



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

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

Stode Code: 390



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Company Profile

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

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

We also hold leading positions in the design and construction of bridges, tunnels and electrified railways, and the design and manufacturing of bridge steel structures and turnouts in the PRC, which has achieved advanced international standards. While we operate in every province across the PRC, we have also explored extensive global markets.

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

Financial Summary

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

Income Statement Summary

	For the six months ended 30 June			Change	
	2008 RMB million	2007 RMB million	2006 RMB million	2008 vs 2007 (%)	2007 vs 2006 (%)
Revenue					
Infrastructure Construction	84,927	68,598	55,063	23.8	24.6
Survey, Design and Consulting Services	1,887	1,507	1,565	25.2	-3.7
Engineering Equipment and Component Manufacturing	3,566	2,222	1,955	60.5	13.7
Property Development	1,528	1,408	932	8.5	51.1
Others	6,692	4,043	2,544	65.5	58.9
Inter-segment Eliminations	(5,600)	(4,328)	(1,045)	29.4	314.2
Total	93,000	73,450	61,014	26.6	20.4
Gross Profit	7,400	5,556	5,133	33.2	8.2
Profit before Taxation	2,823	1,193	908	136.6	31.4
Profit for the Period	2,181	815	710	167.6	14.8
Profit Attributable to Equity Holders of the Company	1,906	657	483	190.1	36.0
Basic Earnings per Share (RMB)	0.089	0.051	0.038	74.5	34.2



Financial Summary (continued)

Balance Sheet Summary

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million	As at 30 June 2007 RMB million	Change	
				30 June 2008 vs 31 December 2007 (%)	30 June 2008 vs 30 June 2007 (%)
Assets					
Current Assets	187,821	172,097	122,846	9.1	52.9
Non-current Assets	46,227	43,007	29,942	7.5	54.4
Total Assets	234,048	215,104	152,788	8.8	53.2
Liabilities					
Current Liabilities	150,038	136,484	125,120	9.9	19.9
Non-current Liabilities	23,291	19,812	16,973	17.6	37.2
Total Liabilities	173,329	156,296	142,093	10.9	22.0
Total Equity	60,719	58,808	10,695	3.2	467.7
Total Equity and Liabilities	234,048	215,104	152,788	8.8	53.2

Note: Retrospective adjustments were made to certain figures on adoption of IFRIC12 Service Concession Arrangements. Please refer to the section "Interim Condensed Consolidated Financial Statements" for details.

Chairman's Report

Dear Shareholders,

I am pleased to present the interim report for the first half of 2008 of China Railway on behalf of the Board of Directors.

During the first half year of 2008, China Railway Group Limited, leveraging on the domestic and overseas capital platforms that have been established, continued to maintain strong growth momentum, with various business indicators recording relatively strong growth. This is primarily attributable to the support of the Company's shareholders and the joint efforts of the management and all the staff members. The continuity of the Company's steady growth trend has also received widespread recognition by various bodies. The Company's current ranking in Fortune 500, as published in the US Fortune magazine in 2008, is 341; rank 332 in the "Top 500 Brands in the World" list prepared by World Brand Laboratory in 2008; and rank 433 in the "Global 500" published in the Financial Times. The Company is the only infrastructure and construction enterprise in the PRC to concurrently enter into all these three top 500 lists.

1. Financial Results

The value of new contracts entered into by the Group from January 2008 to June 2008 reached RMB179.8 billion, representing a growth of 119.2% over the same period last year. Total revenue was RMB93 billion, representing a year-on-year increase of 26.6%. Profit attributable to the equity holders of the Company for the same period was RMB1.906 billion, representing a year-on-year growth of 190.1%. During the first half year of 2008, the Group demonstrated strong growth momentum on various fronts that continuous profitability has translated into fruitful returns for shareholders.

2. Business Development

From January to June 2008, leveraging on its established platform of integrated construction services, the Group continued its steady development in its key businesses.

In the infrastructure construction business, new contracts entered into by the Group during the first half of 2008 reached RMB155 billion and they include several important projects such as the Beijing-Shanghai High-speed Railway. This further strengthened the Group's leading position in the infrastructure construction market. In particular, the "national engineering laboratory for high-speed railway construction technology", being the only one of its kind in the PRC, is now in operation within the Group. This shows the Group's leading position in high-speed railway construction technology.

Substantial investment and commencement of infrastructure construction project also provided good opportunities for the development of the survey, design and consulting services business of the Group. Being persistently service-oriented, the Group achieved outstanding results in the survey, design and consulting services business in the first half of 2008.

Large-scale investments in railway construction and other infrastructure projects generated continuous growth in the demand for railway, bridge equipment as well as other engineering equipment in the market. The Group's engineering equipment and component manufacturing businesses primarily involve manufacture of railway and bridge equipment and large-scale engineering equipment which cater to the trend of market development. This led to a substantial increase in the Group's revenue.



Chairman's Report (continued)

In respect of property development, leveraging on its business platform China Railway Real Estate, the Group further consolidated its property resources, thereby reducing its operating costs. During the first half of 2008, the Group's commencement of construction of various property projects further increased its income from the property development business.

Moreover, the Group's mining business also achieved significant growth. It established an overseas joint venture to invest in the development of overseas mining business using the innovative "projects in exchange for resources" investment model.

The Group has always placed great emphasis on overseas business development. During the first half of 2008, the Group established China Railway International Limited Company which, together with China Overseas Engineering Group Co., Ltd., handle the management of the overseas businesses of the Group, and strived its best to achieve its strategic target in relation to overseas development.

3. Corporate Culture

The Group has a senior management team with extensive industry knowledge, management expertise and operational experience in the construction industry, as well as a group of technical personnel with extensive technical knowledge in the industry. During its long history of development, the Group has established its corporate culture encompassing its corporate mission, development vision, value and philosophy, operation motto and corporate spirit, which has resulted in the Group's strong cohesiveness, effective project implementation capability and the capacity of completing

complicated and important projects with the utilization of innovative technology and engineering method. This was one of the important core strengths of China Railway.

During the earthquake relief process in 2008, with its strong cohesiveness, sense of social responsibility and corporate mission, China Railway played a significant role and made tremendous contribution, and was acclaimed by the State. The Company believes that such corporate culture will drive the efforts and innovations of all the staff of the Group in conducting our business, and has laid a solid foundation for China Railway's rapid growth in the future.

4. Prospective Outlook

In the second half of 2008, the Group believes that the PRC economy will remain its rapid growth and persistently contribute to the sustainable growth in the demand for infrastructure construction in the PRC, especially transportation infrastructure. With the successive commencement of construction of some extra-large scale projects of great significance, this will create more market opportunities for the Group's business development.

In the second half of the year, adhering to its established development strategies, the Group will seize the opportunities brought by the development of the infrastructure construction market to expedite further development of its various businesses and further enhance the Group's brand recognition. It will also reinforce the Group's leading position in the PRC infrastructure construction market, further expand the Group's market share in the survey, design and consulting services and engineering equipment and component manufacturing businesses, and also continue to strengthen the development of its property development business.

In respect of overseas business, the Group will adhere to the development strategy of "going out", and strive to develop its overseas business, increase the proportion of overseas business over the Group's overall business, and further improve and fine-tune the business mix of the Group.

The strengthening of the Company's corporate governance and system innovation will continue to be the Company's important task. Under the strategic direction of "One Goal, Two Enhancement and Three Focuses", the Company will further enhance its management structure, streamline and shorten its management hierarchy, and enhance management efficiency and effectiveness.

The Company believes, with the care and support of its shareholders and the joint efforts of all the staff members, China Railway will be able to build on its success and bring better returns for its domestic and overseas shareholders.

SHI Dahua
Chairman

Beijing, the PRC
29 August 2008





Changes in Share Capital and Information on Shareholders

Details of Changes in Share Capital

Unit: Shares

	Before movement		Increase/decrease (+/-)					After movement	
	Number of Shares	Percentage (%)	New Issue	Bonus Issue	Conversion from Reserves	Others	Sub-total	Number of Shares	Percentage (%)
(1) Shares with selling restrictions									
1. State-owned shares	12,417,510,000	58.30	—	—	—	—	—	12,417,510,000	58.30
2. Shares held by state-owned legal persons	—	—	—	—	—	—	—	—	—
3. Shares held by domestic investors	1,402,550,000	6.58	—	—	—	-1,402,550,000	-1,402,550,000	0	0
Of which: Shares held by domestic non-state-owned legal persons	1,402,550,000	6.58	—	—	—	-1,402,550,000	-1,402,550,000	0	0
Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Shares held by foreign investors	550,172,000	2.58	—	—	—	—	—	550,172,000	2.58
Of which: Shares held by foreign legal persons	550,172,000	2.58	—	—	—	—	—	550,172,000	2.58
Shares held by foreign natural persons	—	—	—	—	—	—	—	—	—
Total number of Shares with selling restrictions	14,370,232,000	67.47	—	—	—	-1,402,550,000	-1,402,550,000	12,967,682,000	60.88
(2) Shares without selling restrictions									
1. RMB-denominated ordinary shares	3,272,450,000	15.37	—	—	—	+1,402,550,000	+1,402,550,000	4,675,000,000	21.95
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	3,657,218,000	17.17	—	—	—	—	—	3,657,218,000	17.17
4. Others	—	—	—	—	—	—	—	—	—
Total number of Shares without selling restrictions	6,929,668,000	32.53	—	—	—	+1,402,550,000	+1,402,550,000	8,332,218,000	39.12
(3) Total	21,299,900,000	100.00	—	—	—	0	0	21,299,900,000	100.00

Since 3 March 2008, 1,402,550,000 shares (A Share) with selling restrictions placed off-line by the Company can be traded on the market after a lock-up period of three months from the listing date, being 3 December 2007, of the share offered to public investors during the public offering, details of which are set out in the “Indicative Announcement on Trading in the Market of A Shares which were subject to a 3-month Lock-up Period Placed Off-line by China Railway Group Limited” (Lin No. 2008-002) published by the Company on 26 February 2008.

Changes in Share Capital and Information on Shareholders (continued)

Number of Shareholders and their Shareholdings

As at 30 June 2008, the Company had a total of 1,302,100 shareholders, of which 1,268,120 were holders of A Shares (including China Railway Engineering Corporation (“CRECG”)) and 33,980 were holders of H Shares. The Company has maintained sufficient public float which is in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules of the Hong Kong Stock Exchange”).

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	58.30	12,417,510,000	0	12,417,510,000	Nil
2	HKSCC Nominees Limited (Note 1)	Other	19.27	4,104,169,000	27,411,000	498,269,000	Uncertain
3	ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	Other	0.35	74,042,600	13,042,600	0	Uncertain
4	Honeybush Limited	Other	0.24	51,903,000	0	51,903,000	Uncertain
5	China Life Insurance Company Limited — Bonus — Individual Bonus — 005L — FH002 Hu	Other	0.20	41,794,983	0	0	Uncertain
6	ICBC — Southern Active Allocation Securities Investment Fund	Other	0.15	31,978,550	22,978,550	0	Uncertain
7	Agricultural Bank of China — Invesco Great Wall Resources Monopolies Equity Securities Investment Fund	Other	0.13	27,360,666	Uncertain	0	Uncertain
8	CICC — Standard Chartered — Citigroup Global Markets Limited	Other	0.12	25,864,422	Uncertain	0	Uncertain
9	China Life Insurance Company Limited—Bonus — Group Bonus — 005L — FH001 Hu	Other	0.12	25,525,983	Uncertain	0	Uncertain
10	ICBC — Bosera Third Industrial Growth Equity Securities Investment Fund	Other	0.12	25,195,034	Uncertain	0	Uncertain

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



Changes in Share Capital and Information on Shareholders (continued)

Number of Shareholders and their Shareholdings (continued)

2. Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Total number of shares held without selling restrictions	Type of shares
1	HKSCC Nominees Limited (Note 1)	3,605,900,000	Overseas listed foreign shares
2	ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	74,042,600	RMB-denominated ordinary shares
3	China Life Insurance Company Limited — Bonus — Individual Bonus — 005L — FH002 Hu	41,794,983	RMB-denominated ordinary shares
4	ICBC — Southern Active Allocation Securities Investment Fund	31,978,550	RMB-denominated ordinary shares
5	Agricultural Bank of China — Invesco Great Wall Resources Monopolies Equity Securities Investment Fund	27,360,666	RMB-denominated ordinary shares
6	CICC — Standard Chartered — Citigroup Global Markets Limited	25,864,422	RMB-denominated ordinary shares
7	China Life Insurance Company Limited — Bonus — Group Bonus — 005L — FH001 Hu	25,525,983	RMB-denominated ordinary shares
8	ICBC — Bosera Third Industrial Growth Equity Securities Investment Fund	25,195,034	RMB-denominated ordinary shares
9	CCB — Bosera Value Appreciation Securities Investment Fund No. 2	24,999,892	RMB-denominated ordinary shares
10	China Everbright Bank Company Limited — Taixin Strategic Open Securities Investment Fund	22,954,925	RMB-denominated ordinary shares
	Statement on the connected relations and concerted actions between the above shareholders		Except that Southern Longyuan Industrial Theme Equity Securities Investment Fund and Southern Active Allocation Securities Investment Fund are under the management of China Southern Fund Management Co, Ltd., and Bosera Third Industrial Growth Equity Securities Investment Fund and Bosera Value Appreciation Securities Investment Fund No. 2 are under the management of Bosera Fund Management Company Limited, FH002 Hu and FH001 Hu are separate bonus accounts under the name of China Life Insurance Company Limited, the Company is not aware of any connected relation between the above shareholders.

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

Changes in Share Capital and Information on Shareholders (continued)

Number of Shareholders and their Shareholdings (continued)

3. Shareholdings of the top ten shareholders with selling restrictions and the respective selling restrictions

Unit: Shares

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Trading commencement date	Details of approved tradable shares with selling restrictions	
				Additional number of approved tradable shares	Selling restrictions
1	CRECG	12,417,510,000	3 December 2010	—	A Shares are subject to a lock-up period of 36 months from the date of listing
2	Best Investment Corporation (Note 1, Note 2)	134,948,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
3	China Life Franklin Asset Management Co., Ltd. (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
4	Government of Singapore Investment Corporation Pte Ltd. (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
5	Grahamstowe Investments Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
6	Honeybush Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
7	Andalee Investments Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
8	Fenbourne Investments Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
9	Kesco Investment Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
10	OZ Group (Note 1, Note 2, Note 3)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing

Note 1: The H Shares were held by HKSCC Nominees Limited on behalf of Best Investment Corporation, China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited and OZ Group.



Changes in Share Capital and Information on Shareholders (continued)

Number of Shareholders and their Shareholdings (continued)

3. Shareholdings of the top ten shareholders with selling restrictions and the respective selling restrictions (continued)

Note 2: Pursuant to the Corporate Investor Agreements entered into among each of China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Honeybush Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation, respectively, with BOCI Asia Limited, J.P. Morgan Securities Limited, UBS AG, and the Company on 17 November 2007, China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Honeybush Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation subscribed for 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000 and 134,948,000 H Shares of the Company, respectively, at a price of HK\$5.78 per share.

Note 3: OZ Group includes OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P..

Particulars of Controlling Shareholder and Ultimate Controller

1. Controlling shareholder

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

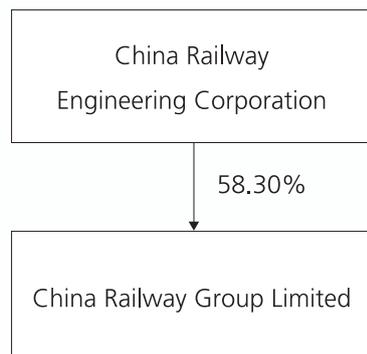
2. Ultimate controller

CRECG is the ultimate controller of the Company.

3. 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.

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



Changes in Share Capital and Information on Shareholders (continued)

Other Shareholders with 10% or above Shareholding

As at the end of the reporting period, save for HKSCC Nominees Limited, there are no other shareholders of the Company holding more than 10% of shareholding.

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

As at 30 June 2008, none of the directors, chief executive and supervisors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of our 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 the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2008, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company 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 Total Issued A Shares (%)	Approximate Percentage of Total Issued Shares (%)
CRECG	Beneficial owner	12,417,510,000	Long position	72.65	58.30



Changes in Share Capital and Information on Shareholders (continued)

Directors', Chief Executive's and Supervisors' Interest and Short Positions in Shares, Underlying Shares and Debentures (continued)

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 Total Issued H Shares (%)	Approximate Percentage of Total Issued Shares (%)	
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80	
UBS AG	Beneficial owner	268,729,091	Long position			
	Interest of controlled Corporations (Note 1)	5,381,358	Long position			
	Total	274,110,449		6.51	1.29	
	Beneficial owner	18,726,055	Short position			
	Person having a security interest in shares	22,196,658	Short position			
	Interest of controlled Corporations (Note 1)	3,891,358	Short position			
Total	44,814,071			1.07	0.21	
Deutsche Bank Aktiengesellschaft	Beneficial owner	147,431,800	Long position			
	Investment manager (Note 2)	6,130,000	Long position			
	Person having a security interest in shares	64,074,500	Long position			
	Total	217,636,300			5.17	1.02
	Beneficial owner	78,610,198	Short position			
	Investment manager (Note 2)	50,000	Short position			
Person having a security interest in shares	61,991,500	Short position				
Total	140,651,698			3.34	0.66	

Note 1: According to the Corporate Substantial Shareholder Notice filed by UBS AG with the Hong Kong Stock Exchange dated 20 June 2008, UBS AG wholly owns UBS Global Asset Management (Japan) Ltd (which in turn holds 1,221,000 H Shares in the Company), UBS Global Asset Management (UK) Limited (which in turn holds 269,000 H Shares in the Company) and UBS Securities LLC (which in turn holds 3,891,358 H Shares and the short position of 3,891,358 H Shares in the Company). Accordingly, UBS AG is deemed interested in the long position and short position held by each of the wholly-owned subsidiaries as set out above.

Note 2: According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 11 June 2008, Deutsche Bank Aktiengesellschaft wholly owns DWS Investment GmbH (which in turn holds the short positions of 50,000 H Shares in the Company) and DWS Investment S.A. Luxembourg (which in turn held 6,130,000 H Shares in the Company). Accordingly, Deutsche Bank Aktiengesellschaft is deemed interested in the long position and short position held by the wholly-owned subsidiaries as set out above (as investment manager).

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Apart from the foregoing, as at 30 June 2008, according to the registers required to be kept under section 336 of the SFO, no other person or corporation had any interest or short position in the share capital of the Company that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors, Supervisors and Senior Management

Directors

Name	Age	Position
SHI Dahua (石大華)	56	Chairman, Executive Director and Secretary to the Communist Party Committee
LI Changjin (李長進)	49	Executive Director and President
BAI Zhongren (白中仁)	47	Executive Director, Vice-President and Chief Economist
WANG Qiuming (王秋明)	55	Non-executive Director, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee
HE Gong (賀恭)	64	Independent Non-executive Director
ZHANG Qinglin (張青林)	65	Independent Non-executive Director
GONG Huazhang (貢華章)	62	Independent Non-executive Director
WANG Taiwen (王泰文)	61	Independent Non-executive Director
SUN Patrick (辛定華)	49	Independent Non-executive Director

Supervisors

Name	Age	Position
GAO Shutang (高樹堂)	59	Chairman of the Board of Supervisors
JI Zhihua (季志華)	46	Supervisor and Deputy Chief Engineer
ZHANG Xixue (張喜學)	55	Supervisor
ZHOU Yuqing (周玉清)	57	Supervisor
LIN Longbiao (林隆彪)	50	Supervisor

Senior Management

Name	Age	Position
LI Jiansheng (李建生)	54	Vice-President, Chief Financial Officer and General Legal Advisor
LIU Hui (劉輝)	48	Vice-President and Chief Engineer
YAO Guiqing (姚桂清)	53	Vice-President, Deputy Secretary to the Communist Party Committee and Chairman of the Labour Union
MA Li (馬力)	50	Vice-President
ZHOU Mengbo (周孟波)	43	Vice-President
DAI Hegen (戴和根)	42	Vice-President
DUAN Xiubin (段秀斌)	54	Vice-President
YU Tengqun (于騰群)	38	Secretary to the Board and Joint Company Secretary
TAM Chun Chung (譚振忠)	35	Qualified Accountant and Joint Company Secretary



Directors, Supervisors and Senior Management (continued)

Engagement and Dismissal

During the reporting period, there was neither engagement nor dismissal of new directors, supervisors and senior management.

Human Resources

As at the end of the reporting period, the Company had 263,841 employees. The following tables set forth breakdown of the Company's employees:

1. Breakdown of employees by divisions

Division	Number of Employees
Production	143,814
Sales and marketing	20,663
Engineering and Technology	77,894
Finance	12,318
Administration	9,152
Total	263,841

2. Breakdown of employees by education

Education	Number of Employees
Graduate degree	1,596
Undergraduate degree	43,459
Associate degree	41,988
Others	176,798
Total	263,841

Directors, Supervisors and Senior Management (continued)

Human Resources (continued)

The Company emphasises the importance of recruiting, incentivising, developing and retaining its staff and paid close attention to the fairness of its remuneration structure. The Company implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration is comprised of a basic salary, allowances and a performance-based bonus. In accordance with applicable PRC laws, the Company entered into an employment contract with each of its employees. Such contracts include provisions on wages, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. In accordance with applicable regulations, the Company make contributions to the employees' pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Company also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Company also provide voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans, for both current and retired employees, and annuities for our current employees.

The Company 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 Company also offers management courses to its senior managers and annual project management training for its project managers. The remuneration of the directors currently consists of a fixed monthly salary and a performance-linked annual bonus. The award of the performance-linked annual bonus is tied to the attainment of key performance indicators or targets. Remuneration of the directors is determined with reference to the prevailing market conditions. The Company's independent non-executive directors did not receive any salary from the Company for the six months ended 30 June 2008.

Securities Transactions by Directors and Supervisors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange. During the reporting period, upon enquiries made to Directors and Supervisors, the Company is not aware of any non-compliance by any of the Directors and Supervisors with the Model Code set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange in relation to securities transactions by the Directors and Supervisors.



Management Discussion and Analysis

1. Overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and components manufacturing, property development and other businesses. For the six months ended 30 June 2008, the Group's revenue increased by 26.6% from the corresponding period of 2007¹ to RMB93 billion. The Group realized net profit of RMB2.181 billion, representing an increase of 167.6% year on year, of which the net profit attributable to the equity holders of the Company increased by 190.1% year on year to RMB1.906 billion. For the six months ended 30 June 2008, the basic earnings per share of the Company were RMB0.089. A comparison of the financial results for the six months ended 30 June 2008 and the corresponding period of 2007 is set forth below.

2. Consolidated Results of Operations

Revenue

The Group's total revenue increased by 26.6% to RMB93 billion for the six months ended 30 June 2008 from RMB73.45 billion in the corresponding period of 2007. The increase in the Group's revenue was primarily attributable to the increase in the volume of infrastructure construction businesses benefiting from the increased investments in infrastructure construction in the PRC. In the first half of 2008, new contracts increased by 119.2% from the corresponding period of 2007 to RMB179.8 billion. At 30 June 2008, backlog increased by 48.3% to RMB321 billion compared with the end of 2007.

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 2008, our cost of sales increased by 26.1% to RMB85.6 billion from RMB67.894 billion for the first half of 2007. In the first half of 2008, gross profit of the Group increased by RMB1.844 billion to RMB7.4 billion from RMB5.556 billion for the corresponding period of 2007 with a growth rate of 33.2%. The gross profit margin increased slightly to 8.0% from 7.6% for the first half of 2007 primarily due to the change in product mix and the effective cost control measures adopted by the Group.

Other income

The Group's other income primarily consists of income from the acquisition or disposal of assets as well as profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials. For the six months ended 30 June 2008, the Group's other income increased by 102.6% to RMB1.086 billion from RMB536 million of the corresponding period of last year. The significant increase of other income was due to the increase in removal compensation by the government and increased income from sundry operation (such as the sales of materials), as well as the income of RMB366 million arising from structured financial products as a hedge against foreign exchange risk during the reporting period.

Note 1: The financial data of the corresponding period of 2007 have been adjusted according to "IFRIC 12 Service Concession Arrangements". The same applies below.

2. Consolidated Results of Operations (continued)

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. For the six months ended 30 June 2008, the Group's selling and marketing expenses increased by 27.5% year on year to RMB496 million from RMB389 million primarily due to the growth of the scale of business, particularly the increase in the value of new contracts which resulted in the growth of the total marketing expenses. However, the marketing expenses as a percentage of the total revenue of approximately 0.5% remained at the same level as the first half of 2007.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits, impairment in trade and other receivables and depreciation and amortization of its assets related to administration. For the six months ended 30 June 2008, the Group's administrative expenses increased by 13.7% to RMB4.828 billion from RMB4.245 billion of the corresponding period of 2007. The Group recorded an exchange loss of RMB670 million for the reporting period while the net exchange gain was RMB14 million in the corresponding period of 2007, mainly because the proceeds from the listing of the H Shares of the Company in Hong Kong dollars depreciated against the Renminbi. Administrative expenses as a percentage of operating revenue decreased from 5.8% for the first half of 2007 to 5.2% for the corresponding period of 2008, which is primarily due to optimization of the administrative costs through various measures such as streamlining the management hierarchy and enhancing control over administrative expenses.

Gains on disposal of interests in subsidiaries

For the six months ended 30 June 2008, the Group did not dispose any interests in its subsidiaries. In the corresponding period of 2007, the gain on disposal of interests in subsidiaries was RMB90 million.

Interest income

For the six months ended 30 June 2008, the interest income increased by 21.2% to RMB543 million from RMB448 million for the corresponding period of 2007. The increase of the interest income is primarily due to the proceeds from the listing of shares of the Company in December 2007 and several hikes in the deposit interest rate by the People's Bank of China in 2007, resulting in an increase in the interest income from bank deposits.

Interest expenses

For the six months ended 30 June 2008, the interest expenses increased by 11.6% to RMB887 million from RMB795 million for the first half of 2007 primarily due to: 1) the increase in the amount of bank borrowing as a result of the increased working capital requirement with the Group's expansion of business scale; and 2) the increase in bank borrowing interest expenses due to several hikes in the lending interest rate by the People's Bank of China in 2007.

Profit before income tax

As a result of the foregoing factors, the profit before income tax for the six months ended 30 June 2008 increased by RMB1.63 billion, or 136.6% to RMB2.823 billion from RMB1.193 billion for the corresponding period of 2007.



Management Discussion and Analysis (continued)

2. Consolidated Results of Operations (continued)

Income tax expense

For the six months ended 30 June 2008, the income tax expense increased by 69.8% to RMB642 million from RMB378 million for the corresponding period of 2007. The effective tax rate of the Group reduced from 31.7% for the corresponding period of 2007 to 22.7% for the first half of 2008 which was primarily attributable to the decrease in statutory income tax rate applicable to the Group from 33% in 2007 to 25% with effect from 1 January 2008.

Minority interests

For the six months ended 30 June 2008, the profit attributable to minority interests of the Group amounted to RMB275 million, representing an increase of 74.1% from RMB158 million for the corresponding period of 2007 primarily due to the significant increase in the profit after tax and the ongoing acquisition by the Group of minority interests in its subsidiaries.

Profit attributable to the equity holders of the company

As a result of the foregoing factors, the profit attributable to the equity holders of the Company for the six months ended 30 June 2008 increased by 190.1% to RMB1.906 billion from RMB657 million for the corresponding period of 2007. The profit margin of the profits attributable to equity holders of the Company for the first half of 2008 increased to 2.0% from 0.9% for the corresponding period of 2007.

3. Segment Results

The revenue, results and operating profit margin of each segment of the Group's business for the six months ended 30 June 2008 are set forth in the table below.

RMB million

Business Segments	Segment Revenue	Growth Rate	Operating Profit (Note 1)	Growth Rate	Operating Profit Margin (Note 2)	Segment Revenue as a Percentage of Total	Operating Profit as a Percentage of Total
Infrastructure Construction	84,927	23.8%	2,199	199.6%	2.6%	86.1%	68.9%
Survey, Design and Consulting Services	1,887	25.2%	239	256.7%	12.7%	1.9%	7.5%
Engineering Equipment and Component Manufacturing	3,566	60.5%	163	143.3%	4.6%	3.6%	5.1%
Property Development	1,528	8.5%	499	75.1%	32.7%	1.6%	15.6%
Other Businesses	6,692	65.5%	91	-21.6%	1.4%	6.8%	2.9%
Adjustment (Note 3)	(5,600)		(54)				
Total	93,000	26.6%	3,137	154.0%	3.4%	100.0%	100.0%

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

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

Note 3: Inter-segment transactions are eliminated.

3. Segment Results (continued)

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 2008, the revenue from the infrastructure construction business accounted for 86.1% of the total revenue of the Group. For the six months ended 30 June 2008, segment revenue from the Group's infrastructure construction business increased by 23.8% from the corresponding period of last year to RMB84.927 billion, among which, the revenue from railway construction increased by 49.5% year on year to RMB46.769 billion, highway construction increased by 11.7% to RMB21.798 billion and municipal works construction decreased by 8.1% to RMB16.361 billion.

In the first half of 2008, the total operating expenses of the infrastructure construction segment increased by 21.9% from the corresponding period of last year, amounting to RMB82.728 billion, among which, the cost of sales increased by 23.7% from the corresponding period of last year to RMB79.951 billion. Among the cost of sales, RMB43.532 billion (increasing by 48.8% from the corresponding period of last year), RMB20.904 billion (increasing by 11.6% from the corresponding period of last year), and RMB15.515 billion (decreasing by 6.9% from the corresponding period of last year) were attributable to railway, highway and municipal works construction respectively.

Operating profit margin of the infrastructure construction segment increased to 2.6% for the first half of 2008 from 1.1% for the first half of 2007 primarily due to further optimization of revenue structure of infrastructure construction segment. The Group had implemented various measures to control costs, including centralized procurement for raw materials and centralized procurement and management for large equipment in order to improve operating profitability.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. For the six months ended 30 June 2008, segment revenue of survey, design and consulting services increased by 25.2% year on year to RMB1.887 billion from RMB1.507 billion.

Operating expenses increased by 14.4% from RMB1.44 billion for the first half of 2007 to RMB1.648 billion for the first half of 2008, among which, the cost of sales increased by 32.5% from the corresponding period of 2007 and amounted to RMB1.273 billion. This is primarily due to the increase in labour costs of survey, design and consulting services business.

Operating profit increased by 256.7% from RMB67 million for the first half of 2007 to RMB239 million for the first half of 2008. Operating profit margin for the segment increased to 12.7% as compared with 4.4% for the first half of 2007. This is mainly due to the implementation of effective expenses control measures by the Group together with the increase in the revenue of survey, design and consulting services business.



Management Discussion and Analysis (continued)

3. Segment Results (continued)

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. For the six months ended 30 June 2008, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 60.5% to RMB3.566 billion from RMB2.222 billion for the corresponding period of 2007.

For the six months ended 30 June 2008, the operating expenses of that segment increased by 57.9% from the corresponding period of 2007 to RMB3.403 billion, among which, the cost of sales increased by 58.3% from the corresponding period and amounted to RMB3.111 billion. The increase of operating expenses was primarily attributable to the expansion of the scale of the Group's business and the rise in the costs of raw materials and consumables. Operating profit margin increased from 3.0% for the first half of 2007 to 4.6% for the corresponding period of 2008. This is mainly due to the optimization of the revenue structure of the engineering equipment and component manufacturing business segment, with the increase in the proportion of products with high profit margin like specialized turnouts for high-speed railway and bridge carrying equipment. At the same time, the Group strengthened its control over expenses.

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. For the six months ended 30 June 2008, segment revenue from property development business increased by 8.5% to RMB1.528 billion from RMB1.401 billion for the corresponding period of 2007.

In the first half of 2008, the operating expenses of property development business segment decreased by 8.4% from the corresponding period of 2007 to RMB1.029 billion, among which, the cost of sales decreased by 13.4% from the corresponding period of last year and amounted to RMB832 million. Operating profit increased by 75.1% from RMB285 million for the corresponding period of 2007 to RMB499 million. Operating profit margin increased from 20.2% for the first half of 2007 to 32.7%.

In the first half of 2008, operating profit margin of property development business segment was higher than that for the corresponding period of 2007 primarily due to the sales of projects, which were developed earlier with greater competitiveness in costs, during the reporting period such as the projects of the southern square of the West Railway Station in Beijing and the Noble Garden in Shenzhen.

Other businesses

Segment revenue from other businesses increased by 65.5% from RMB4.043 billion for the first half of 2007 to RMB6.692 billion. Operating profit decreased by 21.6% from RMB116 million for the first half of 2007 to RMB91 million. The increase in revenue from other businesses segment was mainly due to the growth of materials trading business while the decrease in operating profit was primarily due to increase in purchase cost of materials.

Management Discussion and Analysis (continued)

4. Cash Flow

For the six months ended 30 June 2008, the net cash used in operating activities amounted to RMB3.574 billion, representing a decrease by 11.1% from RMB4.018 billion for the corresponding period of 2007. The net cash outflow from operating activities was primarily attributable to the characteristics of infrastructure construction business that the Group's revenue in the first half of the year is usually less than that in the second half of the year. At the same time, commencement of new projects mainly concentrates in the first half of the year and more cash outflow is required, resulting in net cash outflow from operating activities for the first half of the year.

For the six months ended 30 June 2008, the net cash used in investing activities of the Group amounted to RMB6.617 billion, representing a decrease of 14.0% from RMB7.693 billion for the corresponding period of 2007. The net cash outflow from investing activities was primarily attributable to: 1) the purchase of advanced equipment for further enhancement of the competitiveness of the Group's major businesses; 2) investment in projects like BT and BOT.

For the six months ended 30 June 2008, the net cash generated from financing activities of the Group amounted to RMB5.535 billion, representing an increase of 247.9% from RMB1.591 billion for the same period in 2007. The increase in net cash inflow from financing activities was primarily from new bank borrowings.

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 purchase of fixed assets, plant and equipment for the first half of 2008 increased by 71.3% to RMB4.974 billion from the corresponding period of 2007 of RMB2.904 billion.

Working capital

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Inventories	14,643	10,407
Properties under development for sale	14,779	11,246
Trade and bills payables	52,675	54,120
Trade and bills receivables	37,070	40,449
Turnover of inventory (days)	27	21
Turnover of trade and bills payables (days)	114	110
Turnover of trade and bills receivables (days)	76	74



Management Discussion and Analysis (continued)

4. Cash Flow (continued)

As at 30 June 2008, the Group's inventories increased by 40.7% from RMB10.407 billion as at the end of 2007 to RMB14.643 billion primarily due to the Group's increase in its purchase of raw materials along with its business expansion, resulting in a rise in raw materials inventory level. For the six months ended 30 June 2008, the Group's inventory turnover was 27 days, a slight increase compared to 21 days for the same period of 2007, primarily due to the considerable increase in raw materials inventory levels.

The significant increase in the balance of properties under development for sale was mainly due to the rapid growth in the property development business as well as the increase in land reserves and unit development cost. As at 30 June 2008, the balance of properties under development for sale increased by 31.4% from RMB11.246 billion as at 31 December 2007 to RMB14.779 billion.

As at 30 June 2008, trade and bills receivables decreased by 8.4% from RMB40.449 billion as at the end of 2007 to RMB37.07 billion, among which, the balance of retention receivables for the first half of 2008 increased by 26.0% from RMB10.395 billion as at the end of 2007 to RMB13.098 billion. According to the ageing analysis of the trade and bills receivables, most of the Group's receivables were of less than 6 months and the receivables of more than one year accounted for 22.4% of the total receivables, which reflected the sound receivables management capability of the Group.

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Trade and bills receivables		
Less than six months	16,436	17,814
Six months to one year	12,338	15,585
One year to two years	5,698	5,296
Two years to three years	1,874	1,157
More than three years	724	597
Total	37,070	40,449

Management Discussion and Analysis (continued)

4. Cash Flow (continued)

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As at 30 June 2008, the Group's trade and bills payables decreased by 2.7% from RMB54.12 billion as at the end of 2007 to RMB52.675 billion. The number of turnover days increased from 110 days for 2007 to 114 days for the first half of 2008. A portion of the Group's trade and other payables remain outstanding for more than one year, which is attributable to: 1) retention payables are due from the Group to its suppliers and contractors only after a specified period (usually one year) in accordance with the relevant contracts; 2) the Group enjoys better credit terms because of the long-standing cooperation with the Group's suppliers and contractors.

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Trade and bills payables		
Less than one year	44,770	47,821
One year to two years	5,752	4,730
Two years to three years	1,206	964
More than three years	947	605
Total	52,675	54,120



Management Discussion and Analysis (continued)

5. Borrowings

The following table sets forth the Group's total borrowings as at 30 June 2008 and 31 December 2007. As at 30 June 2008, 71.2% of our debts were short-term debts which financed the Group's working capital. The Group's need for debt financing is seasonal as our construction segment is subject to seasonal fluctuations. In general, demand for debt financing is higher during mid-year and declines towards year-end. The Group is generally capable of making timely repayments.

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Bank loans		
Secured	5,786	6,599
Unsecured	39,427	28,158
	45,213	34,757
Short-term debentures, unsecured	2,087	2,657
Other short-term borrowings, unsecured	13	680
Other long-term borrowings, unsecured	—	672
Total	47,313	38,766
Non-current	13,648	10,239
Current	33,665	28,527
Total	47,313	38,766

Bank loans carry interest rates ranging from 4.05% to 11.3% (2007: 5.0% to 7.4%) per annum. Short-term debentures are either zero-coupon debentures issued at a discount or carry fixed rates ranging from 5.8% to 6.5% (2007: 3.0% to 7.0%) per annum. Other short-term borrowings carry interest rates ranging from 5.85% to 7.56% (2007: 4.1% to 10.9%) per annum.

As at 30 June 2008 and 31 December 2007, the Group's bank loans comprised fixed-rate bank loans amounting to RMB450 million and RMB510 million and floating-rate bank loans amounting to RMB44.76 billion and RMB34.25 billion, respectively.

Management Discussion and Analysis (continued)

5. Borrowings (continued)

The following table sets forth the carrying amounts of the Group's bank loans by currencies as at 30 June 2008 and 31 December 2007. The Group's bank loans are primarily denominated in Renminbi and the Group's foreign currency bank loans are primarily denominated in U.S. dollars and Euros.

	Bank loans in U.S. dollars RMB million	Bank loans in Euros RMB million	Bank loans in other currencies RMB million
As at 30 June 2008	1,900	489	—
As at 31 December 2007	645	750	68

As at 30 June 2008, approximately RMB5.786 billion in total bank loans were secured by assets of the Group with an aggregate value of RMB3.493 billion. As at 30 June 2008, the Group had unutilized banking credit facilities in the amount of RMB86.2 billion.

As at 30 June 2008, the Group's gearing ratio (total liabilities/total assets) was 74.1%, an increase of 1.4 percentage points as compared with 31 December 2007; the Group's total borrowings/(total borrowings and total equity) ratio was 43.8%, an increase of 4.1 percentage points compared to 31 December 2007. This was primarily attributable to the increase in balance of bank loan of RMB8.547 billion by the Group during the reporting period.

The Group has always financed its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. During the past financial reporting periods, apart from applying the proceeds arising from the A Share offering and the global offering of the Company's shares to working capital, the Group primarily relied on operating income, bank loans and the issuance of debentures to finance the Group's working capital requirements. The Group will continue to rely on internally generated funds, and intends to utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other kinds of convertible securities) and the Group's credit history with banks to secure financing for business development. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently.

The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies mainly denominated in U.S. dollars and Hong Kong dollars.



Management Discussion and Analysis (continued)

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 2008 RMB million	As at 31 December 2007 RMB million
Pending lawsuits (<i>Note</i>)	220	220

Note: The Group has been named in a number of lawsuits arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims where management can reasonably estimate the outcome of the lawsuits while taking into account legal advice. Provision would not be made for pending lawsuits where their outcome cannot be reasonably estimated or management believes the probability of loss is remote.

The Group has provided guarantees to banks in respect of banking facilities utilized by affiliated 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 2008		As at 31 December 2007	
	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 joint ventures	5,300	2008–2027	5,150	2008–2027
Other State-owned enterprises	527	2008–2011	808	2008–2011
Property purchasers	1,304	2008–2010	1,001	2008–2010
Other independent parties	1,207	2008–2016	1,382	2008–2016
Total	8,338		8,341	

7. Market Risks

We are exposed to various types of market risks, including risks associated with changes in interest rate, foreign exchange and inflation in the ordinary course of business.

Interest rate risk

The Group's revenue and operating cash flows are substantially independent of changes in market interest rates as we have no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at floating rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

Foreign exchange risk

The Group's functional currency is the Renminbi as most of its transactions are settled in Renminbi. However, the Group uses foreign currencies to settle its invoices from overseas operations, purchases of machinery and equipment from overseas suppliers and for certain expenses. In addition, some of the Group's bank borrowings and the proceeds raised through the public offering of H Shares at the end of 2007 were denominated in foreign currencies. The Renminbi is not freely convertible into other foreign currencies as it is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In the meantime, foreign currencies cannot freely convert to Renminbi either. In July 2005, the PRC government implemented a regulated floating exchange rate system to allow the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and may in the future make further adjustments to the exchange rate system. For the six months ended 30 June 2008, the value of the Renminbi appreciated by 6.6% against the U.S. dollar. When the Renminbi appreciates, the value of foreign currency denominated assets will decline against the Renminbi. Fluctuations in foreign exchange currency rates could adversely affect the Group by effectively decreasing any revenues from the Group's sales which are denominated in foreign currencies and increasing the Group's borrowings which are denominated in foreign currencies. The Group has currently purchased structured financial products as a hedge against foreign exchange risk.

Inflation

In the first half of 2008, the PRC's economy saw relatively significant inflation, which led to a large rise in the prices of food and raw materials. The consumer price index (CPI) rose by 7.9% year-on-year over the corresponding period in 2007. Inflation will have an adverse effect on the Group's business as pricing adjustment to the budget estimate of railway construction by the Ministry of Railways generally lags behind the rise of actual cost of railway construction.



Significant Events

1. Corporate Governance

As a publicly-listed company in both Hong Kong and mainland China, the Company maintained its efforts in enhancing its corporate governance and the transparency of information disclosure in strict compliance with PRC laws and regulations including the Company Law, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies and relevant rules governing operations of listed companies issued by the Shanghai and Hong Kong stock exchanges during the reporting period. Currently the Company has relatively sound corporate governance structure and internal control system and operates in a regulated manner and there exists no material problem or error.

As a company listed on the main board of the Hong Kong Stock Exchange, the Company is committed to upholding the principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange. The Company complied with all code provisions of the Code on Corporate Governance Practices throughout the period from 1 January 2008 to 30 June 2008.

To further raise the standard of operations of the Company, as at the end of June 2008, as a recently-listed company that has not engaged itself in special activities concerning corporate governance of 2007, the Company actively commenced a full-scale self-investigation in respect of its corporate governance projects and its prevention against misappropriation of internal funds in compliance with the Notice Regarding the Announcement of Corporate Governance Projects (Gong Gao [2008] No. 27) and Notice Regarding Matters related to the Commencement of Corporate Governance Projects to Strengthen Corporate Governance of Listed Companies (Zheng Jian Gong Si Zi [2007] No. 28) issued by the China Securities Regulatory Commission, the Notice Regarding the Commencement of Projects to Prevent Misappropriation of Funds from Acting Against Corporate Governance (Jing Zheng Gong Si Fa [2008] No. 85) issued by Beijing Securities Regulatory Bureau and related spirit enshrined in meetings of the Beijing Securities Regulatory Bureau. In this connection, on 30 July 2008, a Self-investigation and Renovation Plan Regarding Corporate Governance Projects compiled by China Railway Group Limited and the Self-investigation and Renovation Plan Regarding the "Prevention of Misappropriation of Funds" compiled by China Railway Group Limited were disclosed on the website of Shanghai Stock Exchange.

2. Overall Use of Proceeds from the Initial Public Offering

In 2007, the Company's shares were listed on the Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange, respectively. A total of 4,675,000,000 A Shares were issued at RMB4.80 per share for a total net proceeds of approximately RMB21.930 billion and 3,824,900,000 H Shares were issued at HK\$5.78 per share for a total net proceeds of approximately HK\$21.374 billion. The net proceeds are used in accordance with the purposes disclosed in the A Share prospectus of the Company dated 30 November 2007 and the H Share prospectus of the Company dated 23 November 2007, respectively.

RMB18.693 billion raised from the A Share offering of the Company had been used as at the end of the reporting period, of which RMB4.985 billion was used during this year. HK\$930 million raised from the H Share offering of the Company had been used as at the end of the reporting period, of which HK\$880 million was used during this year.

Significant Events (continued)

2. Overall Use of Proceeds from the Initial Public Offering (continued)

As at the end of the reporting period, the use of proceeds from A Share offering is as follows:

Unit: Million Currency: Renminbi

Total proceeds	21,930	Total proceeds used during the reporting period	4,985
		Accumulated total proceeds used to date	18,693

Committed projects	Intended investment amount	Change of projects?	Actual investment amount	Income generation	In line with planned progress?	In line with expected income?
Equipment purchase	4,137	No	4,137	N/A	Yes	N/A
An underground garage and commercial properties at the southern square of the West Railway Station	377	No	377	Realized a total profit of RMB96.77 million	Yes	Yes
Residential property development project named Zhong Jing Si Ji Hua Cheng in Shijiazhuang	626	No	626	To be confirmed upon completion of project	Yes	Yes
Project of Anqing New Town East Court Garden	1,040	No	500	To be confirmed upon completion of project	Yes	Yes
Technological Renovation project in respect of the national production of large-size expressway turnouts	67	No	67	To be confirmed upon completion of project	Yes	Yes
Project of the newly-built production base for steel bridges and large-scale steel structures	353	No	133	To be confirmed upon completion of project	Yes	Yes
Project of Taiyuan-Zhongwei (Yinchuan) Railway	2,000	No	50	To be confirmed upon completion of project	No	No
Additional working capital and repayment of bank loans	3,400	No	12,803 (Note 1)	N/A	Yes	N/A
Total	12,000		18,693			
Statement for the failure in meeting planned progress and income	The delay in the progress of Taiyuan-Zhongwei (Yinchuan) Railway project is due to a delay in registration procedures for the change of the Company's shareholding in the project company operating Taiyuan-Zhongwei (Yinchuan) Railway project, which in turn resulted in the delay in the investment into the project as scheduled.					
Reason for change and procedures of change	No					
Use and place of deposit of unutilized proceeds	Unutilized portion of the proceeds is currently deposited in the special bank account of the Company					

Note 1: The fund raised through the Company's initial public offering exceeds the estimated amount of investment, leading to the use of a substantial amount for repayment of the bank loans.



Significant Events (continued)

3. Projects not involving Proceeds from Initial Public Offering

Unit: Million Currency: Renminbi

Name of project	Expected investment amount	Project progress	Income generation
BOT project of Cenxing Expressway in Guangxi	5,164	Commenced in 2004 with an invested amount of 3,050 million	In investment period without any income
BT project of Beijing Subway Olympic Branch Line	1,140 (Note 1)	Completed for inspection in May 2008	Receipt of repurchase amount of 45.50 million, without any income
PPP project of Nanjing Subway No. 1 Line South Extension	1,424	Completed investment of 140 million	At initial stage of investment without any income
Zhongtie Noble International Community	2,000	Completed investment of approximately 1,000 million	Accumulated revenue of 330 million and accumulated profit of 131 million
Total	9,728	/	/

Note 1: Total investment amount increased from 1,095 million to 1,140 million due to adjustment of contract prices.

4. Implementation of Profit Distribution Plan during the Reporting Period

Net profit incurred during the period from the date of asset appraisal in respect of the establishment of the Company (31 December 2006) up to the date of establishment of the Company (12 September 2007) was distributed to CRECG, the Company's controlling shareholder, by way of special dividend in accordance with relevant financial policies and resolutions of shareholders' general meetings of the Company. Calculation of the special dividend was based on financial data from the consolidated financial statements prepared in accordance with accounting standards of the PRC. The consolidated income statement for the period from 1 January to 30 September 2007 had been audited by Deloitte Touche Tohmatsu CPA Ltd. The special dividend amounted to RMB2,404.896 million which was calculated and determined by the board of directors of the Company based on the result of the audit and the principles disclosed in the prospectus signed on 6 November 2007 and the Hong Kong IPO prospectus dated 23 November 2007. According to relevant laws and regulations, the special dividend shall be declared to be distributed when the Company has sufficient retained earnings.

The profit distribution plan for the year of 2007 of the Company was reviewed and approved by the Shareholders' General Meeting for the year of 2007 on 25 June 2008. Net profit incurred during the period from 13 September 2007 up to 31 December 2007 will not be distributed.

5. Material Litigation and Arbitration

The progress of Material litigation and arbitration involving the Company during the reporting period is set out as below:

The plaintiff, Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch, lent RMB220 million to Shenzhen Wanghai Yikang Industry Development Co., Ltd. (hereinafter, "Wanghai Yikang"), and China Railway Construction Group (CRCG) Co., Ltd. ("China Railway Construction"), a subsidiary of the Company, and 4 other legal persons/natural persons had provided suretyship of joint and several liabilities for the above loan. As Wanghai Yikang defaulted in the repayment of the loan, the plaintiff commenced court proceedings against Wanghai Yikang and the 5 guarantors (including China Railway Construction) on 23 November 2004. Subsequently, Wanghai Yikang has filed a bankruptcy petition, and accordingly, the court suspended the litigation for the case. China Railway Construction had reported its rights over the debts to the court as a result of it also being the main contractor of one of the properties invested and constructed by Wanghai Yikang, being the Zheng Xie Lian Yi Building.

In August 2007, China Lvgem Co., Ltd. (hereinafter, "Lvgem Group") applied for a debt restructuring to the Intermediate People's Court of Shenzhen, and it was decided by the Intermediate People's Court of Shenzhen that Lvgem Group shall commence the restructuring procedure. Each major creditor, including China Railway Construction, had entered into a Debt Transfer Agreement with Lvgem Group, respectively, pursuant to which China Railway Construction transferred all its debts, which had been reported to the manager of Wanghai Yikang, to Lvgem Group at the transfer price based on the debt amount confirmed by the court's final judgment. In view of the fact that China Railway Construction was also the guarantor of Wanghai Yikang, upon the signing of the agreement, Lvgem Group immediately commenced negotiation with Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Subbranch regarding the release China Railway Construction from all its obligations and responsibilities as a guarantor or the repayment of all such debts by Lvgem Group on behalf of the guarantor, so as to resolve the issues arising from the guarantee provided by China Railway Construction by replacing the guarantor or in a manner approved by China Railway Construction and the bank. As of 30 June 2008, Lvgem Group paid a total of RMB27.98 million as the consideration of the above debt transfer.

On 22 December 2007, Guangdong Provincial High People's Court made a judgment based on the "Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35". The main judgments were as follows: (1) the defendant, Wanghai Yikang, should fully repay the loan of a principal amount of RMB220,000,000 and related interests to the plaintiff, Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch within 30 days from the effective date of the judgment; (2) the defendant, China Railway Construction, should undertake the joint and several responsibility for the repayment of the debts confirmed in the aforesaid judgment. Upon full repayment of the debts, China Railway Construction shall be entitled to claim for the recovery from the defendant, Wanghai Yikang or to require other guarantors undertaking such joint and several responsibility to fully repay their respective share of the debt pursuant to Rule 12 of the "Security Law of the People's Republic of China". Although the judgment was dated 22 December 2007, China Railway Construction was only summoned by the court on 10 March 2008 notifying it to attend to the court for the pronouncing of the judgment at 15:00 on 18 March 2008. China Railway Construction filed an appeal to the court on 1 April 2008.



Significant Events (continued)

5. Material Litigation and Arbitration (continued)

Apart from the aforesaid material litigation and arbitration, the Company had no further material litigation and arbitration during the reporting period.

6. Assets Transactions

Acquisition of assets

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

Disposal of assets

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

Asset swap

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

Merger and Acquisition

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

7. Significant Related Party Transactions

Related party transactions in the ordinary course of business

Significant related party transactions regarding purchase of merchandise and receipt of labor services

Unit: Thousand Currency: Renminbi

Related party	Related party relationship	Particulars of related party transaction	Pricing basis of related party transaction	Amount of related party transaction	Percentage in transactions under the same category (%)	Payment terms	Effect on profit of the Company
BWG Gesellschaft mbH & Co KG	Partly owned subsidiary	Purchase of merchandise	Fair market price	4,062	0.004	Cash on delivery	No material effect
China Railway Hongda Asset Management Center	Subsidiary wholly owned by the controlling shareholder	Receipt of integrated services	Fair market price	44,706	0.047	Quarterly	No material effect
China Railway Hongda Asset Management Center	Subsidiary wholly owned by the controlling shareholder	Payment of property rents	Fair market price	8,420	0.009	Monthly	No material effect
Total				57,188			

7. Significant Related Party Transactions (continued)

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

Significant related party transactions regarding sale of merchandise and provision of labor services

Unit: Thousand Currency: Renminbi

Related party	Related party relationship	Particulars of related party transaction	Pricing basis of related party transaction	Amount of related party transaction	Percentage in transactions under the same category (%)	Payment terms	Effect on profit of the Company
Yunnan Fuyan Expressway Co., Ltd.	Associate	Construction contracting	Fair market price	179,805	0.189	Determined monthly upon inspection, and paid quarterly	No material effect
Chongqing Dianzhong Expressway Co., Ltd.	Associate	Construction contracting	Fair market price	30,904	0.032	Determined monthly upon inspection, and paid quarterly	No material effect
Lince Railway. Co., Ltd.	Associate	Construction contracting	Fair market price	109,567	0.116	Determined monthly upon inspection, and paid quarterly	No material effect
CNTT Chinese New Turnout Technologies Co., Ltd.	Joint venture	Sale of products	Fair market price	792	0.001	Cash on delivery	No material effect
Total				321,068			

Significant related party transactions regarding transfer of assets and equity interests

During the reporting period, there was no significant related party transaction regarding transfer of assets and equity interests.



Significant Events (continued)

7. Significant Related Party Transactions (continued)

Related party balances of a non-operation nature

Unit: Ten thousands Currency: Renminbi

Related party	Relationship	Provision of funding to related party		Provision of funding by related party	
		Incurred	Balance	Incurred	Balance
Chengdu Huaxindazu Property Development Co., Ltd.	Associate	—	4,800	—	5,500
Lince Railway Co., Ltd.	Associate	—	134,152	—	—
Chengdu Longquanyi District Land Recondition Co., Ltd.	Associate	—	4,603	—	7,000
Chongqing Dianzhong Expressway Co., Ltd.	Associate	—	35,956	—	—
Chongqing Yulin Expressway Co., Ltd.	Joint venture	—	5,438	—	—
Hunan Qifansheng Real Estate Co., Ltd.	Other	—	75,480	—	10,000
Sichuan Chuangyu Investment Co., Ltd.	Associate	—	3,256	—	—
Guiyang Changqingteng Property Development Co., Ltd.	Associate	—	33,000	—	—
Guangsha Chongqing Yijian Property Development Co., Ltd.	Joint venture	—	10,846	—	—
Shaanxi Beichen Property Development Co., Ltd.	Associate	—	8,466	—	—
MKM Mining Co., Ltd.	Joint venture	—	13,086	—	—
Tong Chuan Hua Long Co., Ltd.	Associate	—	8,448	—	—
China Railway No. 2 Group Yongjingtang Printing Co., Ltd.	Associate	—	3,600	—	—
Exploitations Artisanales Au Congo	Other	—	321,852	—	—
CNTT Chinese New Turnout Technologies Co., Ltd.	Joint venture	—	—	—	2,801
China Railway Hongda Asset Management Center	Wholly owned subsidiary of the parent company	—	—	—	2,444
Guangxi Communications Infrastructure Construction Administration Bureau	Other	—	—	—	175,735
CRECG	Parent company	—	—	—	32,406
Luisha Mining Co., Ltd.	Joint venture	—	—	—	12,071
Total		—	662,983	—	247,957

Note: The table does not include entries already mentioned in "Related party transactions in the ordinary course of business" and "Significant related party transaction regarding transfer of assets and equity interests".

During the period, the listed company incurred nil and had a balance of nil in its provision of funding to the controlling shareholder and its subsidiaries.

Other significant related party transactions

During the reporting period, there was no other significant related party transaction.

8. Trusteeship

During the reporting period, the Company had no trusteeship.

9. Contracting

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

10. Leasing

During the reporting period, there was no material leasing by the Company.



11. Guarantee

Guarantee made by the Company, except those provided to its subsidiaries, is as follows.

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue? Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	Newspaper on which a provisional announcement was disclosed	Date on which a provisional announcement was disclosed
China Railway Engineering	Wholly-owned subsidiary	China International Water & Electric Corp.	5,005.82	2004-4-20	2004-4-20	2008-6-30	Suretyship of joint and several liability	No	No	No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Beijing Gaosheng Real Estate Development Co., Ltd.	30,000.00	2006-7-7	2006-7-7	2008-10-6	Suretyship of joint and several liability	No	No	No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	10,000.00	2007-4-6	2007-4-6	2009-10-5	Suretyship of joint and several liability	No	No	No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	2,000.00	2007-4-1	2007-4-1	2009-9-30	Suretyship of joint and several liability	No	No	No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Sinoral Bolar Train Ferry Co., Ltd.	17,000.00	2004-12-24	2004-12-24	2016-12-23	Suretyship of joint and several liability	No	No	No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yuman Fuyan Expressway Co., Ltd.	350,000.00	2007-4-5	2007-4-5	2011-4-4	Suretyship of joint and several liability	No	No	No	Yes	Associate		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yuman Fuyan Expressway Co., Ltd.	100,000.00	2007-8-30	2007-8-30	2022-8-30	Suretyship of joint and several liability	No	No	No	Yes	Associate		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yuman Fuyan Expressway Co., Ltd.	80,000.00	2007-12-20	2007-12-20	2022-12-20	Suretyship of joint and several liability	No	No	No	Yes	Associate		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	11,494.00	2007-12-28	2007-12-28	2010-12-28	Suretyship of joint and several liability	No	No	No	No	No		

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue amount?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	News paper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Owners of Shujin	3,920.40	2008-1-4	2008-1-4	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Owners of Longjun	6,399.40	2008-5-17	2008-6-17	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Owners of Xinjie	652.00	2007-3-1	2007-3-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Owners of Xicheng	18,265.88	2007-5-29	2007-5-29	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Owners of Shiheng Xincheng	1,664.00	2007-7-4	2007-7-4	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 3 Engineering	Wholly-owned subsidiary	Shanxi Local Coal Industry Co., Ltd.	163.41	2006-12-5	2006-12-5	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Yankuang Group Co., Ltd	6,339.80	2004-2-3	2004-2-3	Open	Suretyship of joint and several liability	No	No	No	No	No			

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	News paper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Personal mortgage for Yangguangdeng	8,683.50	2007-12-28	2007-12-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Personal mortgage for owners of Zhuliang Wan Pan	1,600.00	2007-11-1	2007-11-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Mortgage for owners of Xinglong Phase II	1,620.00	2007-11-1	2007-11-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Mortgage for owners of Fengdan Bailu	1,200.00	2007-11-1	2007-11-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	188.00	2005-12-6	2005-12-6	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,690.00	2005-12-6	2005-12-6	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,050.00	2005-5-16	2005-5-16	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	970.00	2005-5-16	2005-5-16	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	415.00	2006-4-29	2006-4-29	Open	Suretyship of joint and several liability	No	No	No	No	No			

Significant Events (continued)



11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Entry date of guarantee (Note 2)	Type of guarantee	Overdue? amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	News paper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	434.00	2006-4-29	2006-4-29	Open	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	899.00	2006-8-10	2006-8-10	2008-4-30	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,172.00	2006-8-10	2006-8-10	2008-4-30	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,141.00	2006-8-10	2006-8-10	2008-4-30	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,896.00	2006-8-10	2006-8-10	2008-4-30	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	299.00	2006-8-18	2006-8-18	2008-10-20	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	491.00	2007-2-16	2007-2-16	Open	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	737.00	2007-2-16	2007-2-16	Open	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Customers of China Railway "Shuanglongwan"	16,516.80	2007-4-23	2007-4-23	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No			
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Customers of China Railway "Xin Xianghe"	2,346.80	2008-3-24	2008-3-24	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No			

Significant Events (continued)

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guaranteee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	News paper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Customers of China Railway "Dragon City"	3,381.70	2007-1-12	2007-1-12	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Customers of China Railway Ruijing Ningcheng	4,109.10	2007-12-10	2007-12-10	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	600.00	2007-7-12	2007-7-12	2008-7-11	Suretyship of joint and several liability	No	No	No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	3,000.00	2008-5-23	2008-5-23	2009-6-22	Suretyship of joint and several liability	No	No	No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	500.00	2008-1-11	2008-1-11	2008-12-20	Suretyship of joint and several liability	No	No	No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	500.00	2008-1-11	2008-1-11	2009-1-10	Suretyship of joint and several liability	No	No	No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	Newspaper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	600.00	2008-1-23	2008-1-23	2009-1-21	Suretyship of joint and several liability	No	No	No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	139.85	2006-12-29	2006-12-29	2010-9-9	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	253.00	2005-1-21	2005-1-21	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	500.00	2005-1-21	2005-1-21	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	20.00	2006-11-27	2006-11-27	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	36.70	2007-7-10	2007-7-10	2008-2-15	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	30.00	2007-8-6	2007-8-6	Open	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	106.80	2007-9-14	2007-9-14	2008-4-13	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	61.10	2007-10-31	2007-10-31	2008-7-30	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	158.64	2007-11-9	2007-11-9	2008-6-31	Suretyship of joint and several liability	No	No	No	No	No			

Significant Events (continued)

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	Newspaper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	480.00	2007-11-9	2007-11-9	2008-5-31	Suretyship of joint and several liability	No		No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	536.00	2007-12-17	2007-12-17	Open	Suretyship of joint and several liability	No		No	No	No			
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	57.50	2008-1-24	2008-1-24	2008-4-25	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	143.75	2008-1-24	2008-1-24	2008-4-25	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	140.00	2008-3-12	2008-3-12	Open	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	70.00	2008-3-12	2008-3-12	Open	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	1,167.66	2008-3-13	2008-3-13	2008-10-11	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30

Significant Events (continued)



11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	Newspaper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway Major Bridge Engineering	Wholly-owned subsidiary	Zhong Jie Major Bridge (Zhengzhou) Cable Co. Ltd.	300.00	2008-6-23	2008-6-23	2009-6-22	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Tunnel	Wholly-owned subsidiary	Luoyang Fang Da Industry Co., Ltd.	800.00	2004-9-23	2004-9-23	2005-9-23	Suretyship of joint and several liability	No	800	Yes	No	No			
China Railway Tunnel	Wholly-owned subsidiary	Luoyang Fang Da Industry Co., Ltd.	1,000.00	2004-12-18	2004-12-18	2005-12-17	Suretyship of joint and several liability	No	1,000	Yes	No	No			
China Railway Tunnel	Wholly-owned subsidiary	Luoyang Fang Da Industry Co., Ltd.	2,000.00	2008-6-25	2008-6-25	2008-9-15	Suretyship of joint and several liability	No		Yes	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Tunnel	Wholly-owned subsidiary	Luoyang Fang Da Industry Co., Ltd.	2,000.00	2008-6-25	2008-6-25	2008-9-15	Suretyship of joint and several liability	No		Yes	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times	2008-4-30
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	24,817.65	2006-12-30	2006-12-30	2011-12-29	Suretyship of joint and several liability	No		No	No	No			
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	16,545.10	2007-1-1	2007-1-1	Prepayment Recovered	Suretyship of joint and several liability	No		No	No	No			
China Railway Construction	Wholly-owned subsidiary	Sheraton Wangji Yikang Industry Development Co., Ltd.	22,000.00	2003-12-29	2003-12-29	2008-12-29	Suretyship of joint and several liability	No		No	No	No			
China Railway Construction	Wholly-owned subsidiary	Fanyu Real Estate	12,600.00	2006-7-26	2006-7-26	2008-7-26	Suretyship of joint and several liability	No		No	No	No			

Significant Events (continued)

11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	Newspaper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway Construction	Wholly-owned subsidiary	Personal mortgage loans for the project of Beian Gongguan in Larenhou	2,272.00	2007-5-15	2007-5-15	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Liwangjia project	4,489.00	2006-1-1	2006-1-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Liwangjia project	3,104.00	2006-1-1	2006-1-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Shengshi Chang'an project	13,490.80	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Shengshi Chang'an project	3,484.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Shengshi Chang'an project	412.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Shengshi Chang'an project	599.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No	No	No	No	No			



11. Guarantee (continued)

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between Guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee (Note 2)	Type of guarantee	Overdue?*	Overdue amount (Note 1)	Counter guarantee available?	Guarantee fully fulfilled?	Provided to the related party?	Related party relationship	News paper on which a provisional announcement will be disclosed	Date on which a provisional announcement will be disclosed
China Railway Shanghai Bridge Group Co., Ltd.	Wholly-owned subsidiary	Shanghai Lubao Beer Co., Ltd.	400.00	1995-12-22	1995-12-22	1996-10-22	Suretyship of joint and several liability	Yes	1,524 (Note 1)	No	No	No			
China Railway Shanghai Bridge Group Co., Ltd.	Wholly-owned subsidiary	Shanghai Lubao Beer Co., Ltd.	500.00	1996-3-13	1996-3-13	1996-11-13	Suretyship of joint and several liability	Yes	1,524 (Note 1)	No	No	No			
China Railway Shanghai Bridge Group Co., Ltd.	Wholly-owned subsidiary	Shanghai Lubao Beer Co., Ltd.	800.00	1995-11-21	1995-11-21	1996-7-21	Suretyship of joint and several liability	Yes	1,524 (Note 1)	No	No	No			
China Railway Real Estate	Wholly-owned subsidiary	Purchasers of Shenzhen Noble International Garden	19,588.00	2008-1-15	2008-1-15	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No			
									38,733.51						
									833,847.15						
									350.00						
									178,742.40						
									1,012,589.55						
									17.19						
									530,000.00						
									182,536.98						
									—						
									712,536.98						

Foreign currency has been translated into RMB at the rate prevailing on the last day of the month on which the reporting day falls

Note 1: The total overdue amount for these three items amounted to RMB15,240,000.

Note 2: The term "open" refers to a time limit when or after the guarantee agreement has satisfied certain conditions, instead of a fixed particular date.

Significant Events (continued)



Significant Events (continued)

12. Entrusted Financial Management

During the reporting period, the Company did not entrust any other person to engage in cash asset management activity.

13. Other Material Contracts

Material contracts signed before the reporting period but remained effective during the reporting period

(i) *Infrastructure Construction Business*

On 3 September 2007, the Company signed the Construction Contract of Civil Works of Phase TJ-1 of the New Harbin-Dalian Passenger Railway Line with Harbin-Dalian Passenger Railway Line Co., Ltd.. The contract sum was RMB21,871,035,166 and the contracted construction period was 1,979 days.

In January 2006, the consortium comprising China Railway NO. 3 Engineering Group Co., Ltd., China Railway NO. 5 Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd., and China Railway NO. 5 Group NO. 6 Engineering Co., Ltd., all being subsidiaries of the Company, signed the Master Contract of Civil Construction Phase 4 (XXTJIV) of the Wulongquan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line with Wuhan-Guangzhou Passenger Railway Line Co., Ltd.. The contract sum was RMB9,233,127,930 and the construction period was from 1 February 2006 to 28 February 2009.

In January 2006, the consortium comprising China Railway NO. 4 Engineering Group Co., Ltd., China Railway NO. 4 Bridge Construction Co., Ltd., China Railway NO. 1 Engineering Group Co., Ltd., China Railway NO. 1 Bridge Construction Engineering Co., Ltd. and China Railway Major Bridge Engineering Group Co., Ltd., all being subsidiaries of the Company, signed the Master Contract and Supplemental Contract of Civil Construction Phase 2 (XXTJII) of the Wulongquan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line with Wuhan-Guangzhou Passenger Railway Line Co., Ltd.. The contract sum was RMB9,183,757,600 and the construction period was 36.5 months commencing 1 February 2006.

In November 2007, China Railway NO. 4 Engineering Group Co., Ltd., a subsidiary of the Company, entered into the Contract of Social Housing Projects in Cacuo-Dande District in Luanda, Angola with the government of Angola. The consideration of the contract amounted to US\$704,210,000 and the term was from March 2008 to May 2010.

13. Other Material Contracts (continued)

Material contracts signed before the reporting period but remained effective during the reporting period (continued)

(ii) *Survey, Design and Consulting Services Business*

On 28 December 2005, China Railway Eryuan Engineering Group Co. Ltd., a subsidiary of the Company, signed the Agreement on the Construction Works (Survey and Design) between Shaoguan (not inclusive) and Huadu (not inclusive) for the Wuhua Section of the New Wuhan-Guangzhou Passenger Railway (with supplemental agreement) with Wuhan-Guangzhou Passenger Railway Line Co., Ltd.. The contract sum was RMB338,050,000 and the contract term was from 1 September 2003 to 31 December 2009.

On 27 January 2005, China Railway Eryuan Engineering Group Co., Ltd., a subsidiary of the Company, signed the Master Construction Survey and Design Contract of Shenzhen Metro Line 3 with Shenzhen Metro Line 3 Investments Ltd.. The contract sum was RMB219,882,000 and the construction period was from 27 January 2005 to December 2009.

In January 2006, Huatie Engineering Consulting Co., Ltd., a subsidiary of the Company, signed the Construction Supervisory Contract of Phase 2 of the Wuhan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line with Wuhan-Guangzhou Passenger Railway Line Co., Ltd.. The contract sum was RMB175,845,700 and the construction period was from 5 January 2006 to 4 June 2011.

(iii) *Engineering Equipment and Component Manufacturing Business*

On 15 December 2006, each of China Railway Shanhaiguan Bridge Group Co., Ltd., China Railway Turnout & Bridge Co., Ltd. and China Railway Major Bridge NO. 7 Engineering Co., Ltd. (currently China Railway NO. 9 Bridge Engineering Co., Ltd. under China Railway Science & Industry Group Co., Ltd.), all being subsidiaries of the Company, signed the "Sales Contract (Major Bridge girder)" with China Railway Major Bridge Engineering Group Co., Ltd., respectively. The total contract sum was RMB395,000,000 and the total contract term was 24 months (till December 2008).

On 30 December 2007, China Railway Shanhaiguan Bridge Group Co., Ltd., a subsidiary of the Company, signed the Sales Contract (Cable-staged bridge girder) with Hubei Edong Changjing Expressway Bridge Co., Ltd.. The contract sum was RMB271,670,000 and the contract term was 21 months (till September 2009).

On 20 December 2005, China Railway Shanhaiguan Bridge Group Co., Ltd., a subsidiary of the Company, signed the Sales Contract (Steel Truss girder) with Chongqing Zhonggang Chaotianmen Yangtze River Bridge Project Construction Co., Ltd.. The contract sum was RMB245,710,000 and the contract term was 33 months.

On 14 September 2007, China Railway Turnout & Bridge Co., Ltd., a subsidiary of the Company, and Vssloh Cogifer S.A., the French party, jointly signed the Sales Contract (Expressway Turnout) with Hewu Railway Anhui Co., Ltd.. The contract sum was RMB235,490,000 and the contract term was 9 months (till September 2008).



Significant Events (continued)

13. Other Material Contracts (continued)

Material contracts signed before the reporting period but remained effective during the reporting period (continued)

(iv) *Property Development Business*

On 13 March 2006, China Railway NO. 2 Engineering Group Co., Ltd. signed the Cooperation Agreement for Daxian Cuipingshan Integrated Development Project with Sichuan Hongyuanxing Property Development Co., Ltd., to jointly establish a project company for the development of the Longjun project in Cuipingshan, Daxian. The estimated total investment of the project amounted to RMB790,260,000.

Material contracts signed during the reporting period

(i) *Infrastructure Construction Business*

On 31 January 2008, China Railway NO. 3 Engineering Group Co., Ltd., a subsidiary of the Company, signed the Construction Contract of Civil Works of Phase TJ-5 of the New Beijing-Shanghai Express Railway with the Preparation Unit & Beijing-Shanghai Passenger Railway Line Company. The contract sum was RMB11,315,769,591 and the contracted construction period was 48 months.

On 31 January 2008, China Railway NO. 1 Engineering Group Co., Ltd., a subsidiary of the Company, signed the Construction Contract of Civil Works of Phase TJ-2 of the New Beijing-Shanghai Express Railway with the Preparation Unit & Beijing-Shanghai Passenger Railway Line Company. The contract sum was RMB10,649,273,826 and the contracted construction period was 60 months.

On 12 January 2008, China Railway Tunnel Group Co., Ltd., a subsidiary of the Company, signed the Contract of Guojiang Tunnel Works of Qingchun Road, Hangzhou with Hangzhou Qingchun Road Guojiang Tunnel Co., Ltd.. The contract sum was RMB1,010,000,000 and the contracted construction period was from 1 May 2008 to 28 November 2010.

China Overseas Engineering Group Co., Ltd., being a subsidiary of the Company, and Morocco National Express Highway Company entered into a project construction contract on 15 March 2008 in relation to Section TAZA-PK31 (Bidding Section 3.3) and Section PK31-GUERCIF (Bidding Section 4.1) of the Moroccan east-west express highway involving a contract price totalling USD257,350,000 and a construction period of 30 months.

(ii) *Survey, Design and Consulting Services Business*

On 24 June 2008, China Railway Eryuan Engineering Group Co. Ltd., a subsidiary of the Company, signed the Master Contract for Surveying and Designing the West Extension of Shenzhen Metro Line 3 with Shenzhen Metro Line 3 Investments Ltd.. The contract sum was RMB92,380,000 and the contracted construction period was from 30 March 2007 to 31 December 2011.

On 10 June 2008, China Railway Engineering Consulting Group Co., Ltd., a subsidiary of the Company, signed the Agreement on the New Railway Works (Survey and Design) between Xilinhaote and Erlanhaote with Inner Mongolia Jitong Railway Co., Ltd.. The contract sum was RMB45,384,310.

13. Other Material Contracts (continued)

Material contracts signed during the reporting period (continued)

(iii) *Engineering Equipment and Component Manufacturing Business*

On 3 July 2008, China Railway Turnout & Bridge Co., Ltd. and Vossloh Cogifer S.A., the French party, jointly signed the Sales Contract (Expressway Turnouts) with Zhengxi Passenger Railway Line Co., Ltd.. The contract sum was RMB527,940,000 and the contract term was till September 2009.

On 21 May 2008, China Railway Shanhaiguan Bridge Group Co., Ltd. signed a sales contract (Battened Steel Box) with Ningbo Tongtu Investment and Development Co., Ltd.. The contract sum was RMB496,770,000 and the contract term was 20 months (till January 2010).

(iv) *Other Businesses*

On 20 April 2008, the Company signed the Contract of BT Engineering Projects in Bigui Road, Shunde District, Foshan City with Shunde Bureau of Transportation of Foshan City. The contract sum was RMB1,650,000,000 and the contract term was 24 months.

On 20 May 2008, the Company signed the Contract of Investment and Construction of BT Engineering Projects in Gaofu Road, Shunde District, Foshan City with Shunde Bureau of Transportation of Foshan City. The contract sum was RMB1,300,000,000 and the contract term was 24 months.

On 20 June 2008, the Company signed the Contract of Investment and Construction of BT Engineering Projects in Hongqi Road, Shunde District, Foshan City with Shunde Bureau of Transportation of Foshan City. The contract sum was RMB1,000,000,000 and the contract term was 24 months.

On 22 April 2008, the Company signed the Cooperation Agreement Regarding the Mining Development and Facilities Construction in Democratic Republic of Congo (the "Cooperation Agreement") with Sinohydro Corporation Limited ("Sinohydro") and the government of Democratic Republic of Congo. Meanwhile, China Railway Group (Hong Kong) Limited ("CRHK"), China Railway Sino-Congo Mining Limited ("CR Sino-Congo") and China Railway Resources Development Limited ("CR Resources"), all being subsidiaries of the Company, signed the Agreement Regarding the Establishment of the Joint Venture on the same date with Sinohydro International Engineering Co., Ltd. ("Sinohydro International"), Sinohydro Harbour Co., Ltd. ("Sinohydro Harbour"), both of which are wholly-owned subsidiaries of Sinohydro), La Sino-Congolaise des Mines (the national company for the mining industry in Congo) ("Congo Minerals") and Mr. Gilbert Kalamba Banika for the establishment of Societe Par Actions a Responsabilite Limited and adopted the articles of association for the proposed joint venture.



Significant Events (continued)

13. Other Material Contracts (continued)

Material contracts signed during the reporting period (continued)

(iv) *Other Businesses (continued)*

On 28 June 2008, the Company signed the Supplemental Agreement NO. 1 to the Cooperation Agreement Regarding the Mining Development and Facilities Construction in Democratic Republic of Congo (the "Supplemental Cooperation Agreement") with other PRC parties and the government of the Democratic Republic of Congo. According to the Cooperation Agreement and the Supplemental Cooperation Agreement, CRHK, CR Sino-Congo and CR Resources, all being wholly-owned subsidiaries of the Company, and other PRC parties, Congo Minerals, Mr. Gilbert Kalamba Banika and La Societe Immobiliere du Congo signed the Supplemental Agreement NO. 1 to the Agreement for the Establishment of Joint Venture (the "Supplemental Joint Venture Agreement") on 28 June 2008 and adopted the amended articles of association of the joint venture.

According to the above Supplemental Joint Venture Agreement, the registered capital of the Joint Venture remained unchanged at US\$100 million. Upon the change in shareholding structure, the Joint Venture will be held as to 28% by the Company, 40% by other PRC parties and 32% by the Congo party respectively.

14. Performance of Undertaking

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
Undertaking made by CRECG upon the Issue	<p>CRECG will not transfer or engage others to manage the Company's A Shares held by it within 36 months since the listing of A shares of the Company on the Shanghai Stock Exchange. Once the period of undertaking expires, the aforesaid shares may be traded in the market and transferred. However, if the H Shares of the Company is 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 is not subject to the lock-up period mentioned above.</p> <p>Upon its establishment in accordance with the law, CRECG, its subsidiary entities (other than China Railway) do 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 subsidiary entities. If CRECG or its subsidiary entities (other than China Railway) become(s) aware of a business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a pre-emptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiary entities. If CRECG or any of its subsidiary entities 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 subsidiary entities.</p>	CRECG had strictly complied with the above undertaking

15. Penalty and Rectification Order against the Company and its Directors, Supervisors, Senior Management, the Company's Shareholders and Ultimate Controller

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

16. Other Material Events and Explanation for their Impact and Solutions

Securities Investment

Unit: Yuan Currency: Renminbi

No	Stock Code	Abbreviation	Number of shares held as at the end of the period (shares)	Initial amount of investment	Book value as at the end of the period	Book value as at the beginning of the period	Accounting Items
1	601328	Bank of Communications	35,936,203.00	62,783,015.40	294,459,943.44	561,323,490.86	available-for-sale financial assets
2	600100	Tsinghua Tongfang	9,470,290.00	185,600,000.00	145,040,000.00	368,080,000.00	available-for-sale financial assets
3	000050	Shenzhen Tianma	19,000,000.00	186,390,000.00	132,430,000.00	267,710,000.00	available-for-sale financial assets
4	601601	China Pacific Insurance	6,000,000.00	7,644,000.00	115,500,000.00	296,700,000.00	available-for-sale financial assets
5	600978	Yihua Timber	13,050,000.00	72,600,000.00	59,769,000.00	163,299,000.00	available-for-sale financial assets
6	000518	Sihuan Bioengineering	8,574,375.00	5,000,000.00	33,182,831.25	57,105,337.50	available-for-sale financial assets
7	213008	Baoying Resources	28,641,646.03	51,315,345.80	27,478,795.20	84,620,107.40	available-for-sale financial assets
8	600100	Tsinghua Tongfang (placing of shares)	1,470,290.00	25,600,000.00	26,656,357.70	—	held-for-trading financial assets
9	601899	ZJKY	787,860.00	5,617,441.80	5,617,441.80	5,617,441.80	available-for-sale financial assets
10	601958	Jinduicheng Molybdenum	282,329.00	4,678,191.53	4,678,191.53	4,678,191.53	available-for-sale financial assets
Total				607,227,994.53	844,812,560.92	1,809,133,569.09	



Significant Events (continued)

16. Other Material Events and Explanation for their Impact and Solutions (continued)

Holdings of equity interests in non-listed financial entities

Unit: Yuan Currency: Renminbi

Name of Subject Company	Initial Investment cost	Number of shares held (Shares)	Percentage of total interests in the subject company (%)	Book Value as at the end of the period
Greatwall Securities Co., Ltd.	102,000,000	17,000,000	0.82	102,000,000
Chengdu City Commercial Bank Co. Ltd.	3,002,000	3,731,600	0.3	3,002,000
China Railway Hezhong Pawnbroking Co., Ltd.	8,000,000	—	40	8,000,000
Western Securities Co., Ltd.	10,000,000	10,000,000	1	10,000,000
Western Trust & Investment Co., Ltd.	9,094,630	9,094,630	1.39	9,094,630
Total	132,096,630			132,096,630

Retrospective undertaking in respect of selling restriction in 2008 for shareholders holding over 5% of shares of the Company

During the reporting period, there was no retrospective undertaking in respect of selling restriction in 2008 for shareholders holding over 5% of shares of the Company.

Statement on other material events

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

17. Implementation of Share Incentive Scheme of the Company and its effects

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

18. Review of Interim Financial Report

The 2008 interim financial report of the Company prepared in accordance with Chinese Accounting Standards and International Financial Reporting Standards respectively have not been audited. The interim financial report has been reviewed by the Audit Committee of the Board of Directors.

Definition and Glossary of Technical Terms

the Company or China Railway	China Railway Group Limited
the Group	the Company and its subsidiaries
CRECG	China Railway Engineering Corporation
BT	“Build-Transfer” mode
BOT	“Build-Operate-Transfer” mode
PPP	“Private Build-Public Lease-Private Operate” mode
Turnout	a component used for moving rails for route change where a single track splits to become two tracks, turnouts are used for railways
Truss	It is a structure in which a parallel pair of girders is supported with zigzag connecting units. Steel and concrete are usually used in such a structure
Cable-stayed bridge	It is a form of bridge that consists of a pylon at its centre, with a symmetrical number of cables spanning on both sides to support and balance its loading such as static load and dynamic load through the tensile force of such symmetrically-inclined cables. Usually such bridges are further categorized into fully-floating and semi-floating cable-stayed bridges, depending on the degree of attachment between the girders and the towers





Company Information

Directors

Executive Directors

SHI Dahua (*Chairman*)
LI Changjin
BAI Zhongren

Non-executive Directors

WANG Qiuming

Independent Non-executive Directors

HE Gong
ZHANG Qinglin
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

GAO Shutang (*Chairman*)
JI Zhihua
ZHANG Xixue
ZHOU Yuqing
LIN Longbiao

Joint Company Secretaries

YU Tengqun
TAM Chun Chung, *CPA, FCCA*

Qualified Accountant

TAM Chun Chung, *CPA, FCCA*

Authorized Representatives

BAI Zhongren
TAM Chun Chung, *CPA, FCCA*

Audit Committee

GONG Huazhang (*Chairman*)
SUN Patrick
WANG Qiuming

Remuneration Committee

ZHANG Qinglin (*Chairman*)
HE Gong
SUN Patrick
BAI Zhongren
WANG Qiuming

Strategy Committee

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

Nomination Committee

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

Safety, Health and Environmental Protection Committee

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

Registered Office

No. 1, Xinghuo Road
Fengtai District
Beijing 100070
China

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, Office Tower W2,
The Towers, Oriental Plaza,
1 East Chang An Avenue,
Beijing

International Auditor

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

Legal Advisors

For Hong Kong Law

Linklaters
10/F, Alexandra House,
Chater Road,
Hong Kong

For PRC Law

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

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

H Shares

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Listing Information

A Shares

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

H Shares

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

Principal Bankers

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

Company Website

<http://www.crec.cn>



Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 RMB million (unaudited)	2007 RMB million (restated)
Revenue	3	93,000	73,450
Cost of sales		(85,600)	(67,894)
Gross profit		7,400	5,556
Other income	4	1,086	536
Selling and marketing expenses		(496)	(389)
Administrative expenses		(4,828)	(4,245)
Gains on disposal of interests in subsidiaries		—	90
Interest income	5	543	448
Interest expenses	5	(887)	(795)
Share of losses of jointly controlled entities		(7)	(16)
Share of profits of associates		12	8
Profit before taxation		2,823	1,193
Income tax expense	6	(642)	(378)
Profit for the period	7	2,181	815
Attributable to:			
Equity holders of the Company		1,906	657
Minority interests		275	158
		2,181	815
Dividends	8	—	—
Earnings per share (Basic)	9	RMB0.089	RMB0.051

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	As at 30 June 2008 RMB million (unaudited)	As at 31 December 2007 RMB million (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	10	19,405	18,288
Deposit for acquisition of property, plant and equipment		916	683
Lease prepayments		6,106	6,091
Deposit for land use rights		14	14
Investment properties		890	794
Intangible assets	11	8,804	7,155
Mining assets		47	46
Interests in jointly controlled entities		639	651
Interests in associates		3,362	2,591
Goodwill		897	779
Available-for-sale financial assets		1,807	2,908
Other loans and receivables		1,336	989
Deferred income tax assets		1,905	1,925
Other prepayments		37	14
Other receivables	14	62	79
		46,227	43,007
Current assets			
Lease prepayments		121	106
Properties held for sale	12	620	665
Properties under development for sale	12	14,779	11,246
Inventories	13	14,643	10,407
Trade and other receivables	14	67,420	63,318
Amounts due from customers for contract work	15	36,169	27,021
Other loans and receivables		394	272
Held-for-trading financial assets		160	166
Restricted cash		2,115	2,170
Cash and cash equivalents	16	51,400	56,726
		187,821	172,097
Total assets		234,048	215,104



Condensed Consolidated Balance Sheet (continued)

As at 30 June 2008

	Notes	As at 30 June 2008 RMB million (unaudited)	As at 31 December 2007 RMB million (restated)
EQUITY			
Equity attributable to the equity holders of the Company		56,546	55,315
Minority interests		4,173	3,493
Total equity		60,719	58,808
LIABILITIES			
Non-current liabilities			
Other payables	17	475	233
Borrowings	18	13,648	10,239
Obligations under finance lease		391	69
Financial guarantee contracts		77	77
Retirement and other supplemental benefit obligations		8,323	8,650
Deferred income government grant		215	209
Deferred income tax liabilities		162	335
		23,291	19,812
Current liabilities			
Trade and other payables	17	112,913	95,838
Amounts due to customers for contract work	15	2,484	11,144
Current income tax liabilities		589	536
Borrowings	18	33,665	28,527
Obligations under finance lease		60	44
Financial guarantee contracts		2	10
Retirement and other supplemental benefit obligations		325	385
		150,038	136,484
Total liabilities		173,329	156,296
Total equity and liabilities		234,048	215,104
Net current assets		37,783	35,613
Total assets less current liabilities		84,010	78,620

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Equity attributable to the equity holders of the Company									
	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Statutory reserves RMB million (Note)	Exchange translation reserves RMB million	Investment revaluation reserves RMB million	Contributed capital and accumulated profits RMB million	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2008 (restated)	21,300	33,647	(3,556)	346	(24)	893	2,709	55,315	3,493	58,808
Exchange differences arising on translation of foreign operations	—	—	—	—	9	—	—	9	—	9
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	(684)	—	(684)	(176)	(860)
Others	—	—	—	—	—	—	—	—	3	3
Net (expense) income recognized directly in equity	—	—	—	—	9	(684)	—	(675)	(173)	(848)
Profit for the period	—	—	—	—	—	—	1,906	1,906	275	2,181
Total recognized income and expenses	—	—	—	—	9	(684)	1,906	1,231	102	1,333
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(14)	(14)
Purchase of additional interests in subsidiaries	—	—	—	—	—	—	—	—	(96)	(96)
Capital contribution	—	—	—	—	—	—	—	—	688	688
Transfer to reserve (Note)	—	—	—	6	—	—	(6)	—	—	—
At 30 June 2008 (unaudited)	21,300	33,647	(3,556)	352	(15)	209	4,609	56,546	4,173	60,719
At 1 January 2007 (restated)	—	—	—	—	(10)	8	7,019	7,017	3,514	10,531
Exchange differences arising on translation of foreign operations	—	—	—	—	15	—	—	15	1	16
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	365	—	365	12	377
Net income recognized directly in equity	—	—	—	—	15	365	—	380	13	393
Profit for the period	—	—	—	—	—	—	657	657	158	815
Total recognized income and expenses	—	—	—	—	15	365	657	1,037	171	1,208
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	225	225
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(52)	(52)
Purchase of additional interests in subsidiaries from employees	—	—	—	—	—	—	—	—	(1,892)	(1,892)
Purchase of additional interests in a subsidiary	—	—	—	—	—	—	(92)	(92)	(3)	(95)
Capital contribution	—	—	—	—	—	—	—	—	1,140	1,140
Disposal of partial interests in a subsidiary	—	—	—	—	—	—	—	—	(94)	(94)
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(276)	(276)
At 30 June 2007 (restated)	—	—	—	—	5	373	7,584	7,962	2,733	10,695

Note: Statutory reserves transferred from retained profits during the period represent general risk reserve of RMB6 million.

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



Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 RMB million (unaudited)	2007 RMB million (audited)
Net cash used in operating activities	(3,574)	(4,018)
Investing activities:		
Purchase of property, plant and equipment	(4,974)	(2,904)
Purchase of intangible assets	(1,679)	(971)
Acquisition of additional interest in subsidiaries	(1,300)	(1,433)
Net decrease (increase) in restricted cash	55	(1,065)
Others	1,281	(1,320)
Net cash used in investing activities	(6,617)	(7,693)
Financing activities:		
New borrowings	21,300	22,555
Repayment of borrowings	(15,332)	(20,925)
Capital contribution from minority interests	688	1,140
Interest paid	(1,116)	(885)
Dividend paid to minority shareholders of subsidiaries	(5)	(294)
Net cash generated from financing activities	5,535	1,591
Net decrease in cash and cash equivalents	(4,656)	(10,120)
Effect of foreign exchange rate changes	(670)	—
Cash and cash equivalents at the beginning of the period	56,726	29,721
Cash and cash equivalents at the end of the period	51,400	19,601

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

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

2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretations that have been issued by International Financial Reporting Interpretation Committee ("IFRIC") of International Accounting Standard Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions ¹
IFRIC 12	Service Concession Arrangements ²
IFRIC 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction ²

The adoption of IFRIC 11 and IFRIC 14 had no material impact on the results and financial position of the Group for the current or prior accounting periods. The adoption of IFRIC 12 had the following effects on the results or financial position of the Group for the current or prior accounting periods:

Service concession arrangements

In the current period, the Group has applied IFRIC 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008. The Group as toll road operator has access to operate the infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract. IFRIC 12 Service Concession Arrangements provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services. In prior periods, the Group's toll road infrastructure, which includes construction costs incurred on toll road infrastructure work which entitle them the operating rights of the toll road for the specified concession period, were recorded as intangible assets. Amortization of the toll road infrastructure was calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the toll road, on a straight-line basis.



Notes to the Condensed Consolidated Financial Statements (continued)

2. Principal accounting policies (continued)

Service concession arrangements (continued)

In accordance with IFRIC 12, infrastructure within the scope of this interpretation is not recognized as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with IAS 11 Construction Contracts for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with IAS 38 Intangible Assets to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with IAS 18 Revenue.

For the annual period beginning 1 January 2008, the Group applied this interpretation retrospectively and the financial impact on application of this interpretation is summarized below.

The effect of changes in accounting policies described above on the results for the current and prior period by line items presented according to their functions are as follows:

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Increase in construction revenue	1,625	961
Increase in construction cost	(1,595)	(942)
Increase in deferred income tax expense charged to profit and loss account	(7)	(5)
Increase in profit for the period	23	14

The cumulative effect of the application of IFRIC 12 as at 31 December 2007 is summarized below.

Balance sheet items

	As at 31 December 2007 (originally stated) RMB million	Adjustments RMB million	As at 31 December 2007 (restated) RMB million
Intangible assets	7,074	81	7,155
Deferred income tax liabilities	315	20	335
Equity attributable to the equity holders of the Company	55,254	61	55,315

Notes to the Condensed Consolidated Financial Statements (continued)

2. Principal accounting policies (continued)

Balance sheet items (continued)

The effect of the application of IFRIC 12 on the Group's entity as at 1 January 2007 is summarized as follows:

	As at 1 January 2007 (originally stated)	Adjustments	As at 1 January 2007 (restated)
	RMB million	RMB million	RMB million
Intangible assets	2,329	24	2,353
Deferred income tax liabilities	187	6	193
Equity attributable to the equity holders of the Company	6,999	18	7,017

The effects of the application of the new IFRIC 12 on the Group's basic earnings per share for the current and prior period are summarized below:

	Six months ended 30 June	
	2008 RMB	2007 RMB
Reported figures before adjustments	0.088	0.050
Adjustments arising from change in accounting policies	0.001	0.001
Restated basic earnings per share	0.089	0.051

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

International financial reporting standard ("IFRS")

IFRSs (Amendments)	Improvements to IFRS ⁶
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate ⁴
IFRS 2 (Amendment)	Vesting Conditions and Cancellations ⁴
IFRS 3 (Revised)	Business Combinations ⁵
IFRS 8	Operating Segments ⁴



Notes to the Condensed Consolidated Financial Statements (continued)

2. Principal accounting policies (continued)

IAS

IAS 1 (Revised)	Presentation of Financial Statements ⁴
IAS 23 (Revised)	Borrowing Cost ⁴
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ⁴

IFRIC

IFRIC 13	Customer Loyalty Programmes ³
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The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are still assessing the impact of the application of IFRSs (Amendments) and IFRS 1 & IAS 27 (Amendments) on the results and financial position of the Group.

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

¹ Effective for annual periods beginning on or after 1 March 2007

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 January 2009

⁵ Effective for annual periods beginning on or after 1 July 2009

⁶ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to IFRS 5, which is effective for annual periods beginning on or after 1 July 2009

Notes to the Condensed Consolidated Financial Statements (continued)

3. Segment information

The Group is organized into the following reportable segments:

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

Inter-segment revenue and transfers are charged at prices after negotiation between the relevant segments.



Notes to the Condensed Consolidated Financial Statements (continued)

3. Segment information (continued)

The segment information about these reportable segments is presented below.

(a) Business segments (Primary segment)

Consolidated results

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
Six months ended 30 June 2008							
External revenue	79,820	1,882	3,215	1,528	6,555	—	93,000
Inter-segment revenue	5,107	5	351	—	137	(5,600)	—
Segment revenue	84,927	1,887	3,566	1,528	6,692	(5,600)	93,000
Segment results	2,199	239	163	499	91	(54)	3,137
Unallocated corporate income							988
Unallocated corporate expenses							(1,034)
Unallocated interest income							510
Unallocated interest expenses							(783)
Share of losses of jointly controlled entities	(2)	—	(4)	(1)	—	—	(7)
Share of profits (losses) of associates	—	8	3	(1)	2	—	12
Profit before taxation							2,823
Income tax expense							(642)
Profit for the period							2,181

Notes to the Condensed Consolidated Financial Statements (continued)

3. Segment information (continued)

(a) Business segments (Primary segment) (continued)

Consolidated results (continued)

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
Six months ended							
30 June 2007							
External revenue	65,271	1,505	1,633	1,401	3,640	—	73,450
Inter-segment revenue	3,327	2	589	7	403	(4,328)	—
Segment revenue	68,598	1,507	2,222	1,408	4,043	(4,328)	73,450
Segment results	734	67	67	285	116	(34)	1,235
Unallocated corporate income							357
Unallocated corporate expenses							(83)
Unallocated interest income							337
Unallocated interest expenses							(735)
Share of losses of jointly controlled entities	(13)	—	—	(3)	—	—	(16)
Share of profits (losses) of associates	—	7	4	1	(4)	—	8
Gain on disposal of interests in subsidiaries							90
Profit before taxation							1,193
Income tax expense							(378)
Profit for the period							815

(b) Geographical segments (Secondary segment)

More than 90% of the Group's turnover, profit before taxation, assets and liabilities were derived from and located in the Mainland China and, therefore, no geographical segments were presented.



Notes to the Condensed Consolidated Financial Statements (continued)

4. Other income

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Dividend income	54	6
Foreign exchange gain	—	14
Government subsidies	26	24
Compensation income (Note (a))	3	30
Relocation compensation from government	71	4
Gains on disposal of:		
Property, plant and equipment	22	29
Lease prepayments	—	24
Available-for-sale financial assets	25	8
Held-for-trading financial assets	39	62
Discount on acquisition of additional interests in subsidiaries	—	57
Amortisation of financial guarantee contracts	8	11
Fair value increase on held-for-trading financial assets	—	29
Income from sundry operations (Note (b))	223	137
Net premium income from structured financial products	366	—
Others	249	101
	1,086	536

Notes:

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

Notes to the Condensed Consolidated Financial Statements (continued)

5. Interest income and expenses

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	507	248
Imputed interest on retention receivables	33	111
Held-to-maturity financial assets	—	89
Available-for-sale financial assets	3	—
Total interest income	543	448
Interest expense on:		
Bank borrowings wholly repayable:		
— Within five years	1,049	822
— After five years	3	27
Short term debentures	37	38
Other long term loans	5	—
	1,094	887
Imputed interest expense on retention payables	6	18
Other finance costs	98	42
Total borrowing costs	1,198	947
Less: Amount capitalized	(311)	(152)
Total interest expenses	887	795

6. Income tax expense

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	509	633
Land Appreciation Tax ("LAT")	20	—
Deferred tax	113	(255)
	642	378



Notes to the Condensed Consolidated Financial Statements (continued)

6. Income tax expense (continued)

On 16 March 2007, PRC promulgated the Law of the PRC on EIT by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued the implementation Regulation of the EIT. The EIT and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1 January 2008 except for certain subsidiaries which were either exempted from EIT or entitled to different preferential tax rates of 15% or 16.5% during both periods.

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

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

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

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Profit before taxation	2,823	1,193
Tax at domestic income tax rate of 25% (Six months ended 30 June 2007: 33%)	706	394
Tax effect of:		
Non-deductible expenses	40	87
Non-taxable income	(7)	(122)
Tax losses not recognized as deferred tax assets	40	7
Utilisation of tax losses not previously recognized	(3)	(65)
Differential tax rates on income of group companies	(112)	(25)
Deferred tax changes resulting from changes in applicable tax rates	—	89
Others	(22)	13
	642	378

Notes to the Condensed Consolidated Financial Statements (continued)

7. Profit for the period

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

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
Depreciation and amortization of:		
Property, plant and equipment	1,685	1,353
Lease prepayments	42	23
Investment properties	10	11
Intangible assets	33	7
Total depreciation and amortization	1,770	1,394
Loss (Gain) on disposal and write-off of property, plant and equipment	6	(29)
Loss on disposals of interest in associates	—	10
Foreign exchange losses (gains), net (included in administrative expenses)	670	(14)
Impairment loss recognized (reversed) on:		
Property, plant and equipment	—	14
Interests in associates	—	2
Available-for-sale financial assets	—	14
Trade and other receivables	22	104
Loan receivables	(8)	—

8. Dividends

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: Nil).

9. Earnings per share

Basic earnings per share for the six months ended 30 June 2008 and 2007 is calculated by dividing the profit attributable to the equity holders of the Company of RMB1,906 million (Six months ended 30 June 2007: RMB657 million) by the weighted average number of 21,299,900,000 ordinary shares issued and determined on the assumption that the 12,800,000,000 ordinary shares issued upon the incorporation of the Company had been in issue since 1 January 2007, respectively.

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



Notes to the Condensed Consolidated Financial Statements (continued)

10. Property, plant and equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans- portation equipment RMB million	Manu- facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2008	6,832	12,415	4,366	2,183	809	2,328	1,324	30,257
Additions	334	955	392	105	3	194	1,152	3,135
Acquisitions of subsidiaries	1	—	—	—	—	4	—	5
Disposals/write-offs	(86)	(433)	(123)	(35)	(39)	(69)	—	(785)
Transfer upon completion	175	65	5	17	—	7	(269)	—
Transfer to investment properties	(19)	—	—	—	—	—	—	(19)
At 30 June 2008	7,237	13,002	4,640	2,270	773	2,464	2,207	32,593
DEPRECIATION AND IMPAIRMENT								
At 1 January 2008	1,833	5,400	2,247	1,029	371	1,084	5	11,969
Provided for the period	188	790	353	115	16	223	—	1,685
Disposals/write-offs	(39)	(246)	(83)	(22)	(12)	(64)	—	(466)
At 30 June 2008	1,982	5,944	2,517	1,122	375	1,243	5	13,188
CARRYING VALUES								
At 30 June 2008	5,255	7,058	2,123	1,148	398	1,221	2,202	19,405
CARRYING VALUES								
At 31 December 2007	4,999	7,015	2,119	1,154	438	1,244	1,319	18,288

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

The carrying values of infrastructure construction equipment include amounts of RMB109 million (31 December 2007: RMB115 million) in respect of assets held under finance leases.

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB267 million (31 December 2007: RMB591 million).

Notes to the Condensed Consolidated Financial Statements (continued)

11. Intangible assets

	Allocated land RMB million	Concession rights RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST							
At 1 January 2008	6	7,072	62	5	29	50	7,224
Additions	—	1,625	—	—	6	25	1,656
Acquisition of subsidiaries	—	—	—	—	—	26	26
At 30 June 2008	6	8,697	62	5	35	101	8,906
AMORTIZATION AND IMPAIRMENT							
At 1 January 2008	—	—	24	3	14	28	69
Provided for the period	—	—	12	—	4	17	33
At 30 June 2008	—	—	36	3	18	45	102
CARRYING VALUES							
At 30 June 2008	6	8,697	26	2	17	56	8,804
CARRYING VALUES							
At 31 December 2007	6	7,072	38	2	15	22	7,155

The rights in respect of toll road income under four (31 December 2007: three) concession agreements with an aggregate carrying amount of RMB6,385 million (31 December 2007: RMB5,329 million) are pledged against certain banking facilities of the Group.

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

Category	Estimated useful lives
Concession rights	the shorter of the concession period or 30 years
Non-patented technologies	1 to 8 years
Patents	3 years
Computer software	1 to 8 years
Others	3 to 49 years

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

Properties under development for sale amounting to RMB814 million (2007: RMB935 million) have been pledged to secure the banking facilities.

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



Notes to the Condensed Consolidated Financial Statements (continued)

13. Inventories

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Raw materials and consumables	10,100	7,241
Work in progress	1,283	1,062
Finished goods	3,260	2,104
	14,643	10,407

14. 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 normally at 180 days may be granted to large or long-established customers with good repayment history. Revenue from small, new or short-term customers is normally expected to be settled shortly after provision of services or delivery of goods.

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Trade and bills receivables	37,981	41,388
Less: impairment	(911)	(939)
	37,070	40,449
Other receivables (net of impairment)	14,206	12,408
Advance to suppliers	16,206	10,540
	67,482	63,397
Less: Amount due after one year included in non-current assets	(62)	(79)
Amount due within one year included in current assets	67,420	63,318

Included in trade and bills receivables are retention receivable of RMB13,098 million (31 December 2007: RMB10,395 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.

Notes to the Condensed Consolidated Financial Statements (continued)

14. Trade and other receivables (continued)

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

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Less than six months	16,436	17,814
Six months to one year	12,338	15,585
One year to two years	5,698	5,296
Two years to three years	1,874	1,157
More than three years	724	597
	37,070	40,449

The Group's major customers are PRC Government agencies and other state-owned enterprises. Trade receivables due from PRC state-owned enterprises are disclosed in Note 22.

Trade and bills receivables of RMB684 million (31 December 2007: RMB386 million) were pledged against bank borrowings of the Group.

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

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Contract costs incurred plus recognized profits		
less recognized losses	608,942	492,291
Less: Progress billings	(575,257)	(476,414)
	33,685	15,877
Analyzed for reporting purpose:		
Amounts due from customers for contract work	36,169	27,021
Amounts due to customers for contract work	(2,484)	(11,144)
	33,685	15,877



Notes to the Condensed Consolidated Financial Statements (continued)

16. Cash and cash equivalents

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Bank balances and cash denominated in:		
RMB	31,184	35,843
USD	12,985	9,899
Other currencies	7,231	10,984
	51,400	56,726

17. Trade and other payables

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Trade and bills payables	52,675	54,120
Advance from customers	39,884	22,145
Accrued payroll and welfare	1,824	1,982
Other taxes	2,874	3,030
Other payables	16,131	14,794
	113,388	96,071
Analyzed for reporting purposes as:		
Non-current	475	233
Current	112,913	95,838
	113,388	96,071

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payable are retention payable of RMB3,896 million (31 December 2007: RMB3,117 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

Notes to the Condensed Consolidated Financial Statements (continued)

17. Trade and other payables (continued)

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

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Less than one year	44,770	47,821
One year to two years	5,752	4,730
Two years to three years	1,206	964
More than three years	947	605
	52,675	54,120

18. Borrowings

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Bank loans:		
Secured	5,786	6,599
Unsecured	39,427	28,158
	45,213	34,757
Short-term debentures, unsecured	2,087	2,657
Other short-term loans, unsecured	13	680
Other long-term loans, unsecured	—	672
	47,313	38,766
Analyzed for reporting purposes:		
Non-current	13,648	10,239
Current	33,665	28,527
	47,313	38,766



Notes to the Condensed Consolidated Financial Statements (continued)

19. Acquisition of subsidiaries

During the period, the Group acquired a 100% interest in 克什克騰旗滙豐礦業有限責任公司 for a consideration of RMB20.5 million, a 100% interest in 林西縣滙豐礦業有限責任公司 for a consideration of RMB2.3 million and a 100% interest in 克什克騰旗天博礦業有限責任公司 for a consideration of RMB14.6 million.

The carrying amounts and fair value of net assets acquired in the transactions and the goodwill arising are as follows:

	RMB million
Carrying amounts and fair value of net assets acquired:	
Property, plant and equipment	5
Intangible assets	26
Inventories	2
Trade and other payables	(25)
Net assets acquired	8
Goodwill	29
Total consideration, satisfied by cash	37
Net cash outflow arising on acquisition:	
Cash consideration paid	(37)

The contribution to the Group's revenue and profit by the above subsidiaries in the period of acquisition is as follows:

	Six months ended 30 June 2008 RMB million
Revenue	15
Profit for the period	8

Notes to the Condensed Consolidated Financial Statements (continued)

19. Acquisition of subsidiaries (continued)

If the above acquisitions have been completed at the beginning of the year of acquisition, the contribution to the Group's revenue and profit in the period of acquisition will be as follows:

	Six months ended 30 June 2008 RMB million
Revenue	16
Profit for the period	9

The pro forma information disclosed above is only for illustrative purpose and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of respective periods, nor is it intended to be a projection of future results.

20. Contingent liabilities

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Pending lawsuit (Note)	220	220

Note: A subsidiary (the "Guarantor") has provided a guarantee to a bank for a bank loan of RMB220 million to an independent party (the "Borrower"). The bank has brought a lawsuit against the Borrower for the repayment of the outstanding principal and the attributable interest (including penalty interest) and against the Guarantor for the fulfilment of its responsibility under the guarantee. In March 2008, the court gave a judgement in favour of the bank and demanded the Guarantor to fulfill its responsibility under the guarantee to pay the outstanding principal, interest and penalty to the bank. Then the Guarantor lodged an appeal to the court to overrule the previous court judgement. On the other hand, the bank and two independent parties have entered into a debt restructuring agreement so that the two independent parties undertake to repay the outstanding bank loan of RMB220 million and the attributable interest. Based on a legal opinion and the debt restructuring agreement, the Directors consider that the Guarantor is not liable for paying any compensation and the litigation has no impact on the Group's state of affairs at the balance sheet date and the results for the period.

The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.



Notes to the Condensed Consolidated Financial Statements (continued)

20. Contingent liabilities (continued)

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

	As at 30 June 2008		As at 31 December 2007	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilized by:				
Jointly controlled entity and associate	5,300	2008–2027	5,150	2008–2027
Other state-owned enterprises	527	2008–2011	808	2008–2011
Property purchasers	1,304	2008–2010	1,001	2008–2010
Other independent parties	1,207	2008–2016	1,382	2008–2016
	8,338		8,341	

21. Commitments

Capital expenditure

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Acquisition of property, plant and equipment contracted but not provided for	3,664	11,722

Investment commitment

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

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Capital contribution to jointly controlled entities	572	1,973

Notes to the Condensed Consolidated Financial Statements (continued)

22. Related party transactions

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

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

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

Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2008 RMB million	2007 RMB million
<i>Transactions with the CRECG and its subsidiaries not comprising the Group (“CRECG Group”)</i>		
Service expenses paid	—	1
Rental fee	8	—
<i>Transactions with jointly controlled entities</i>		
Revenue from construction contracts	1	19
Revenue from consulting service	—	10
<i>Transactions with associates</i>		
Revenue from construction contracts	320	1,196
<i>Transactions with minority shareholders of subsidiaries</i>		
Purchases	4	—
<i>Transactions with other state-owned enterprises</i>		
Revenue from construction contracts	33,536	33,346
Revenue from design and other services	5,667	278
Purchases	3,771	906
Interest income on bank balances	231	116
Interest expenses on bank borrowings	425	524



Notes to the Condensed Consolidated Financial Statements (continued)

22. Related party transactions (continued)

Balances with related parties

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
<i>Balances with the CRECG Group</i>		
Other receivables	—	80
Trade payables	2	6
Other payables	33	103
<i>Balances with jointly controlled entities</i>		
Trade receivables	5	6
Other receivables	24	47
Other payables	14	43
Advance from customers	1	18
<i>Balances with associates</i>		
Trade receivables	156	383
Other receivables	80	530
Advance to suppliers	—	18
Trade payables	—	12
Other payables	13	288
Advance from customers	—	855
<i>Balances with other state-owned enterprises</i>		
Trade receivables	14,699	18,360
Other receivables	5,021	2,583
Bank balances	14,722	39,385
Trade payables	3,992	3,963
Other payables	3,736	917
Bank borrowings	16,744	16,217
Other borrowings	—	320
<i>Balances with minority shareholders of subsidiaries</i>		
Other receivables	75	113
Trade payables	—	298
Advance to suppliers	—	24
Other payables	186	186
Other borrowings	—	23
Other loans and receivables	—	30
<i>Balance with joint venture partner of jointly controlled entities</i>		
Other loans and receivables	322	129

In addition, the Group provided guarantees to banks in respect of banking facilities utilized by a jointly controlled entity, an associate and other state-owned enterprises, the maximum exposure of which are disclosed in Note 20.



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