Trade receivables	50,079	46,426
Other receivables	15,871	18,846
Bank balances	34,025	29,562
Trade payables	31,567	24,297
Other payables	33,718	38,856
Bank borrowings	41,094	25,865
Other borrowings	8,278	26,580

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. 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	
	30/6/2011 RMB million	30/6/2010 RMB million
Basic salaries and allowances	1,837	1,064
Contributions to pension plans	538	301
Discretionary bonus	114	131
	2,489	1,496

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:

	30/6/2011 RMB million	31/12/2010 RMB million
CRECG	12,488	12,421

## 24. Other Matter

Two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd. and China Railway Tunnel Group Co., Ltd., established a consortium with two independent parties in 2009 for the design and construction of the A2 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland (the “PGDNRM”). The Group’s share of the total contract amount and performance bond are approximately USD420 million (approximately RMB2,721 million) and USD42 million (approximately RMB272 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the consortium. Based on the provisions of the contract, the contract was formally terminated by the end of June 2011. Up to 30 June 2011, the accumulated losses identified by the Group in respect of this project is RMB550 million, resulting in the Group’s profit before tax for the period being decreased by RMB550 million.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 25. Events after the End of the Interim Period

Subsequent to 30 June 2011, the following significant events took place:

- (a) At the 6th meeting of the 2nd Term of Board of Directors of the Company, a resolution was passed to approve the acquisition of a 100% equity interest in Henan Pingzheng Expressway Development Co., Ltd. (“HEDCL”) by China Railway Xi Nan Investment & Management Co., Ltd., a wholly-owned subsidiary of the Company, from CRECG for a consideration of RMB303 million. The consideration was determined based on a valuation of the net assets value of HEDCL as at 31 December 2010.
- (b) At the Shareholders’ Meetings of the Company dated 12 August 2010 for all shareholders, holders of A shares and holders of H shares, resolutions were passed for the non-public offering of a maximum of 1,517.88 million A shares to specific investors, which was effective within twelve months from the date of the Shareholders’ Meetings. As of 11 August 2011, the Company has not implemented this non-public offering. Thus, this non-public offering of A shares programme was automatically terminated as the resolutions became invalid.