Stock Code: 1186

中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

Interim Report (H Share)

2009

Contents

"Any discrepancies between totals and sum of amounts in any table are due to rounding."

Corporate Information

Chinese name	中國鐵建股份有限公司
English name	CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED
Date of registration of the Company	5 November 2007
Registered office and head office	East, No. 40 Fuxing Road, Haidian District, Beijing, the PRC
Principal place of business in Hong Kong	23/F, Railway Plaza, 39 Chatham Road South, Hong Kong
Legal representative of the Company	Li Guorui
Joint company secretaries	Li Tingzhu Law Chun Biu
Information and enquiry department	Secretarial Office to the Board of Directors
Telephone	8610 5268 8600
Facsimile	8610 5268 8302
Website address	www.crcc.cn
E-mail	ir@crcc.cn
H share registrar	Computershare Hong Kong Investor Services Limited 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Place of listing of shares	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
Stock short name	China Rail Cons
Stock code	1186 (Hong Kong) 601186 (Shanghai)

Principal bankers	Industrial and Commercial Bank of China Limited China Construction Bank Corporation Bank of China Limited Bank of Communications Co., Ltd.
Independent Auditors	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Legal advisers	As to Hong Kong law: Baker & McKenzie 23/F, One Pacific Place, 88 Queensway, Hong Kong As to PRC law: Beijing Deheng Law Office 12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing, China

Financial Highlights

The financial position of China Railway Construction Corporation Limited (the "Company" or "CRCC") and its subsidiaries (the "Group") as at 30 June 2009 and financial results for the six months ended 30 June 2009 ("reporting period") are as follows:

- Revenue from operations totalled RMB126,247.6 million, representing an increase of 58.2% from RMB79,777.5 million in the corresponding period of last year.
- Net profit totalled RMB2,245.6 million representing an increase of 48.9% from RMB1,508.4 million in the corresponding period of last year.
- Profit attributable to equity holders of the Company amounted to RMB2,221.0 million, representing an increase of 45.7% from RMB1,524.8 million in the corresponding period of last year.
- Basic earnings per share amounted to RMB0.1800, representing an increase of 25.4% from RMB0.1435 in the corresponding period of last year.
- Total assets as at 30 June 2009 amounted to RMB246,188.2 million, representing an increase of 11.9% from RMB220,101.5 million as at 31 December 2008.
- Total equity as at 30 June 2009 amounted to RMB49,440.3 million, representing an increase of 2.4% from RMB48,301.3 million as at 31 December 2008.
- Accumulated new contract value increased by 87.0% to RMB257,348.7 million over the corresponding period of last year, including new overseas contract value of RMB50,233.4 million.
- Outstanding contract value reached RMB589,243.0 million, representing an increase of 25.1% from RMB471,089.0 million as at 31 December 2008.

Chairman's Statement

Dear Shareholders,

In the first half of 2009, CRCC seized opportunities from the increase of infrastructure construction as a result of the State response to tackling the international financial crisis and persisted in its ideas regarding "grasping opportunities to maintain growth, regulating and optimizing standards, strengthening control to increase effectiveness, furthering reform mechanisms" to step up operational power, enhance corporate management, expedite restructuring, continuously improve core competitiveness and continue to maintain the rapid and healthy development of production operations, with major operational and financial benchmarks hitting new historical highs compared to the same period in previous years. The Fortune 500 ranking increased to 252 from 356 in 2008.

During the reporting period, new contract values, revenue from operations and net profit of the Group amounted to RMB257,348.7 million, RMB126,247.6 million and RMB2,245.6 million, representing an increase of 87.0%, 58.2% and 48.9% over the same period last year respectively. As at the end of the reporting period, the Group's value of outstanding contracts amounted to RMB589,243.0 million, increased by 25.1% as compared to RMB471,089.0 million as at 31 December 2008. The operations of the six segments grew steadily.

During the reporting period, despite the adverse impacts of the spreading of the international financial crisis and the global economic downturn, the Group's overseas operations still achieved favourable, better-than-expected results. The total new overseas contract value amounted to RMB50,233.4 million, representing an increase of 98.0% as compared to the same period last year; revenue from overseas operations amounted to RMB7,296.8 million, representing an increase of 27.2% as compared to the same period last year.

Looking forward to the second half of this year, the world economy will hopefully bottom out and stabilise and the recovery of the Chinese economy will speed up and the rate of the construction of infrastructure, particularly railways, will further accelerate. The Group will firmly grasp this rare historical opportunity. With the promotion of rapid industry development and restructuring as the major focus, and the comprehensive integration of essential operation elements and the upgrading of operation capabilities as the core, the Group will insist on scientific operation and innovation, and will strive to seize domestic and international infrastructure markets, increase task reserves, expeditiously drive the business growth of all segments, realize the concurrent growth of marketing and production scale and capacity and operation and effectiveness with a view to striving to exceed the development target for the year.

Li Guorui
Chairman

Management's Discussion and Analysis of Financial Conditions and Results of Operations

The content of this section should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Group as set out herein (including the relevant notes).

(I) OVERVIEW

In the first half of 2009, under the combined impact of the continuous spreading of the global financial crisis and the increase of infrastructural investment by the State, the development of the Group is facing opportunities on one hand and challenges on the other. Through unified planning and arrangement and reasonable plans, the Group's internal and external economies of scale achieved greater growth, the amounts of both domestic and overseas new contracts reached historical new peaks for the same period of previous years.

The following is a comparison between the financial results of the Group for the six months ended 30 June 2009 and the financial results for the same period in 2008.

Results of operations

For the six months ended 30 June 2009, the Group's profit before tax amounted to RMB2,971.5 million, representing an increase of 55.7% over RMB1,908.7 million for the same period last year. Profit attributable to equity holders of the Company amounted to RMB2,221.0 million, representing an increase of 45.7% compared to the same period last year. Basic earnings per share of the Group were RMB0.1800.

Revenue

For six months ended 30 June 2009, the Group's revenue amounted to RMB126,247.6 million, representing an increase of 58.2% over RMB79,777.5 million for the same period last year. The increase was mainly attributable to the greater increase in operating revenue from all business segments of the Group.

Cost of sales

For the six months ended 30 June 2009, the Group's cost of sales increased by 59.3% to RMB117,826.1 million from RMB73,979.6 million for the same period last year.

(I) OVERVIEW (continued)

New and outstanding contracts

During the reporting period, the Group's accumulated new contracts amounted to a total value of RMB257,348.7 million, representing an increase of 87.0% compared to the same period last year. Of which, the value of new domestic contracts amounted to RMB207,115.3 million, representing an increase of 84.5% compared to the same period last year, setting a historical new high level over the same periods of previous years. In particular, overseas operations still managed to achieve extraordinary results surpassing expectations despite the adverse impacts of the spreading global financial crisis and the world economic recession. The value of new contracts signed amounted to RMB50,233.4 million, representing an increase of 98.0% compared to the same period last year. As at the end of the reporting period, the Group's accumulated value of outstanding contracts amounted to RMB589,243.0 million.

During the reporting period, construction operations, being the Group's core business, continued faster growth and its realised new contract value reached RMB241,745.9 million, accounting for 93.9% of the total new contract value. Of which, new contract value realised by railway projects amounted to RMB136,282.4 million, accounting for 56.4%, representing an increase of 69.5% compared to the same period last year. New contract value realised by road projects amounted to RMB53,299.2 million, accounting for 22.1 %, representing an increase of 329.6% compared to the same period last year. New contract value realised by metropolitan railway transportation projects amounted to RMB26,796.9 million, accounting for 11.1%, representing an increase of 209.4% compared to the same period last year. The scope of business encompassed all the cities where railway transportation construction was being implemented, and significant breakthroughs were also achieved in overseas markets for metropolitan railway transportation.

During the reporting period, new contract value realised by survey, design and consultancy operations reached RMB2,926.7 million, representing an increase of 73.1% compared to the same period last year.

During the reporting period, value of new contracts realised by manufacturing operations reached RMB3,348.5 million, representing an increase of 279.5% compared to the same period last year.

In the segment of other operations, new contract value realised by logistics operations reached RMB9,080.3 million representing an increase of 38.0% over the same period last year.

(Unit: RMB100 million)

	New contract value			Outstanding contract value		
Name of project	The reporting period	The same period of 2008	Increase (%)	As at the end of reporting period	As at the end of 2008	Increase (%)
Construction operations	2,417.459	1,273.680	89.8	5,761.432	4,590.908	25.5%
Survey, design and consultancy operations	29.267	16.909	73.1	25.385	24.263	4.6%
Manufacturing operations	33.485	8.823	279.5	36.370	40.397	-10.0%
Other operations	93.276	76.745	21.5	69.243	55.321	25.2%
Total	2,573.487	1,376.157	87.0	5,892.430	4,710.890	25.1%

(I) OVERVIEW (continued)

Finance revenue

The finance revenue of the Group mainly includes bank interest income. For the six months ended 30 June 2009, the Group's finance revenue decreased by 38.0% to RMB 371.4 million from 599.3 million for the six months ended 30 June 2008. The decrease was mainly attributable to a decrease in interest rate, and a greater amount unused proceeds raised from the IPO during the same period of last year.

Finance costs

The finance costs of the Group include interest and finance expenses of bank borrowings, other borrowings, finance leases and discounted notes, less capitalised interest for construction in progress and construction contracts. For the six months ended 30 June 2009, the Group's finance costs decreased by 14.9% to RMB548.2 million from RMB643.9 million for the six months ended 30 June 2008.

Share of profits of jointly-controlled entities and associates

For the six months ended 30 June 2009, the Group's share of profits of jointly-controlled entities and associates decreased by RMB7.8 million or 120.0% to a loss of RMB1.3 million from a profit of RMB6.5 million for the six months ended 30 June 2008.

Income tax expenses

For the six months ended 30 June 2009, the Group's income tax expenses increased by 81.4% to RMB725.8 million from RMB400.2 million for the six months ended 30 June 2008.

Minority interests

For the six months ended 30 June 2008, the loss attributable to minority interests of the Group amounted to RMB16.4 million; whereas for the six months ended 30 June 2009, the profit attributable to minority interests of the Group amounted to RMB24.7 million.

(II) DISCUSSION OF THE GROUP'S OPERATING RESULTS BY SEGMENT

The following table sets out the Group's revenue, profit from operations and operating margin for the periods as indicated below:

	Revenue For the six months ended 30 June		Profit from operations For the six months ended 30 June		Operating margin For the six months ended 30 June
	2008	2009	2008	2009	2009
	(RMB million)		(RMB million)		(%)
Construction operations	74,716.4	114,328.1	1,472.2	2,599.9	2.3
Survey, design and consultancy operations	1,883.2	2,783.5	163.5	223.6	8.0
Manufacturing operations	1,402.0	2,666.6	151.3	136.6	5.1
Others	3,074.5	7,324.2	159.8	189.5	2.6
Subtotal	81,076.1	127,102.4	1,946.8	3,149.5	2.5
Inter-segment elimination	(1,298.6)	(854.9)	—	—	—
Total	79,777.5	126,247.6	1,946.8	3,149.5	2.5

1. *Construction operations*

The principal profit and loss information for the Group's construction operations before elimination of inter-segment sales is as follows:

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Segment revenue	74,716.4	114,328.1
Cost of sales	(69,889.2)	(107,426.2)
Selling and distribution costs	(314.0)	(206.7)
Administrative expenses and others	(3,041.0)	(4,095.4)
Segment results	1,472.2	2,599.9
Depreciation and amortization	1,612.3	2,552.9

(II) DISCUSSION OF THE GROUP'S OPERATING RESULTS BY SEGMENT (continued)

1. *Construction operations (continued)*

Segment revenue. For the six months ended 30 June 2009, the Group's segment revenue before elimination of inter-segment sales from construction operations increased by 53.0% to RMB114,328.1 million from RMB74,716.4 million for the six months ended 30 June 2008. The growth in the revenue from operations in the railway market was the major driving factor for the growth in the construction operations of the Group.

Cost of sales. For the six months ended 30 June 2009, the Group's cost of sales before elimination of inter-segment sales from construction operations increased by 53.7% to RMB107,426.2 million from RMB69,889.2 million for the six months ended 30 June 2008.

Selling and distribution costs. For the six months ended 30 June 2009, the Group's selling and distribution costs from construction operations decreased by 34.2% or RMB107.3 million to RMB206.7 million from RMB314.0 million for the six months ended 30 June 2008.

Administrative expenses and other expenses. For the six months ended 30 June 2009, administrative expenses for the construction operations of the Group increased by 34.7% to RMB4,095.4 million from RMB3,041.0 million for the six months ended 30 June 2008.

Segment results. For the six months ended 30 June 2009, total profit from the construction operations of the Group increased by RMB1,127.7 million to RMB2,599.9 million from RMB1,472.2 million for the six months ended 30 June 2008. For the six months ended 30 June 2009, the operating margin for the construction operations of the Group increased to 2.3% from 2.0% for the six months ended 30 June 2008.

(II) DISCUSSION OF THE GROUP'S OPERATING RESULTS BY SEGMENT (continued)

2. *Survey, design and consultancy operations*

The principal profit and loss information for the Group's survey, design and consultancy operations before elimination of inter-segment sales is as follows:

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Segment revenue	1,883.2	2,783.5
Cost of sales	(1,463.1)	(2,235.9)
Selling and distribution costs	(50.7)	(111.7)
Administrative expenses and others	(206.0)	(212.3)
Segment results	163.5	223.6
Depreciation and amortization	44.1	45.7

Segment revenue. For the six months ended 30 June 2009, the Group's segment revenue before elimination of inter-segment sales from survey, design and consultancy operations increased by 47.8% to RMB2,783.5 million from RMB1,883.2 million for the six months ended 30 June 2008, which was mainly attributable to the larger number of new projects undertaken during the reporting period.

Cost of sales. For the six months ended 30 June 2009, the Group's cost of sales before elimination of inter-segment sales from survey, design and consultancy operations increased by 52.8% to RMB2,235.9 million from RMB1,463.1 million for the six months ended 30 June 2008.

Selling and distribution costs. For the six months ended 30 June 2009, selling and distribution costs from the survey, design and consultancy operations of the Group increased by 120.3 % or RMB61.0 million to RMB111.7 million from RMB50.7 million for the six months ended 30 June 2008.

Administrative expenses and other expenses. For the six months ended 30 June 2009, administrative expenses for the survey, design and consultancy operations of the Group increased slightly by 3.1% to RMB212.3 million from RMB206.0 million for the six months ended 30 June 2008.

Segment results. For the six months ended 30 June 2009, profit from the survey, design and consultancy operations of the Group increased to RMB223.6 million from RMB163.5 million for the six months ended 30 June 2008. For the six months ended 30 June 2009, the operating margin from the survey, design and consultancy operations of the Group decreased to 8.0% from 8.7% for the six months ended 30 June 2008.

(II) DISCUSSION OF THE GROUP'S OPERATING RESULTS BY SEGMENT (continued)

3. *Manufacturing operations*

The principal profit and loss information for the Group's manufacturing operations before elimination of inter-segment sales is as follows:

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Segment revenue	1,402.0	2,666.6
Cost of sales	(1,163.0)	(2,323.2)
Selling and distribution costs	(8.9)	(36.6)
Administrative expenses and others	(78.9)	(170.2)
Segment results	151.3	136.6
Depreciation and amortization	59.5	130.0

Segment revenue. For the six months ended 30 June 2009, segment revenue before elimination of inter-segment sales from the Group's manufacturing operations increased by 90.2% to RMB2,666.6 million from RMB1,402.0 million for the six months ended 30 June 2008.

Cost of sales. For the six months ended 30 June 2009, the Group's cost of sales before elimination of inter-segment sales from manufacturing operations increased by 99.8% to RMB2,323.2 million from RMB1,163.0 million for the six months ended 30 June 2008.

Selling and distribution costs. For the six months ended 30 June 2009, selling and distribution costs from the manufacturing operations of the Group increased by 311.2% to RMB36.6 million from RMB8.9 million for the six months ended 30 June 2008.

Administrative expenses and other expenses. For the six months ended 30 June 2009, administrative expenses for the manufacturing operations of the Group increased by 115.7% to RMB170.2 million from RMB78.9 million for the six months ended 30 June 2008.

Segment results. As a result of the foregoing reasons, profit from the manufacturing operations of the Group decreased to RMB136.6 million from RMB151.3 million. For the six-month periods ended 30 June 2008 and 2009, the operating margins of the manufacturing operations of the Group were 10.8% and 5.1%, respectively.

(II) DISCUSSION OF THE GROUP'S OPERATING RESULTS BY SEGMENT (continued)

4. *Other businesses*

The Group's other business operations mainly included sales of real estate and provision of logistics services to customers. The principal profit and loss information for the Group's other business operations before elimination of inter-segment sales is as follows:

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Segment revenue	3,074.5	7,324.2
Cost of sales	(2,763.0)	(6,695.7)
Selling and distribution costs	(36.4)	(99.3)
Administrative expenses and others	(115.4)	(339.7)
Segment results	159.8	189.5
Depreciation and amortization	12.8	72.1

Segment revenue. The Group's segment revenue derived from other businesses mainly included income from the sales of real estate properties and provision of logistics services to customers. For the six months ended 30 June 2009, revenue before elimination of inter-segment sales from other businesses increased by 138.2% to RMB7,324.2 million from RMB3,074.5 million for the six months ended 30 June 2008.

Cost of sales. For the six months ended 30 June 2009, the Group's cost of sales before elimination of inter-segment sales from other businesses increased by 142.3% to RMB6,695.7 million from RMB2,763.0 million for the six months ended 30 June 2008.

Selling and distribution costs. For the six months ended 30 June 2009, selling and distribution costs from the Group's other operations increased to RMB99.3 million from RMB36.4 million for the six months ended 30 June 2008.

Administrative and other expenses. For the six months ended 30 June 2009, administrative expenses for the Group's other operations increased to RMB339.7 million from RMB115.4 million for the six months ended 30 June 2008.

Segment results. As a result of the foregoing reasons, the Group's total profits from operations of other businesses (i.e. businesses other than construction operations, survey, design and consultancy operations and manufacturing operations) for the six-month periods ended 30 June 2008 and 2009 were RMB159.8 million and RMB189.5 million, respectively. For the six-month periods ended 30 June 2008 and 2009, the Group's segment operating margins were 5.2% and 2.6%, respectively.

(III) LIQUIDITY AND CAPITAL RESOURCES

1. *Cash Flow*

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Cash and cash equivalents as at beginning of the period	23,188.5	49,455.3
Net cash inflow/(outflow) from operating activities	(4,182.9)	6,987.7
Net cash outflow from investing activities	(6,440.4)	(5,374.7)
Net cash inflow from financing activities	35,014.3	904.6
Net increase in cash and cash equivalents	24,391.0	2,517.5
Impact on cash and cash equivalents from changes in exchange rate	(77.6)	(53.9)
Cash and cash equivalents as at end of the period	47,501.8	51,918.9

2. *Cash flows from operating activities*

For the six months ended 30 June 2009, the Group's net cash inflow from operating activities was RMB6,987.7 million, representing an increase of RMB11,170.6 million as compared to the net cash outflow of RMB4,182.9 million for the same period of last year. The increase was mainly attributable to the greater efforts in recovering trade receivables and the substantial increase in prepayments as compared to the same period of last year.

3. *Cash flow from investing activities*

For the six months ended 30 June 2009, the Group's net cash outflow from investing activities was RMB5,374.7 million, representing a decrease of RMB1,065.7 million as compared to the net cash outflow of RMB6,440.4 million for the same period of last year. The decrease was mainly attributable to a decrease of approximately RMB1,400.0 million in the expenditure for the construction of fixed assets.

4. *Net cash flow from financing activities*

For the six months ended 30 June 2009, the Group's net cash inflow from financing activities was RMB904.6 million, representing a decrease of RMB34,109.7 million as compared to the net cash inflow of RMB35,014.3 million for the same period of last year. The decrease was mainly attributable to the absence of any similar financing activities for the Group in 2009 which was comparable to the share issue fund raising activities in 2008.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

5. *Capital Expenditures*

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and the purchase of equipment used for construction projects. In addition, the Group incurred additional capital expenditures for the expansion of production capacity of the Group's large track maintenance machinery and railway track system products. For the six-month periods ended 30 June 2008 and 2009, the Group's capital expenditures were RMB4,291.8 million and RMB6,523.5 million, respectively.

The following table sets forth the capital expenditures for the Group's business operations for the six-month periods ended 30 June 2008 and 2009:

	For the six months ended 30 June	
	2008	2009
	(RMB million)	
Construction operations	4,036.2	5,608.4
Survey, design and consultancy operations	123.6	182.1
Manufacturing operations	113.2	508.6
Others	18.9	224.4
Total	4,291.8	6,523.5

6. *Working Capital*

(a) **Construction contracts in progress**

The following table sets forth the Group's construction contracts work-in-progress as of the balance sheet date indicated:

	31 December 2008	30 June 2009
	(RMB million)	
Contract cost incurred plus recognised profit less recognised losses	685,036.9	730,166.6
Less: progress billings received and receivable	(665,523.8)	(708,687.6)
Contract work-in-progress	19,513.2	21,479.0
Representing:		
Amount due from customers for contract work	36,317.3	39,292.7
Amount due to customers for contract work	(16,804.1)	(17,813.7)
	19,513.2	21,479.0

The Group's construction contracts in progress increased to RMB21,479.0 million as at 30 June 2009 from RMB19,513.2 million as at 31 December 2008.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

6. *Working Capital (continued)*

(b) Trade receivables and trade payables

The following table sets forth the turnover days of the Group's trade receivables and trade payables as at the dates indicated:

	31 December 2008	30 June 2009
Turnover days of trade receivables	54	48
Turnover days of trade payables	98	103

(1) The number of turnover days of trade receivables was derived by dividing the arithmetic mean of the opening and closing balances of trade receivables (including non-current portion and portion classified as current assets) for the six months ended 30 June 2009 by revenue and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2008).

(2) The number of turnover days of trade payables was derived by dividing the arithmetic mean of the opening and closing balances of trade payables (including non-current portion and portion classified as current liabilities) for the six months ended 30 June 2009 by cost of sales and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2008).

The following table sets forth an aging analysis of trade and bills receivables as at the balance sheet dates indicated:

	31 December 2008	30 June 2009
	(RMB million)	
Less than one year	30,614.3	29,909.5
One to two years	2,196.9	2,077.5
Two to three years	798.0	885.1
More than three years	401.0	383.5
Total	34,010.2	33,255.6

As at 30 June 2009, the Group had a provision for impairment of RMB520.0 million. The directors of the Company believe that the provision for impairment of the Group is adequate.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

6. *Working Capital (continued)*

(b) Trade receivables and trade payables (continued)

The following table sets forth an aging analysis of trade and bills payables as at the balance sheet dates indicated:

	31 December 2008	30 June 2009
	(RMB million)	
Less than one year	60,887.2	**67,811.0**
One to two years	1,937.1	**2,010.8**
Two to three years	536.7	**460.6**
More than three years	465.4	**401.4**
Total	63,826.3	**70,683.9**

As at 30 June 2009, the Group's trade and bills payables increased to RMB70,683.9 million from RMB63,826.3 million as at 31 December 2008.

7. *Retentions*

As at 31 December 2008 and 30 June 2009, the Group's trade and bills receivables, including retention money receivables, amounted to RMB5,557.7 million and RMB7,009.4 million, respectively. As at 31 December 2008 and 30 June 2009, the Group's trade and bills payables, including retention money payables, amounted to RMB1,001.9 million and RMB940.9 million, respectively.

8. *Prepayments, deposits and other receivables*

The Group's prepayments, deposits and other receivables increased to RMB42,853.2 million as at 30 June 2009 from RMB36,384.9 million as at 31 December 2008.

9. *Other payables and accruals*

Other payables and accruals include advances from customers, accrued salaries, wages and benefits, other tax payables and other payables. Advances from customers mainly represented advances received from customers under the construction contracts. Accrued salaries, wages and benefits mainly represented accruals of salaries, bonuses, allowances, housing funds, social insurance and accruals of union and education funds. Other tax payables mainly represented business tax and value-added tax payables. Other payables mainly represented payables to sub-contractors for payments made by the Group, deposits and performance bonds received from subcontractors, payables for the purchases of machinery and equipment and payables for repair and maintenance expenses. As at 31 December 2008 and 30 June 2009, the Group had other payables and accruals of RMB60,958.8 million and RMB76,175.7 million, respectively. The increase in other payables and accruals was primarily due to the increase in customer advances resulting from the enlarged operating scale of the Group.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

10. *Indebtedness*

(a) Borrowings

The maturity profiles of interest-bearing borrowings of the Group as at 31 December 2008 and 30 June 2009 are as follows:

	31 December 2008	30 June 2009
	(RMB million)	
Within one year	16,411.6	**17,874.4**
In the second year	2,024.1	**2,298.9**
In the third to fifth years (inclusive)	770.8	**1,695.5**
Beyond five years	2,924.7	**2,377.2**
Total	22,131.2	**24,246.1**

As at 31 December 2008 and 30 June 2009, the Group's gearing ratio was 31.4% and 32.9%, respectively. The gearing ratio was derived by dividing the total interest-bearing bank loans and other borrowings by the sum of the total interest-bearing bank loans, other borrowings and shareholders' equity.

(b) Capital commitments

In addition to operating lease commitments, the Group had the following capital commitments as at the dates indicated:

	31 December 2008	30 June 2009
	(RMB million)	
Contracted, but not provided for:		
Property, plant and equipment	1,931.7	**1,177.1**
Intangible assets	159.3	**46.0**
Available-for-sale investment	—	**618.8**
	2,090.9	**1,841.9**
Authorised, but not contracted for:		
Property, plant and equipment	16,849.8	**16,844.1**
Properties under development	367.2	**367.2**
Available-for-sale investment	600.0	**1,108.8**
	17,816.9	**18,320.1**

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

11. Use of Proceeds

(a) Use of proceeds raised from H shares of the Company

The H shares of the Company were listed on the main board of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 13 March 2008, and the Company raised an aggregate of net proceeds equivalent to RMB17,358.6 million. As at 30 June 2009, an aggregate of proceeds equivalent to RMB3,609.8 million raised by H shares had been used, an aggregate of net foreign exchange losses (after deducting interest received) equivalent to RMB279.6 million were incurred, and the amount of unused proceeds raised by H shares was equivalent to RMB13,469.2 million (of which RMB2,000 million was temporarily used as working capital). At the shareholders' general meeting held on 19 June 2009, the resolution "To consider and approve the changes of the use of the H share proceeds" was passed to change the original use of the proceeds for the purchase of equipment for overseas construction projects to "the purchase of equipment inside and outside the PRC for domestic and overseas projects", will remit an aggregate fund of approximately RMB10 billion into the PRC, and up to RMB2 billion of the unused H share proceeds will be temporarily used as working capital for a period of up to six months. As at 30 June 2009, the temporarily unused proceeds were deposited in the Company's special account for proceeds. As at 30 June 2009, specific details in relation to investments in projects financed by the proceeds of the H share of the Company were as follows:

Unit: RMB million

Projects	Any changes in project	Planned investment	Actual amount of proceeds applied	Unused amount	Whether the project is on schedule	Whether in accordance with estimated earnings
1. Purchase of equipment	Yes	14,107.6	1,873.9	12,233.7	Yes	N/A
2. Cement plant in Nigeria	No	1,515.1	—	1,515.1	No	N/A
3. Additional working capital	No	1,735.9	1,735.9	—	Yes	N/A
4. Foreign exchange loss and interest (loss is denoted by "-")	—	—	—	-279.6	—	—
Total		17,358.6	3,609.8	13,469.2(note)	—	—

Note: A total of RMB 2,000.0 million of unutilised funds is temporarily used as working capital, with a term not exceeding 6 months.

Pursuant to the resolution of the shareholders' general meeting and the approval from the State Administration of Foreign Exchange, the Company had remitted HK$11.4 billion to the PRC in different batches since 28 July 2009 and the funds were deposited in the domestic special account for H share proceeds, the relevant exchange settlement procedure is still under progress. Due to the impact of the global financial crisis, and other factors, the cement plant project in Nigeria has not been implemented for the time being.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

11. *Use of Proceeds (continued)*

(b) Actual progress and returns from projects financed by the A share proceeds

The A shares of the Company were listed on the Shanghai Stock Exchange on 10 March 2008, and gross proceeds of RMB22,246.0 million and net proceeds of RMB21,725.7 million were raised. As at 30 June 2009, a cumulative amount of RMB17,211.3 million from the A share proceeds had been used and the unused proceeds amounted to RMB4,514.4 million, and there was RMB4,667.5 million held in the Company's special account for proceeds. The application of the Company's proceeds is in line with the proposed uses disclosed in the prospectus issued in relation to the public offer of the A shares. A portion of the temporarily unused proceeds is deposited in the Company's special account for proceeds. As at 30 June 2009, specific details in relation to various projects financed by the A share proceeds of the Company were as follows:

Unit: RMB million

Gross proceeds	22,246.0
Total proceeds used during the reporting period	42.1
Total accumulated proceeds used	17,211.3

Projects undertaken	Planned investment	Whether there is any change in the project	Actual amount of proceeds applied	Whether the project is on schedule	Whether in accordance with estimated earnings
1. Acquisition of equipment required for domestic construction	10,500.0	No	7,393.5	Yes	N/A
2. Expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	1,150.0	No	442.1	Yes	N/A
3. The China Railway Rail System Group Co., Ltd. railway system project	320.0	No	320.0	Yes	Yes
4. The Changsha Xiu Feng Shan Zhuang Project	400.0	No	300.0	Yes	N/A
5. Shijiazhuang-Wuhan Passenger Railway Line Project	1,500.0	No	900.0	Yes	N/A
6. Replenishment of working capital and repayment of loans	7,855.7	No	7,855.7	Yes	N//A
Total	21,725.7	—	17,211.3	—	—

Reasons and procedures for the changes (by specific items)None	
Use and intended use of unused proceeds	RMB4,667.5 million is deposited in a special proceeds account (including: unused proceeds of RMB4,514.4 million and RMB153.1 million in interest received). Of this amount, RMB3,106.5 million will be used for the acquisition of equipment required for domestic construction, RMB707.9 million will be used in the expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd., RMB100.0 million will be used in the Changsha Xiu Feng Shan Zhuang project, and RMB600.0 million will be used in the Shijiazhuang-Wuhan Passenger Railway Line Project.

(III) LIQUIDITY AND CAPITAL RESOURCES (continued)

12. *Actual progress of and gains from other substantial projects (not being proceeds investments)*

During the reporting period, the board of directors of the Company has resolved on the following substantial projects, which are not projects financed by listing proceeds:

(1) As at the end of the reporting period, the accumulated investment in the construction of expanding the Kunming main city Southeast Second-Ring highway system in Yunnan Province by the Company amounted to RMB1,594.8 million. During the reporting period, investments made by the Company in completed projects amounted to RMB712.7 million. The contract price of the abovementioned project is RMB2,402.3 million. Capital for the project amounted to RMB840.8 million, representing 35.0% of the total investment.

(2) Following the consideration and passing of the resolution at the 17th meeting of the first session of the board of directors of the Company on 27 to 28 April 2009, the Company has converted Renminbi bonds in the amount of RMB400.0 million in respect of Kunming China Railway Large Road Maintenance Machinery Co., Ltd., a wholly-owned subsidiary of the Company into equity investment, to increase its owners' equity.

(3) At the 18th meeting of the first session of the board of directors of the Company held on 19 June 2009, the resolution related to increasing investment in Shiwu Passenger Railway Line was considered and passed. It was agreed that, on the basis of an investment amount of RMB1.5 billion originally undertaken, the Company will increase its contribution to Beijing-Guangzhou Passenger Railway Henan Company Limited (京廣客運專線河南有限公司) ("BGPRHC") by RMB1 billion with its own funds as an equity investment, which will be used in the construction of the Beijing-Guangzhou Shijiazhuang-Wuhan Passenger Railway Line Project. Upon completion of the two investments, the Company's investment in BGPRHC will amount to RMB2.5 billion, representing 8.1% of its total capital. During the reporting period, such capital increase has not been contributed.

During the reporting period, after being considered and approved at the 3rd meeting of the President's office on the 14 April 2009, the Company has contributed RMB182.0 million to China Railway Goods and Materials Co., Ltd., a wholly-owned subsidiary of the Company, by way of capital increase.

13. *Foreign exchange risks*

Since the business of the Group is mainly carried out in the PRC, the income, expenditure and over 90% of the financial assets and financial liabilities of the Group are denominated in Renminbi. Therefore, the foreign currency transaction risks of the Group are insignificant, and as at 30 June 2009, the Group has not used foreign currency contracts for the purpose of hedging foreign exchange risks.

(IV) OVERSEAS OPERATIONS

For the six months ended 30 June 2009, the Group recorded income from overseas operations of RMB7,296.8 million, representing an increase of 27.2% over the same period last year.

During the reporting period, the Group's scale of operations in overseas markets continued to expand and the accumulated amount of newly entered overseas contracts was RMB50,233.4 million, representing 19.5% of the total amount of all newly entered contracts. It represented a growth of 98.0% compared to RMB 25,373.7 million recorded in the same period last year.

During the reporting period, the newly entered overseas contracts of the Group are mainly distributed in 25 countries and regions. Among such contracts, the substantial ones are concentrated in four countries, namely Algeria, Saudi Arabia, Nigeria and Liberia. The newly entered contracts are mainly related to the railway and city rail business among which, those related to railways amounted to RMB27,463.1 million, representing 54.7% of the total amount for newly entered overseas contracts and those related to city rails amounted to RMB17,966.4 million, representing 35.8% of the total amount for newly entered foreign contracts.

During the reporting period, the overall progress of the Group's construction in progress overseas was smooth. The Carmel tunnel in Israel with a total stretch of 9.5 kilometers successfully opened on 1 June 2009; the M5 section of the East-West Highway in Algeria was the first to open all lanes and the M4 section will open soon, while the construction works of other sections continued with good progress. Large scale projects such as Al-Mashaaer Al-Mugadassah Metro Project in Saudi Arabia, the CTW200 section of the South-North Rail in Saudi Arabia, the railway in Liberia, the Benguela Railway in Angola, the social housing in Angola, etc. are making steady progress. The Turkish High-speed Railway has commenced construction in the first quarter of this year.

(V) OUTLOOK FOR THE FUTURE DEVELOPMENTS OF THE COMPANY

The board of directors and the management of the Company believe that operations in the second half of the year will mainly encounter the following problems:

1. In the face of rare opportunities brought by the increased investment in infrastructure by the PRC government in order to "secure economic growth", the management of the Company, on the one hand, has to grasp such opportunities, continue to expand the scale of operations to solidify the foundation for the long-term, continual growth of the Company; and on the other hand, strengthen the management ability of the Company, enhance coordination of its operations and streamline the management to further optimize the allocation of resources to bring out the synergy of internal resources, and strive for simultaneous growth in economic benefits while ensuring the quick expansion of scale of operations.

2. For the second half of the year, the domestic and global economic situation will remain uncertain, and there is a risk of increased volatility in the price of natural resources, affecting the Company's cost of sales.

3. As the scale of operations of the Group continues to expand and the number of construction projects gradually increase, the Company has to ensure that construction is on schedule, up to the required quality and safety standards, which puts increased pressure on the management.

(V) OUTLOOK FOR THE FUTURE DEVELOPMENTS OF THE COMPANY (continued)

4. The continuing international financial crisis will have adverse effects on the development of the Group's overseas market. If the global economy cannot be stabilized and rebound in a short period of time, the trend of significant decreases in construction investment cannot be reversed quickly, which will significantly increase the pressure on and the risks facing the Group's overseas operations.

In order to grasp opportunities, face challenges and overcome risks and adverse factors, the Group will continue to adopt the following measures:

1. To firmly grasp historical opportunities of "securing economic growth" in the PRC and heavy investment on infrastructure. Under the principle of promoting the rapid development of the Group and its restructuring, it will fully integrate the essential elements of operations, enhance operating ability as its core, insist on scientific operations and innovations, strive to grasp a large portion of the PRC infrastructure market, increase its reserves for such endeavors , quickly promote the business growth of each segment to achieve simultaneous growth in respect of marketing and production, scale and ability and operation and effect.

2. Continue to increase awareness on production safety and quality within the Group, to increase necessary investments and to deepen and widen the participation of all staff members in the areas of production safety and quality management, enhance the overall quality of staff members of the Group to accommodate safety, quality management and new requirements in order to avoid the occurrence of safety and quality liability events to the maximum extent.

3. To clearly recognize overseas market trends and to see and grasp opportunity during a crisis; strive to build up a "great overseas" operating environment, to integrate production elements in a scientific manner on the basis of strengthening the existing African, Middle-eastern, Latin-American and South-east Asian markets, to fully utilize all internal and external resources to penetrate and expand into surrounding regions and developed countries. While protecting the brand dominance in overseas markets, properly carry out construction-in-progress and achieving rolling development, we will also increase the ability of our survey, design and consultancy segment to strengthen international competitiveness; heavily support the logistics, industrial manufacturing segments to enter the international market in order to produce a comprehensive, multi-faceted operating environment in terms of construction survey, design and consultancy, logistics trade and equipment export, etc., and continue to develop our combined ability in construction project design, consultancy, construction, procurement and operation.

Particulars of Share Capital Structure, Changes and Shareholders

SHARE CAPITAL STRUCTURE AND CHANGES IN SHAREHOLDING

As at 30 June 2009, the share capital structure of the Company was as follows:

Shareholders	Class of shares	Number of shares	Approximate percentage in share capital in issue(2) %
CRCCG	A share*	7,811,245,500	63.31
Public holders of A shares	A share	2,450,000,000	19.86
Public holders of H shares	H share**	2,076,296,000	16.83
Total		12,337,541,500	100.00

* Lock-up period is 36 months from the date of listing of A shares of the Company

** Including shares held by the National Council for Social Security Fund of the PRC

SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, as at 30 June 2009, the persons other than directors, chief executive or supervisors of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholders (Note 1)	Class of share	Number of shares held (Note 2)	Capacity	Approximate percentage in the relevant class of share capital	Approximate percentage in total issued shares
China Railway Construction Corporation	A shares	7,811,245,500	Beneficial owner	76.12%	63.31%
National Council for Social Security Fund of the PRC	H shares	170,600,000(L)	Beneficial owner	9.09%(L)	1.40%
JPMorgan Chase & Co. (Note 3)	H shares	149,668,626(L) 78,808,626(P)	Beneficial owner, investment manager, custodian	7.21%(L) 3.80%(P)	1.21% 0.64%
UBS AG (Note 4)	H shares	104,400,496(L) 12,914,117(S)	Beneficial owner, party holding guaranteed interests in shares, corporate interests controlled by the substantial shareholder	5.03%(L) 0.62%(S)	0.85% 0.10%

Note:

1. Source of information on the shareholdings of the substantial holders of H shares: the HKExnews website of the Hong Kong Stock Exchange.
2. L-long positions; S-short positions; P-shares which may be lent.
3. As at 30 June 2009, JPMorgan Chase & Co. held long positions in 149,668,626 H shares of the Company through certain corporations under its control, of which 78,808,626 H shares were shares available for lending.
4. As at 30 June 2009, UBS AG held long positions in 104,400,496 H shares and short positions in 12,914,117 H shares of the Company through certain corporations under its control.

SHAREHOLDING OF THE TOP 10 SHAREHOLDERS

As at 30 June 2009, the total number of shareholders of the Company was 312,574, including 282,141 holders of A shares and 30,433 holders of H shares (registered shareholders). The shareholding of the top 10 shareholders is as follows:

Total number of shareholders as at the end of the reporting period	312,574

Shareholding of the top 10 shareholders (particulars of shareholders holding shares of 5% or above):

Unit: shares

Name of shareholder	Nature of shares	Shareholding percentage (%)	Number of shares held	Increase/decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
China Railway Construction Corporation	State-owned share	63.31%	7,811,245,500	—	7,811,245,500	—
HKSCC NOMINEES LIMITED	Overseas listed foreign invested shares	16.64%	2,052,768,382	-1,318,618	—	Unknown
China Life Insurance Company Limited – participating – individual participating–005L–FH002 Hu	Others	0.68%	83,877,730	75,999,980	—	Unknown
Agricultural Bank of China – Zhongyou Core Growth Equity Securities Investment Fund	Others	0.51%	62,735,648	19,139,530	—	Unknown
Agricultural Bank of China – Zhongyou Core Selected Equity Securities Investment Fund	Others	0.51%	62,548,365	37,108,865	—	Unknown
National Social Security Fund – 08 Portfolio	Others	0.25%	30,499,901	8,999,901	—	Unknown
Industrial and Commercial Bank of China – Southern Longyuan Industrial Theme Equity Securities Investment Fund	Others	0.24%	30,035,051	30,035,051	—	Unknown
Industrial and Commercial Bank of China – Huaan Small and Medium Growth Equity Securities Investment Fund	Others	0.23%	28,272,076	16,022,076	—	Unknown
Industrial and Commercial Bank of China – SSE 50 Trading Open-end Index Securities Investment Fund	Others	0.21%	25,723,730	12,723,774	—	Unknown
Bank of Communications – E Fund 50 Index Securities Investment Fund	Others	0.21%	25,425,116	10,099,670	—	Unknown

Directors, Supervisors and Senior Management

For the six months ended 30 June 2009, Mr. Jin Puqing ceased to be an executive Director and the president of the Company on 16 April 2009 as he reached the age of retirement. Mr. Wu Xiaohua resigned as a non-executive Director of the Company on 16 February 2009. The 15th meeting of the first session of the Board of the Company held on 27 March 2009 proposed the appointment of Mr. Zhu Mingxian as a non-executive director of the Company. The resolution was approved at the 2008 Annual General Meeting of the Company held on 19 June 2009. On 16 April 2009, at the 16th meeting of the first session of the Board of the Company, the Board resolved that Mr. Zhao Guangfa was appointed the president of the Company, and Mr. Zhang Zongyan and Mr. Liu Ruchen were appointed as the vice-presidents of the Company; and proposed the appointment of Mr. Zhao Guangfa as an executive Director of the Company. The resolution was also approved at the 2008 Annual General Meeting of the Company held on 19 June 2009.

Mr. Zhao Guangfa, born in August 1952, a Chinese with no right of abode overseas, is currently an executive Director and president of the Company. Mr. Zhao joined China Railway Construction Corporation ("CRCCG") Group in 1970. He served as the deputy chief, chief and deputy secretary to the communist party committee of the 18th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 18th Bureau Group Company Limited) from May 1994 to December 1999, a director and deputy secretary to the communist party committee of China Railway 18th Engineering Bureau from December 1999 to August 2001, the chairman and deputy party secretary to the communist party committee of China Railway CRCCG 18th Bureau Group Co., Ltd. from August 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He served as the vice president of the Company from November 2007 to April 2009 and has served as the president of the Company since April 2009. Mr. Zhao graduated from Asia International Open University (Macau) and obtained his master degree in business administration and is a senior engineer.

Mr. Zhu Mingxian, born in July 1943, Han nationality, is currently a non-executive Director of the Company. Mr. Zhu started his career in September 1966 and joined the Chinese Communist Party in July 1979 was a senior engineer and was formerly the chairman of the board of supervisors of large key state-owned enterprises. From September 1961 to September 1966, he studied at Nanjing University of Chemical Technology, majoring in silicate and receiving a university degree. From September 1966 to March 1985, he worked for Guanghua Cement Factory of the Hubei Provincial Building Materials Bureau and successively held the posts of technician, workshop deputy director, chief engineer and deputy secretary and secretary to the communist party committee. From March 1985 to June 1996, he worked for the National Building Materials Bureau and served as deputy chief and acting chief of the Human Resources department, chief of the production management department, standing committee member and permanent deputy secretary of the department party committee, party group member of the Building Materials Bureau, secretary of the department party committee. From June 1996 to May 2001, he served as deputy director and party group member of National Technology Supervision Bureau, party group member of General Administration of Quality Supervision, Inspection and Quarantine. From May 2001 to September 2006, he served as the chairman of the board of supervisors of large key state-owned enterprises. From September 2006 to March 2007, he served as a cadre at the deputy ministerial level of the board of supervisors of state-owned enterprises.

Mr. Zhang Zongyan, born in April 1963, a Chinese with no right of abode overseas, is currently the vice president of the Company. Mr. Zhang joined CRCCG Group in 1981. He served as deputy general manager China Railway 12th Bureau Group Company Limited from April 2002 to October 2005, chairman and party committee secretary of China Railway 12th Bureau Group Company Limited from October 2005 to July 2008, chairman and deputy party committee secretary of China Railway 12th Bureau Group Company Limited from July 2008 to April 2009, and has been the vice president of the Company since April 2009. Mr. Zhang graduated from Guanghua School of Management of Peking University with a Master of Business Administration degree and is a senior engineer.

Mr. Liu Ruchen, born in October 1963, a Chinese with no right of abode overseas, is currently the vice president of the Company. Mr. Liu joined CRCCG Group in 1981. He served as the deputy chief of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) in August 1998, the deputy chief, vice-chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005, chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008, vice-chairman (presiding over board meetings) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008, chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has served as the vice president of the Company since April 2009. Mr. Liu graduated from Southwest Jiaotong University with a master degree and is a professor-level senior engineer.

The 17th meeting of the first session of the Board of the Company held between 27 and 28 April 2009 approved the resolution on an adjustment to members of Board committees and agreed to make the following adjustment to members of Board committees:

1. Nomination Committee, increasing members from the original 3 people to 5 people
   Chairman: Li Guorui
   Members: Huo Jingui, Zhu Mingxian, Li Kecheng, Zhao Guangjie

2. Remuneration and Appraisal Committee, all members are independent non-executive directors
   Chairman: Zhao Guangjie
   Members: Li Kecheng, Wu Taishi

3. Audit and Risk Management Committee, all members are independent non-executive directors
   Chairman: Wu Taishi
   Members: Zhao Guangjie, Ngai Wai Fung

4. Strategy and Investment Committee, increasing members from the original 3 people to 5 people
   Chairman: Zhao Guangfa
   Members: Ding Yuanchen, Zhu Mingxian, Li Kecheng, Wu Taishi

Save as disclosed above, there were no other changes in directors, supervisors and senior management of the Company during the reporting period.

Directors', Supervisors' and Chief Executive's Interests in Shares of the Company

During the six months ended 30 June 2009, none of the directors, supervisors, chief executive of the Company or their respective associates had any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) 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. During the six months ended 30 June 2009, none of the directors, supervisors, chief executive, or their spouses or children under the age of 18 was given the right to acquire any shares in or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

Repurchase, Sale or Redemption of the Company's Securities

During the six-month ended 30 June 2009, neither the Company or its subsidiaries had repurchased, disposed of or redeemed any securities of the Company.

Corporate Governance

The Company's Articles of Association, term of reference of the Audit and Risk Management Committee, term of reference of the Supervisory Committee and the Code of Conduct on Directors and Relevant Employees' Securities Transactions constitute the basis of reference for the Company's codes on corporate governance practices. The Board has reviewed the corporate governance documents of the Company, and is of opinion that such documents have incorporated most of the principles and code provisions in the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") of the Hong Kong Stock Exchange.

The Board is of the view that the Company has fully complied with the code provisions of the CG Code during the six-month period ended June 30, 2009.

To reinforce the building of the internal control system of the Company and facilitate the optimization of corporate governance, in the first half of 2009, the Company formulated and promulgated "Measures for the Administration of Legal Affairs of China Railway Construction Corporation Limited", "Legal Review Measures for the Articles of Association, Economic Contracts and Important Decisions of China Railway Construction Corporation Limited (Trial)", "Legal Review Measures for Power of Attorney of China Railway Construction Corporation Limited (Trial), "Interim Measures for the Administration of Legal Dispute Cases of China Railway Construction Corporation Limited, "Rules for the Implementation of Information Disclosure for New Bid-winning Projects of China Railway Construction Corporation Limited", "Measures for the Administration of External Legal Counsels of China Railway Construction Corporation Limited (Trial)", "Interim

Measures for the Supervision of Tender Invitations of China Railway Construction Corporation Limited)", "Measures for the Administration of Remuneration for Directors and Supervisors of China Railway Construction Corporation Limited", "Measures for the Appraisal of the Performance of Senior Management of China Railway Construction Corporation Limited", "Measures for the Administration of Remuneration for Senior Management of China Railway Construction Corporation Limited". This strengthened the Company's corporate governance mechanisms, regulated day-to-day operational activities and made the operation of the Company more steady and transparent.

The Company has placed much emphasis on internal control and comprehensive risk management. During the reporting period, the Company has established the Internal Risk Control Office (風險內控處) to undertake responsibility for internal control and risk management; engaged a professional risk management agency to assist the Company in formulating an overall plan for internal control and risk management, and formulated a specific prevention plan for tackling the 10 major risk factors identified in the Company's risk assessment for 2009 and clarified the departments and persons responsible for the major risk factors and their relevant management duties. As at the end of the reporting period, the Company:

1. has fully commenced its internal risk control system, and its activities are steadily advancing in line with its plans.

2. has formulated a plan for implementing risk control in 2009 in accordance with the requirements of the Audit and Risk Management Committee.

3. has finished the compilation of the "Handbook of Duties for Functional Departments" which clearly stipulates the functions, posts and duties of all departments so that all staff have knowledge of the internal organisation structure and post duties, ensuring they discharge their duties within the scope of authority.

Code of Conduct Regarding Securities Transactions by the Directors and Supervisors

The Company has adopted a code of conduct regarding securities transactions by the Directors and relevant employees (the "Required Standard") on terms no less exacting than the required standard of dealings set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 of the Listing Rules. After specific enquiries to all directors and supervisors of the Company, the Company confirmed that they had complied with the Required Standard during the six-month period ended 30 June 2009. Relevant employees who are likely to be in possession of unpublished price sensitive data of the Company are also subject to compliance with the Required Standard. The Directors are not aware of any incident of non-compliance by such employees during the six-month period ended 30 June 2009.

Audit and Risk Management Committee

Pursuant to the "Resolution on an Adjustment to Members of Board Committees" considered and approved at the 17th meeting of the first session of the board of directors of the Company convened between 27 and 28 April 2009, all members of the Audit and Risk Management Committee under the Board are independent non-executive directors, comprising Mr. Wu Taishi, Mr. Zhao Guangjie and Mr. Ngai Wai Fung. Mr. Wu Taishi is the chairman of the Audit and Risk Management Committee of the Company.

The Audit and Risk Management Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009. The Audit and Risk Management Committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control, with the senior management of the Company.

Auditor's Review

Ernst & Young, the auditor of the Company, has reviewed the interim condensed consolidated financial statements and notes thereto for the six months ended 30 June 2009 and has issued the relevant review report, for details of which please refer to the "Report on Review of Interim Condensed Consolidated Financial Statements" as set out from pages 35 to 36.

MATERIAL LITIGATION AND ARBITRATION

As at 30 December 2009, the Group had one pending litigation involving an amount exceeding RMB50.0 million, being the construction contract dispute between China Railway 14th Bureau Group Co., Ltd. ("China Railway 14th Bureau") and China Group Real Estate Development Group Jinan Junan Construction Company Limited ("Junan Construction"). China Railway 14th Bureau claimed construction costs of RMB46,527,133.79 and damages amounting to RMB4,059,633.60 for various economic losses against Junan Construction. At present, the case is still under trial, an agent has been appointed to conduct valuation on the construction cost, and measures have been taken for protection of assets.

MATERIAL ASSET ACQUISITION, DISPOSAL AND ASSET REORGANISATION

During the reporting period, in order to acquire certain important assets and liabilities held by Beijing Sixth Continent Real Estate Development Co., Ltd. ("Sixth Continent"), China Railway Real Estate Group Co., Ltd. ("China Railway Real Estate"), a subsidiary of the Company, entered into an equity transfer agreement with Beijing Zhonglianya Real Estate Development Co., Ltd. ("Zhonglianya" or "Transferor") on 3 January 2009 to acquire 100% equity interests in Sixth Continent held by Zhonglianya at a consideration of RMB834.27 million.

As at 30 June 2009, China Railway Real Estate had paid RMB383.27 million of the total equity transfer consideration amounting to RMB834.27 million and appointed board members and general manager for Sixth Continent to exercise effective control over Sixth Continent. As at the end of the reporting period, part of the procedures stipulated in the contract that should be completed by the transferor had not yet been completed. Currently, the transfer of 90% equity interests has been completed. After the transferor completes all procedures and accomplishes the transfer of the remaining 10% equity interests, China Railway Real Estate will pay the remaining consideration amounting to RMB451 million.

Counter party or ultimate controlling party	Assets acquired or purchased	Date	Transaction price	Contribution to net profit of the Company from the date of purchase to the end of the reporting period	Contribution to net profit of the Company from beginning of the year to end of the period	Whether it was a related party transaction	Whether all the relating property rights to the assets were transferred	Whether all the relating creditors' rights and liabilities were transferred
Zhonglianya	Assets and liabilities of Sixth Continent	5 January 2009	RMB834.3 million	—	—	No	No	Yes

SIGNIFICANT GUARANTEES

During the reporting period, the external guarantees granted by the Company were as follows:

External guarantees granted by the Company (excluding guarantees provided to the subsidiaries)						
Name of the guaranteed party	Date of guarantee (date of the agreement)	Amount of guarantee (RMB million)	Type of guarantee	Guarantee period	Whether completed	Whether provided to a related party (yes or no)
ChunWo-Henryvicy-CRCC-QueenslandRailJV	2006.5.4	1.1	General liability guarantee	2006.5.4-2010.8.8	No	Yes
Sichuan Naxu Railway Company Limited	2006.12.28	67.2	General liability guarantee	2006.12.28-2026.12.28	No	Yes
Sichuan Naxu Railway Company Limited	2008.4.16	42.0	General liability guarantee	2008.4.16-2028.4.16	No	Yes
Total amount of guarantees during the reporting period (RMB million)						—
Total amount of outstanding guarantees as at the end of the reporting period (RMB million)						110.3

Guarantees granted by the Company to its subsidiaries (Note)	
Total amount of guarantees provided to the subsidiaries during the reporting period (RMB million)	1,243.0
Total amount of outstanding guarantees provided to the subsidiaries as at the end of the reporting period (RMB million)	11,719.6

Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantees (RMB million)	11,829.9
Percentage of the total amount of guarantees to the net assets of the Company	23.9%

Including:	
Amount of guarantees provided to the shareholders, actual controllers and other related parties (RMB million)	—
Amount of guarantees provided directly or indirectly to the guaranteed parties with gearing ratio of over 70% (RMB million)	11,718.3
Total amount of guarantees exceeding 50% of the net assets (RMB million)	—
Total amount of the above three guarantees	11,718.3

Note: The subsidiaries to which the Company has granted guarantees are all wholly-owned subsidiaries.

MATERIAL CONTRACTS

During the six months ended 30 June 2009, the Group's contracts with bidding price exceeding RMB3,000.0 million are set out in the following table:

No.	Date of the contract	Summary of the contract	Contract amount (RMB100 million)	Subject of the contract	Performance period
Domestic operating contracts					
1	2009/2/18	Sections 3, 7 of the new railway line from Nanning to Guangzhou	75.524	China Railway 17th Bureau Group Co., Ltd., China Railway 23rd Bureau Group Co., Ltd.	37 months
2	2009/2/18	Civil works for the LYS-1, LYS-2 and LYS-4 sections of the Xiaguanying to Guangyuan Section of the new railway line from Lanzhou to Chongqing	109.751	China Railway 19th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 13th Bureau Group Co., Ltd.	66 months
3	2009/2/26	Construction works for the HYZQ-2 and HYZQ-3 sections of the new passenger railway line from Hangzhou to Ningbo	62.492	China Railway 17th Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd.	33 months
4	2009/3/20	Station front and associated works for the NHZQ-3 and NHZQ-4 sections of the new passenger railway line from Nanjing to Hangzhou	87.125	China Railway 17th Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd.	33 months
5	2009/3/21	Construction works for the TP-TJ1, TP-TJ2 and TP-ZH sections of the new railway line from Tianshui to Pingliang	38.092	China Railway 21st Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China CREC Railway Electrification Group Company (中鐵建電氣化局集團公司)	42 months
6	2009/3/7	Capacity expansion reconstruction works for the XG-3, XG-5, XG-6 and XG-7 sections of the Xiang-Gui Railway from Yongzhou to Liuzhou	93.509	China Railway 12th Bureau Group Co., Ltd., China Railway 23rd Bureau Group Co., Ltd., China Railway 11th Bureau Group Co., Ltd., China Railway 25th Bureau Group Co., Ltd.	36 months
7	2009/4/3	Construction works for Sections 1, 4 and 6 of the new passenger railway line from Shanghai to Hangzhou	62.346	China Railway 24th Bureau Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway 11th Bureau Group Co., Ltd.	19 months
8	2009/5/16	Station front and associated works for the HBZQ-1 section of the new passenger railway line from Hefei to Bengbu	35.328	China Railway 19th Bureau Group Co., Ltd.	935 calendar days
9	2009/6/1	Construction works for Section 2 of the new passenger railway line from Panjin to Yingkou	38.861	China Railway 19th Bureau Group Co., Ltd.	1095 calendar days

MATERIAL CONTRACTS (continued)

No.	Date of the contract	Summary of the contract	Contract amount RMB100 million	Subject of the contract	Performance period
Oversea operating contracts					
1	2009/1/18	Libya coastal west line railway project	54.901	China Civil Engineering Construction Corporation	54 months
2	2009/2/10	Contract for the Al-Mashaaer Al-Mugadassah Metro light rail project, Saudi Arabia	121.000	China Railway Construction Corporation Limited	Approximately 22 months
3	2009/6/1	175-km new electric railway line project of Algeria	165.05	China Civil Engineering Construction Corporation	48 months
4	2009/6/1	55-km new railway line project of Algeria	41.17	China Civil Engineering Construction Corporation	30 months

IMPLEMENTATION OF COMMITMENTS

1 At the time of the issuance of A shares by the Company, CRCCG, the controlling shareholder of the Company, undertook that within 36 months from the date of listing of the Company's A Shares, it would not transfer, or entrust others to manage the Company's shares held by it nor allow such shares be acquired by the Company. The controlling shareholder has performed this undertaking.

2 As disclosed in the Prospectus, the Company owned 836 parcels of land in total, including 349 parcels of original allocated land which had been contributed as capital to the Company and for which the Company was in the process of applying for the relevant land use right certificates, and 53 parcels for which the Company was in the process of going through the procedures for obtaining the granted land use rights. During the reporting period, the Company continued to press ahead in renewing and applying for land use rights certificates. As at 30 June 2009, land use right certificates had been obtained for a total of 312 parcels of original allocated land which had been contributed as capital to the Company, and the granting procedures for 44 parcels of land had been completed and land use right certificates had been obtained accordingly. The Company will further push ahead with the perfection of the land use rights certificates to fulfill its undertakings to the shareholders.

Report on Review of Interim Condensed Consolidated Financial Statements

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com/china

To the shareholders of China Railway Construction Corporation Limited
(Incorporated in the People's Republic of China as a joint stock limited company with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 37 to 76, comprising of the interim condensed consolidated statement of financial position as at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2009

Interim Condensed Consolidated Income Statement

Six months ended 30 June 2009

	Notes	For the six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
REVENUE	4	126,247,569	79,777,544
Cost of sales		(117,826,135)	(73,979,609)
Gross profit		8,421,434	5,797,935
Other income and gains, net	4	327,393	263,260
Selling and distribution costs		(454,323)	(410,012)
Administrative expenses		(5,085,989)	(3,263,445)
Other expenses		(58,976)	(440,970)
PROFIT FROM OPERATIONS	5	3,149,539	1,946,768
Finance revenue	6	371,370	599,306
Finance costs	6	(548,181)	(643,902)
Share of profits and losses of:			
Jointly-controlled entities		2,288	2,774
Associates		(3,565)	3,711
PROFIT BEFORE TAX		2,971,451	1,908,657
Tax	7	(725,803)	(400,238)
PROFIT FOR THE PERIOD		2,245,648	1,508,419
Attributable to:			
Equity holders of the Company		2,220,998	1,524,780
Minority interests		24,650	(16,361)
		2,245,648	1,508,419
Earnings per share attributable to equity holders of the Company:			
Basic	9	18.00 cents	14.35 cents
Diluted	9	N/A	N/A

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	2,245,648	1,508,419
Exchange differences on translation of foreign operations	(5,511)	(3,583)
Net gain/(loss) on available-for-sale investments	161,131	(30,503)
Income tax	(32,960)	9,690
	128,171	(20,813)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	122,660	(24,396)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,368,308	1,484,023
Attributable to:		
Equity holders of the Company	2,343,590	1,500,337
Minority interests	24,718	(16,314)
	2,368,308	1,484,023

Interim Condensed Consolidated Statement of Financial Position

30 June 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	25,133,531	21,886,854
Prepaid land lease payments		4,941,206	4,858,618
Intangible assets		747,949	686,992
Interests in jointly-controlled entities		97,225	97,123
Interests in associates		344,006	347,495
Held-to-maturity investments		7,325	7,288
Available-for-sale investments		1,811,215	1,654,096
Deferred tax assets	11	2,622,621	2,754,787
Trade and bills receivables	12	1,495,769	1,236,469
Prepayments, deposits and other receivables	13	67,043	64,684
Total non-current assets		37,267,890	33,594,406
CURRENT ASSETS			
Prepaid land lease payments		104,659	102,044
Inventories	14	18,738,140	13,049,538
Properties under development		12,677,726	8,779,448
Completed properties held for sale		301,036	320,701
Construction contracts	15	39,292,722	36,317,258
Trade and bills receivables	12	31,759,841	32,773,743
Prepayments, deposits and other receivables	13	42,786,151	36,320,174
Held-to-maturity investments		10,000	10,000
Financial assets at fair value through profit or loss		49,697	32,853
Pledged deposits	16	1,956,467	2,464,099
Cash and cash equivalents	16	59,845,183	55,005,965
		207,521,622	185,175,823
Non-current asset held for sale	25	1,398,647	1,331,306
Total current assets		208,920,269	186,507,129
TOTAL ASSETS		246,188,159	220,101,535

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	17	69,743,073	62,824,384
Construction contracts	15	17,813,684	16,804,081
Other payables and accruals	18	75,947,021	60,452,573
Interest-bearing bank and other borrowings	19	17,874,449	16,411,635
Provision for early retirement benefits		1,038,500	1,000,412
Tax payable		608,333	572,894
Provision		2,551	2,898
Total current liabilities		183,027,611	158,068,877
NET CURRENT ASSETS		25,892,658	28,438,252
TOTAL ASSETS LESS CURRENT LIABILITIES		63,160,548	62,032,658
NON-CURRENT LIABILITIES			
Trade and bills payables	17	940,854	1,001,925
Other payables and accruals	18	228,693	506,262
Interest-bearing bank and other borrowings	19	6,371,654	5,719,540
Provision for early retirement benefits		5,564,902	5,946,929
Deferred tax liabilities	11	298,123	301,141
Other long term liabilities		166,637	98,222
Deferred revenue		149,435	157,376
Total non-current liabilities		13,720,298	13,731,395
NET ASSETS		49,440,250	48,301,263
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued share capital	20	12,337,542	12,337,542
Reserves		36,545,819	34,202,229
Proposed final dividend		—	1,233,754
		48,883,361	47,773,525
MINORITY INTERESTS		556,889	527,738
TOTAL EQUITY		49,440,250	48,301,263

Li Guorui
Director

Ding Yuanchen
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2009

(Unaudited)	Attributable to equity holders of the Company									
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2009	12,337,542	31,247,164	139,474	2,482,692	113,387	219,512	1,233,754	47,773,525	527,738	48,301,263
Profit for the period	–	–	–	2,220,998	–	–	–	2,220,998	24,650	2,245,648
Other comprehensive income	–	–	128,103	–	(5,511)	–	–	122,592	68	122,660
Total comprehensive income	–	–	128,103	2,220,998	(5,511)	–	–	2,343,590	24,718	2,368,308
Capital contributions	–	–	–	–	–	–	–	–	4,803	4,803
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	(370)	(370)
Final 2008 dividend declared (note 8)	–	–	–	–	–	–	(1,233,754)	(1,233,754)	–	(1,233,754)
As at 30 June 2009	12,337,542	31,247,164	267,577	4,703,690	107,876	219,512	–	48,883,361	556,889	49,440,250

(Unaudited)	Attributable to equity holders of the Company							
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2008	8,000,000	(3,499,547)	237,940	292,115	27,452	5,057,960	215,878	5,273,838
Profit for the period	—	—	—	1,524,780	—	1,524,780	(16,361)	1,508,419
Other comprehensive loss	—	—	(20,813)	—	(3,630)	(24,443)	47	(24,396)
Total comprehensive income	—	—	(20,813)	1,524,780	(3,630)	1,500,337	(16,314)	1,484,023
Capital contributions	—	—	—	—	—	—	39,210	39,210
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	(2)	(2)
Issue of shares	4,337,542	36,062,862	—	—	—	40,400,404	—	40,400,404
Share issue expenses	—	(1,316,151)	—	—	—	(1,316,151)	—	(1,316,151)
As at 30 June 2008	12,337,542	31,247,164	217,127	1,816,895	23,822	45,642,550	238,772	45,881,322

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2009

	Note	For the six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Net cash inflow/(outflow) from operating activities		6,987,695	(4,182,943)
Net cash outflow from investing activities		(5,374,721)	(6,440,448)
Net cash inflow from financing activities		904,558	35,014,342
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,517,532	24,390,951
Cash and cash equivalents at beginning of period		49,455,325	23,188,491
Effect of foreign exchange rate changes, net		(53,915)	(77,641)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16	51,918,942	47,501,801

Notes to Interim Condensed Consolidated Financial Statements

30 June 2009

1. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the "Company") was incorporated in the People's Republic of China (the "PRC" or "Mainland China", which excludes, for the purpose of the interim condensed consolidated financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) on 5 November 2007 as a joint stock limited company with limited liability. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") and The Shanghai Stock Exchange. The Company's ultimate holding company is China Railway Construction Corporation ("CRCCG", a state-owned enterprise in the PRC).

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of construction of infrastructures, provision of survey, design and consultancy services, design, research and development, production and sale of large track maintenance machinery and components for railway construction, real estate development and provision of logistics services. Details of the Group's business operations are set out in note 3 to the interim condensed consolidated financial statements.

The registered office of the Company is located at East, No. 40 Fuxing Road, Haidian District, Beijing 100855, the PRC.

2. BASIS OF PRESENTATION AND PREPARATION

(a) The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets, which have been measured at fair value. In addition, the interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

(b) The accounting policies adopted in the preparation of the interim 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 2008, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), noted below:

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of IAS 27 Amendment did not have any impact on the financial position or performance of the Group. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

The IFRS 2 Amendments clarify the definition of vesting conditions and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group has not entered into any share-based payment schemes and, therefore, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

The IFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

(b) (continued)

IFRS 8, which replaces IAS 14 *Segment Reporting*, requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of IFRS 8 did not have any impact on the financial position or performance of the Group. The Group determined that the operating segments are the same as the business segments previously identified under IAS 14 *Segment Reporting*. Additional disclosures about each of these segments are shown in note 3 to the interim condensed consolidated financial statements, including revised comparative information.

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard did not have any impact on the financial position or performance of the Group.

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the adoption of this interpretation did not have any impact on the financial position or performance of the Group.

IFRIC 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with IAS 18 *Revenue*. As the Group's current policy of accounting for the construction of real estate aligns with the requirements of the interpretation, the adoption of this interpretation did not have any impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

(b) (continued)

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the adoption of this interpretation did not have any impact on the financial position or performance of the Group.

In May 2008, the International Accounting Standards Board issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

(i) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest.

(ii) IFRS 7 *Financial Instruments: Disclosures:* Removes the reference to “total interest income” as a component of finance costs.

(iii) IAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet.

(iv) IAS 16 *Property, Plant and Equipment:* Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is calculated as the higher of an asset’s fair value less costs to sell and its value in use. In addition, items held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

(v) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the benefit of the reduced interest to be accounted for as a government grant.

(vi) IAS 27 *Consolidated and Separate Financial Statements:* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

(b) (continued)

(vii) IAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(viii) IAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

(ix) IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. In addition, the reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and the Group's reportable operating segments are as follows:

(i) the construction operations segment engages in the construction of infrastructures such as railways, highways, bridges, tunnels, metropolitan railways, airports and ports, water conservancy and hydropower facilities, real estate and municipal projects;

(ii) the survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services, as well as technology and equipment research and development services, for the construction of railways, highways, metropolitan railways, bridges, tunnels, municipal and power projects, high-rise buildings, airports and ports;

(iii) the manufacturing operations segment engages in the design, research and development, production and sale of large track maintenance machinery as well as the manufacturing of components for railway construction; and

(iv) the other business operations segment mainly comprises real estate development and logistics businesses.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

Sales and transfers between the operating segments are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (continued)

Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008:

For the six months ended 30 June 2009

(Unaudited)	Construction operations RMB'000	Survey, design and consultancy operations RMB'000	Manufacturing operations RMB'000	Other business operations RMB'000	Eliminations and adjustments RMB'000	Consolidated RMB'000
Segment revenue						
Revenue from external customers	114,049,451	2,779,262	2,631,624	6,787,232	–	126,247,569
Intersegment sales	278,680	4,231	34,942	537,015	(854,868)	–
Total	114,328,131	2,783,493	2,666,566	7,324,247	(854,868)	126,247,569
Segment results						
Profit before tax	2,376,332	277,015	127,516	190,588	–	2,971,451
Profit before tax included:						
Finance revenue	294,972	54,332	4,370	17,696	–	371,370
Finance costs	(517,453)	(811)	(13,447)	(16,470)	–	(548,181)
Share of profits and losses of:						
Jointly-controlled entities	2,381	–	–	(93)	–	2,288
Associates	(3,432)	(133)	–	–	–	(3,565)
Depreciation and amortisation	(2,552,929)	(45,691)	(130,046)	(72,054)	–	(2,800,720)
Write-down of inventories to net realisable value	(5,495)	–	–	(26,306)	–	(31,801)
Reversal of provision for foreseeable losses on construction contracts	3,387	–	–	–	–	3,387
Impairment losses (recognised)/reversed	(23,814)	(584)	(12,012)	5,848	–	(30,562)
Segment assets and liabilities						
Segment assets (i)	211,778,177	7,421,208	8,517,833	26,841,819	(8,370,878)	246,188,159
Segments assets included:						
Interests in jointly-controlled entities	82,693	–	–	14,532	–	97,225
Interests in associates	334,430	9,576	–	–	–	344,006
Segment liabilities (ii)	172,460,704	5,957,487	5,698,547	22,718,214	(10,087,043)	196,747,909
Other segment information						
Capital expenditure (iii)	5,608,426	182,138	508,613	224,352	–	6,523,529

3. SEGMENT INFORMATION *(continued)*

Operating segments (continued)

For the six months ended 30 June 2008

(Unaudited)	Construction operations RMB'000	Survey, design and consultancy operations RMB'000	Manufacturing operations RMB'000	Other business operations RMB'000	Eliminations and adjustments RMB'000	Consolidated RMB'000
Segment revenue						
Revenue from external customers	74,448,848	1,799,982	956,840	2,571,874	—	79,777,544
Intersegment sales	267,503	83,226	445,208	502,665	(1,298,602)	—
Total	74,716,351	1,883,208	1,402,048	3,074,539	(1,298,602)	79,777,544
Segment results						
Profit before tax	1,387,597	221,031	141,933	158,096	—	1,908,657
Profit before tax included:						
Finance revenue	517,415	61,601	4,979	15,311	—	599,306
Finance costs	(608,943)	(3,657)	(14,299)	(17,003)	—	(643,902)
Share of profits and losses of:						
Jointly-controlled entities	2,774	—	—	—	—	2,774
Associates	4,121	(410)	—	—	—	3,711
Depreciation and amortisation	(1,612,345)	(44,098)	(59,502)	(12,775)	—	(1,728,720)
Write-back of inventories to net realisable value	40	—	—	—	—	40
Provision for foreseeable losses on construction contracts	(28,850)	—	—	—	—	(28,850)
Impairment losses reversed/(recognised)	43,651	(246)	444	120	—	43,969
Other segment information						
Capital expenditure (iii)	4,036,197	123,562	113,177	18,880	—	4,291,816

Notes:

(i) Segment assets do not include deferred tax assets of RMB2,622,621,000 as the Group does not manage these assets based on operating segments and hence are not allocated to the operating segments. In addition, intersegment receivables of RMB10,993,499,000 are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB298,123,000 and tax payable of RMB608,333,000 as the Group does not manage these liabilities based on operating segments and hence are not allocated to the operating segments. In addition, intersegment payables of RMB10,993,499,000 are eliminated on consolidation.

(iii) Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and intangible assets.

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents: (1) an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges; (2) the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returns and trade discounts; and (3) the value of other services rendered.

An analysis of the Group's revenue and other income and gains, net, is as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Construction contracts	114,049,451	74,448,848
Provision of survey, design and consultancy services	2,779,262	1,799,982
Manufacture, sale, repair and maintenance of large track maintenance machinery	2,631,624	956,840
Others (note (a))	6,787,232	2,571,874
	126,247,569	79,777,544
Other income and gains, net:		
Government grants:		
– Recognition of deferred revenue	10,929	11,589
– Others (note (b))	30,367	14,765
Fair value gains, net, on financial assets at fair value through profit or loss	16,617	—
Gain on disposal of an associate	—	143,877
Gain on disposal of available-for-sale investments	3,978	5,127
Gain on disposal of property, plant and equipment, net	10,926	—
Foreign exchange differences, net	192,324	—
Others (note (c))	62,252	87,902
	327,393	263,260

Notes:

(a) Other revenue mainly represents revenue from the sale of properties and the provision of logistics services.

(b) Other government grants mainly represent value-added tax refunds which, in the opinion of the directors of the Company (the "Directors"), are available to eligible entities that are able to fulfil certain requirements.

(c) Others mainly represent gains on stocktaking, penalty income and other miscellaneous gains.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services rendered	109,379,202	70,992,631
Cost of goods sold	8,446,933	2,986,978
Total cost of sales	117,826,135	73,979,609
Depreciation of property, plant and equipment (note (a))	2,728,196	1,671,600
Amortisation of prepaid land lease payments	50,064	47,539
Amortisation of intangible assets	22,460	9,581
Total depreciation and amortisation	2,800,720	1,728,720
Reversal of impairment of trade and bills receivables	(16,938)	(39,645)
Impairment of property, plant, equipment	6,308	—
Impairment/(reversal of impairment) of deposits and other receivables	41,192	(4,324)
Total impairment/(reversal of impairment), net	30,562	(43,969)
Write-down/(write-back) of inventories to net realisable value	31,801	(40)
(Reversal of provision)/provision for foreseeable losses on construction contracts	(3,387)	28,850
Fair value (gains)/losses, net, on financial assets at fair value through profit or loss	(16,617)	21,972
(Gain)/loss on disposal of property, plant and equipment, net	(10,926)	14,616
Foreign exchange differences, net	(192,324)	456,129

Note:

(a) Depreciation of approximately RMB2,420,215,000 (unaudited) (2008: RMB1,446,143,000 (unaudited)) is included in the cost of sales on the face of the interim condensed consolidated income statement for the six months ended 30 June 2009.

6. FINANCE REVENUE AND FINANCE COSTS

The Group's finance revenue totalling RMB371,370,000 (unaudited) (2008: RMB599,306,000 (unaudited)) mainly represented bank interest income.

The Group's finance costs are as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans wholly repayable within five years	597,043	789,878
Interest on bank loans repayable beyond five years	13,766	74,299
Interest on finance leases	5,480	1,953
Interest on discounted bills	17,788	14,472
Interest on corporate bonds	5,100	22,141
Total interest	639,177	902,743
Less: Interest capitalised in:		
– Construction in progress	(21,129)	(3,015)
– Construction contracts	(740)	(17,481)
– Properties under development	(66,965)	(129,104)
– Intangible assets	(2,162)	(109,241)
	548,181	643,902

Borrowing costs capitalised for the period are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Capitalisation rates	5.4% - 7.2%	5.0% - 8.9%

7. TAX

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, jointly-controlled entities and associates, which were exempted from income tax or taxed at preferential rates ranging from 15% to 16.5% primarily due to their status as entities engaging in technology development or their involvement in projects that were supported by the government and development projects in the western part of Mainland China, the entities within the Group are subject to corporate income tax at a rate of 25% (2008: 25%) during the six months ended 30 June 2009.

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2009.

7. TAX (continued)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the territories/countries in which the relevant companies within the Group operate, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	569,511	231,303
– Hong Kong	992	688
– Others	59,112	23,224
Deferred income tax	96,188	145,023
Income tax charge for the period	725,803	400,238

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate in Mainland China to the income tax expense at the Group's effective income tax rate is as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	2,971,451	1,908,657
Income tax charge at statutory income tax rate of 25% (2008: 25%)	742,863	477,164
Lower income tax rates for specific provinces or locations	(28,317)	(59,789)
Tax effect of share of profits and losses of jointly-controlled entities and associates	263	(1,310)
Income not subject to tax	(2,309)	(1,057)
Expenses not deductible for tax purposes	66,112	21,529
Tax losses utilised from previous periods	(9,732)	(1,952)
Income tax benefits on locally purchased machinery and research and development expenses	(87,805)	(43,500)
Tax losses not recognised	53,692	31,300
Adjustments in respect of current income tax of previous periods	(8,964)	(22,147)
Income tax charge for the period	725,803	400,238

8. DIVIDEND

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC and other related regulations issued by the MOF; and (ii) the net profit determined in accordance with IFRSs.

At the annual general meeting held on 19 June 2009, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2008 of RMB1.00 per 10 shares which amounted to RMB1,233,754,000. The dividend declared has not been paid as at 30 June 2009.

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2009.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2009 is based on the profit attributable to equity holders of the Company amounting to RMB2,220,998,000 (unaudited) (2008: RMB1,524,780,000 (unaudited)) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2009.

No diluted earnings per share amount has been presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2009 (2008: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Vehicles RMB'000 (Unaudited)	Production equipment RMB'000 (Unaudited)	Measurement and experimental equipment RMB'000 (Unaudited)	Other equipment RMB'000 (Unaudited)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Cost:								
At 1 January 2009	5,739,253	14,817,795	5,697,891	2,869,288	1,129,909	4,302,485	2,197,979	36,754,600
Additions	230,513	2,828,772	1,120,980	473,043	222,449	483,604	984,066	6,343,427
Transfer from construction in progress	359,289	67,555	7,743	92,144	21,676	14,151	(562,558)	–
Acquisition of assets and liabilities (note 21)	–	–	–	–	–	667	–	667
Transfer to prepaid land lease payments	–	–	–	–	–	–	(111,377)	(111,377)
Disposals	(81,201)	(284,175)	(126,027)	(41,656)	(26,751)	(335,338)	–	(895,148)
At 30 June 2009	6,247,854	17,429,947	6,700,587	3,392,819	1,347,283	4,465,569	2,508,110	42,092,169
Accumulated depreciation and impairment:								
At 1 January 2009	(1,731,369)	(5,810,670)	(3,305,255)	(1,142,990)	(628,438)	(2,248,474)	(550)	(14,867,746)
Depreciation charge for the period	(120,745)	(1,171,754)	(596,652)	(184,791)	(105,818)	(548,436)	–	(2,728,196)
Impairment for the period	(3,480)	–	–	(2,828)	–	–	–	(6,308)
Disposals	13,507	191,678	100,391	19,546	18,131	300,359	–	643,612
At 30 June 2009	(1,842,087)	(6,790,746)	(3,801,516)	(1,311,063)	(716,125)	(2,496,551)	(550)	(16,958,638)
Net carrying amount:								
At 30 June 2009	4,405,767	10,639,201	2,899,071	2,081,756	631,158	1,969,018	2,507,560	25,133,531

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000 (Audited)	Machinery RMB'000 (Audited)	Vehicles RMB'000 (Audited)	Production equipment RMB'000 (Audited)	Measurement and experimental equipment RMB'000 (Audited)	Other equipment RMB'000 (Audited)	Construction in progress RMB'000 (Audited)	Total RMB'000 (Audited)
Cost:								
At 1 January 2008	5,249,522	10,472,598	4,471,650	2,447,924	904,429	2,937,294	1,336,870	27,820,287
Additions	401,240	4,941,482	1,460,041	617,300	268,580	1,826,022	1,716,196	11,230,861
Acquisition of a subsidiary	8,410	13,021	—	—	51	12,950	1,516	35,948
Acquisition of assets and liabilities	—	—	—	—	—	919	—	919
Transfer from construction in progress	336,699	187,841	2,683	84,181	1,714	58,693	(671,811)	—
Transfer to prepaid land lease payments	—	—	—	—	—	—	(184,792)	(184,792)
Disposals	(256,618)	(797,147)	(236,483)	(280,117)	(44,865)	(533,393)	—	(2,148,623)
At 31 December 2008	5,739,253	14,817,795	5,697,891	2,869,288	1,129,909	4,302,485	2,197,979	36,754,600
Accumulated depreciation and impairment:								
At 1 January 2008	(1,636,179)	(4,375,284)	(2,639,688)	(965,303)	(508,620)	(1,696,706)	(550)	(11,822,330)
Impairment for the year	(1,003)	—	—	—	—	—	—	(1,003)
Depreciation charge for the year	(162,133)	(1,610,642)	(883,568)	(325,890)	(148,664)	(935,612)	—	(4,066,509)
Disposals	67,946	175,256	218,001	148,203	28,846	383,844	—	1,022,096
At 31 December 2008	(1,731,369)	(5,810,670)	(3,305,255)	(1,142,990)	(628,438)	(2,248,474)	(550)	(14,867,746)
Net carrying amount:								
At 31 December 2008	4,007,884	9,007,125	2,392,636	1,726,298	501,471	2,054,011	2,197,429	21,886,854

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings, machinery, vehicles and production equipment which had an aggregate net carrying amount of RMB665,139,000 (unaudited) as at 30 June 2009 (31 December 2008: RMB922,106,000 (audited)) (note 19).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of machinery amounted to RMB817,516,000 (unaudited) as at 30 June 2009 (31 December 2008: RMB156,640,000 (audited)).

As at 30 June 2009, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB198,205,000 (unaudited) (31 December 2008: RMB16,583,000 (audited)). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2009.

11. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The movements in deferred tax assets and deferred tax liabilities are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
At beginning of the period/year, net	2,453,646	2,945,242
Deferred tax charged to the income statement during the period/year	(96,188)	(524,068)
Deferred tax charged to equity during the period/year:		
– Deferred tax liabilities arising from changes in fair values of available-for-sale investments	(32,960)	32,472
At end of the period/year, net	2,324,498	2,453,646

The Group's deferred tax assets and deferred tax liabilities are attributed to the following items, which are reflected in the interim condensed consolidated statement of financial position:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Deferred tax assets:		
Provision for early retirement benefits	1,517,651	1,606,392
Provision for impairment of assets	150,690	139,117
Provision for foreseeable losses on construction contracts	35,319	37,589
Tax losses available for offset against future taxable income	42,977	37,954
Accruals and provisions	28,424	31,537
Additional tax deduction on revaluation surplus arising from a prior restructuring	828,790	888,715
Others	18,770	13,483
	2,622,621	2,754,787
Deferred tax liabilities:		
Recognition of revenue on construction contracts	(92,832)	(123,804)
Others	(205,291)	(177,337)
	(298,123)	(301,141)
	2,324,498	2,453,646

12. TRADE AND BILLS RECEIVABLES

The Group's major customers are the PRC government agencies and other state-owned enterprises. The majority of the Group's revenues are generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not have a standardised and universal credit period granted to the construction service customers. The credit period of individual construction service customers is considered on a case-by-case basis and set out in the construction contracts, as appropriate. For the sale of products, a credit period ranging from 30 to 90 days may be granted to large or long-established customers with good repayment history. Revenues from small, new or short term customers are normally expected to be settled shortly after the provision of services or delivery of goods. No credit period is set by the Group for small, new or short term customers. For retention money receivables in respect of construction work carried out by the Group, the due dates usually range from one to six years after the completion of the construction work. Trade and bills receivables are non-interest-bearing.

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Bills receivables	177,783	131,787
Trade receivables	26,588,499	28,857,935
Retention money receivables	7,009,374	5,557,740
Provision for impairment	(520,046)	(537,250)
	33,255,610	34,010,212
Portion classified as current assets	(31,759,841)	(32,773,743)
Non-current portion	1,495,769	1,236,469

An aged analysis of the Group's trade and bills receivables, based on the invoice date and net of provision for impairment of trade receivables, as at the balance sheet date is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 6 months	24,921,116	26,498,405
6 months to 1 year	4,988,422	4,115,923
1 to 2 years	2,077,468	2,196,856
2 to 3 years	885,055	798,003
More than 3 years	383,549	401,025
	33,255,610	34,010,212

12. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Neither past due nor impaired	28,440,096	28,351,993
Past due but not impaired:		
Less than 3 months past due	362,794	634,579
3 to 6 months past due	125,664	303,590
Over 6 months past due	479,331	330,924
	29,407,885	29,621,086

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Movements in the provision for impairment of trade receivables are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
At beginning of the period/year	537,250	617,293
Reversal of impairment for the period/year (net)	(16,938)	(61,082)
Written off	(266)	(18,961)
At end of the period/year	520,046	537,250

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB520,046,000 (unaudited) (31 December 2008: RMB537,250,000 (audited)) with a carrying amount of RMB4,367,771,000 (unaudited) (31 December 2008: RMB4,926,376,000 (audited)). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE AND BILLS RECEIVABLES (continued)

The amounts due from the ultimate holding company, fellow subsidiaries and associates included in the trade and bills receivables are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Ultimate holding company	422	419
Fellow subsidiaries	61,501	96,816
Associates	9,759	6,483
	71,682	103,718

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Advances to suppliers	26,029,697	21,258,665
Prepayments	67,043	64,684
Deposits and other receivables, net of provision for impairment (note (a)) *	16,756,454	15,061,509
	42,853,194	36,384,858
Portion classified as current assets	(42,786,151)	(36,320,174)
Non-current portion	67,043	64,684

* Deposits and other receivables mainly represent bidding bonds, performance bonds and various deposits required for the Group's business operations.

Note:

(a) As at 31 December 2008, deposits and other receivables included a non-interest-bearing loan of RMB2,055,501,000 given by the Group's wholly-owned subsidiary, China Railway Real Estate Group Co., Ltd., to the then independent third party, 北京第六大洲房地產開發有限公司 (Beijing Sixth Continent Real Estate Development Co., Ltd.) ("Sixth Continent"). As further described in note 21 to the interim condensed consolidated financial statements, the Group acquired 100% equity interest in Sixth Continent on 5 January 2009 and hence the non-interest-bearing loan was eliminated on consolidation as at 30 June 2009.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Neither past due nor impaired	15,874,244	14,442,960

Deposits and other receivables that were neither past due nor impaired relate to balances for which there was no recent history of default.

Movements in the provision for impairment of deposits and other receivables are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
At beginning of the period/year	249,988	209,663
Impairment for the period/year (net)	41,192	56,567
Written off	(4,731)	(16,242)
At end of the period/year	286,449	249,988

The above provision for impairment of deposits and other receivables is a provision for individually impaired deposits and other receivables of RMB286,449,000 (unaudited) (31 December 2008: RMB249,988,000 (audited)) with a carrying amount of RMB1,168,659,000 (unaudited) (31 December 2008: RMB868,537,000 (audited)). The individually impaired deposits and other receivables relate to debtors that were in financial difficulties or debtors that were in default or delinquency in payments and only a portion of the balances is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The amounts due from the fellow subsidiary, jointly-controlled entities and associates included in the above are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Fellow subsidiary	650	650
Jointly-controlled entities	60,280	123,360
Associates	101,358	45,836
	162,288	169,846

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

14. INVENTORIES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Raw materials	11,490,468	7,812,983
Work in progress	1,339,466	1,215,002
Finished goods	2,430,789	1,452,002
Spare parts	3,477,417	2,569,551
	18,738,140	13,049,538

15. CONSTRUCTION CONTRACTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Gross amount due from contract customers for contract work	39,292,722	36,317,258
Gross amount due to contract customers for contract work	(17,813,684)	(16,804,081)
	21,479,038	19,513,177
Contract costs incurred plus recognised profits less recognised losses to date	730,166,590	685,036,939
Less: Progress billings received and receivable	(708,687,552)	(665,523,762)
	21,479,038	19,513,177

The amounts due from the ultimate holding company, fellow subsidiaries, associate and jointly-controlled entity included in the gross amount due from contract customers for contract work are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Ultimate holding company	63,512	22,354
Fellow subsidiaries	29,567	22,457
Associate	6,320	—
Jointly-controlled entity	89,303	—
	188,702	44,811

15. CONSTRUCTION CONTRACTS (continued)

The amounts due to the ultimate holding company and fellow subsidiaries included in the gross amount due to contract customers for contract work are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Ultimate holding company	—	2,025
Fellow subsidiaries	27,505	92,098
	27,505	94,123

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Cash and bank balances	52,660,698	32,966,935
Time deposits	9,140,952	24,503,129
	61,801,650	57,470,064
Less: Pledged bank balances for		
- Bills payable (note 17)	(1,146,642)	(969,252)
- Projects bidding	(809,825)	(1,494,847)
	(1,956,467)	(2,464,099)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	59,845,183	55,005,965
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(7,926,241)	
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	51,918,942	
Cash and bank balances and time deposits denominated in:		
- RMB	44,905,814	37,689,435
- United States dollars	2,985,431	5,551,507
- Hong Kong dollars	9,314,113	10,843,769
- Other currencies	4,596,292	3,385,353
	61,801,650	57,470,064

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three months to one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled between 60 and 180 days. For retention money payables in respect of construction work carried out by the Group, the due dates usually range from one to six years after the completion of the construction work.

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade and bills payables	70,683,927	63,826,309
Portion classified as current liabilities	(69,743,073)	(62,824,384)
Non-current portion	940,854	1,001,925

An aged analysis of the Group's trade and bills payables, based on the invoice date, as at the balance sheet date is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 6 months	59,267,748	53,039,994
6 months to 1 year	8,543,295	7,847,160
1 to 2 years	2,010,845	1,937,088
2 to 3 years	460,596	536,661
More than 3 years	401,443	465,406
	70,683,927	63,826,309

17. TRADE AND BILLS PAYABLES (continued)

The amounts due to the fellow subsidiary and associates included in trade and bills payables are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Fellow subsidiary	1,391	391
Associates	3,377	8,693
	4,768	9,084

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered by the fellow subsidiary and associates to their major customers.

The Group's bills payable were secured by pledged bank balances of approximately RMB1,146,642,000 (unaudited) as at 30 June 2009 (31 December 2008: RMB969,252,000 (audited)) (note 16).

18. OTHER PAYABLES AND ACCRUALS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Advances from customers	46,217,336	33,889,939
Accrued salaries, wages and benefits	5,998,575	5,640,457
Dividend payable	1,233,754	—
Other taxes payable	2,125,968	2,089,705
Current portion of deferred revenue	16,138	18,138
Others *	20,583,943	19,320,596
	76,175,714	60,958,835
Portion classified as current liabilities	(75,947,021)	(60,452,573)
Non-current portion	228,693	506,262

* Others mainly represent payables to sub-contractors for payments made on behalf of the Group, deposits and performance bonds received from sub-contractors, payables for the purchase of machinery and equipment and payables for repair and maintenance expenses.

18. OTHER PAYABLES AND ACCRUALS (continued)

The amounts due to the ultimate holding company, fellow subsidiaries, jointly-controlled entities and associates included in other payables and accruals are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Ultimate holding company (note (a))	990,605	210,299
Fellow subsidiaries	130,183	155,889
Jointly-controlled entities	618,099	1,501,702
Associates	15,057	5,786
	1,753,944	1,873,676

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

Note:

(a) In accordance with the notices《財政部關於下達中國鐵建建築總公司2008年中央國有資本經營預算（撥款）的通知》（財企[2008]260號）"Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260)" and《財政部關於撥付2008年中央企業汶川地震災害後恢復重建基金的通知》(財企[2008]399號) "Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399)" issued by the MOF (the English names of the notices are direct translation of the Chinese names), the MOF injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008. Thereafter, CRCCG contributed the fund so received from the MOF into the Company which the Company has recorded in other payables as at 30 June 2009 and 31 December 2008.

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Current				
Finance lease payables	5.0 - 12.7	2010	268,792	97,157
Short term bank loans:				
- unsecured	2.3 - 9.4	2010	14,527,738	13,076,454
- secured	4.8 - 9.3	2010	98,140	136,040
Short term other loans:				
- unsecured	5.3	2010	199,018	67,018
Short term corporate bonds:				
- unsecured	7.0	2010	—	346,599
Current portion of long term bank loans:				
- unsecured	0.8 - 7.7	2010	2,739,846	2,667,390
- secured	5.3 - 6.8	2010	40,915	20,977
			17,874,449	16,411,635
Non-current				
Finance lease payables	5.0 - 12.7	2010 - 2016	603,739	204,753
Long term bank loans:				
- unsecured	0.8 - 8.5	2010 - 2024	4,106,508	4,150,614
- secured	0.8 - 9.1	2010 - 2026	1,655,357	1,358,123
Long term other loans:				
- unsecured	2.3	2011	6,050	6,050
			6,371,654	5,719,540
			24,246,103	22,131,175
Interest-bearing bank and other borrowings denominated in:				
- RMB			22,560,238	20,350,884
- Euros			1,589,917	1,689,252
- United States dollars			95,948	91,039
			24,246,103	22,131,175

19. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The maturity profile of the interest-bearing bank and other borrowings as at the balance sheet date is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	17,406,639	15,900,861
In the second year	2,027,269	1,936,173
In the third to fifth years, inclusive	1,408,516	647,895
Beyond five years	2,326,080	2,924,669
	23,168,504	21,409,598
Other borrowings (including finance lease payables) repayable:		
Within one year	467,810	164,175
In the second year	271,642	87,939
In the third to fifth years, inclusive	287,014	122,864
Over five years	51,133	—
	1,077,599	374,978
Corporate bonds repayable:		
Within one year	—	346,599
	24,246,103	22,131,175

The above secured bank loans were secured by certain assets and their carrying values are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Property, plant and equipment (note 10)	665,139	922,106
Prepaid land lease payments	32,869	74,385
Intangible assets	396,734	395,078
Properties under development	1,747,001	821,253

19. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Other information:

	30 June 2009		31 December 2008	
	Fixed rate RMB'000 (Unaudited)	Floating rate RMB'000 (Unaudited)	Fixed rate RMB'000 (Audited)	Floating rate RMB'000 (Audited)
Bank loans - unsecured	12,568,344	8,805,748	11,795,684	8,098,774
Bank loans - secured	741,721	1,052,691	1,046,149	468,991
Other borrowings - unsecured	6,050	199,018	8,050	65,018
Other borrowings - secured	872,531	—	301,910	—
Corporate bonds - unsecured	—	—	346,599	—

The carrying amounts of the current bank and other borrowings and the non-current floating rate bank and other borrowings approximate to their fair values.

The carrying amounts and fair values of the Group's non-current fixed rate bank and other borrowings are as follows:

	30 June 2009		31 December 2008	
	Carrying amounts RMB'000 (Unaudited)	Fair values RMB'000 (Unaudited)	Carrying amounts RMB'000 (Audited)	Fair values RMB'000 (Audited)
Bank loans - unsecured	1,118,664	1,025,685	1,531,861	1,419,911
Bank loans - secured	647,043	512,450	935,309	756,632
Other borrowings - unsecured	6,050	5,560	6,050	5,316
Other borrowings - secured	603,739	593,684	204,753	218,003
	2,375,496	2,137,379	2,677,973	2,399,862

The fair values of the Group's non-current fixed rate bank and other borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates as at the balance sheet date.

20. ISSUED SHARE CAPITAL

	30 June 2009		31 December 2008	
	Number of shares '000 (Unaudited)	Nominal value RMB'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value RMB'000 (Audited)
Registered, issued and fully paid:				
- State legal person shares of RMB1.00 each	7,811,245	7,811,245	7,811,245	7,811,245
- A Shares of RMB1.00 each	2,450,000	2,450,000	2,450,000	2,450,000
- H Shares of RMB1.00 each	2,076,297	2,076,297	2,076,297	2,076,297
	12,337,542	12,337,542	12,337,542	12,337,542

A summary of the movements in the Company's issued share capital is as follows:

	30 June 2009		31 December 2008	
	Number of shares '000 (Unaudited)	Nominal value RMB'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value RMB'000 (Audited)
At beginning of period/year	12,337,542	12,337,542	8,000,000	8,000,000
Public offer of A Shares (note (a))	—	—	2,450,000	2,450,000
Public offer of H Shares (notes (b), (c))	—	—	2,076,297	2,076,297
State legal person shares converted into H Shares (note (c))	—	—	(188,755)	(188,755)
At end of period/year	12,337,542	12,337,542	12,337,542	12,337,542

(a) During the period from 25 February to 26 February 2008, the Company issued 2,450,000,000 A Shares at RMB9.08 per A Share, which raised total gross proceeds, excluding listing expenses, of RMB22.2 billion. The A Shares were listed on The Shanghai Stock Exchange on 10 March 2008.

(b) During the period from 29 February to 5 March 2008, the Company issued 1,706,000,000 H Shares at HK$10.70 per H Share, which raised total gross proceeds, excluding listing expenses, of HK$18.3 billion. The H Shares were listed on the Main Board of The Hong Kong Stock Exchange on 13 March 2008.

On 8 April 2008, the over-allotment option of H Shares was exercised in part and an additional 181,541,500 H Shares were issued at HK$10.70 per H Share, which were listed on the Main Board of The Hong Kong Stock Exchange on the same day. The gross proceeds from the issuance of these H Shares, excluding listing expenses, amounted to HK$1.9 billion.

(c) On 13 March 2008, CRCCG converted 170,600,000 state legal person shares of the Company into H Shares and transferred the shares to the National Council for Social Security Fund ("NSSF") of the PRC. In addition, on 8 April 2008, CRCCG converted 18,154,500 state legal person shares of the Company into H Shares and transferred the shares to the NSSF.

21. ACQUISITION OF ASSETS AND LIABILITIES

On 3 January 2009, the Group entered into a transfer agreement (the "Transfer Agreement") with 北京中聯亞房地產開發有限公司 (Beijing Zhonglianya Real Estate Development Co., Ltd.) ("Zhonglianya") to acquire 100% equity interest in Sixth Continent for the primary purpose of acquiring certain assets and liabilities held by Sixth Continent at a purchase consideration of RMB834,270,000. Pursuant to the Transfer Agreement, the Group made a partial payment of RMB383,270,000 to Zhonglianya on 5 January 2009 and also appointed its representatives to act as directors of the board and the general manager of Sixth Continent, thereby obtaining the effective control over Sixth Continent on the same date. Given that certain conditions precedent stipulated in the Transfer Agreement have not been completed by Zhonglianya, 90% of equity interest in Sixth Continent was transferred to the Group as at 30 June 2009. Both parties are now in the process of negotiating and completing the outstanding conditions precedent. The remaining purchase consideration of RMB451,000,000 will be settled upon the completion of the outstanding conditions precedent and the transfer of the remaining 10% equity interest in Sixth Continent to the Group by Zhonglianya.

The assets and liabilities of Sixth Continent acquired by the Group as at the date of acquisition, 5 January 2009, were as follows:

	RMB'000
Assets and liabilities acquired:	
Other receivables	2,061
Properties under development	2,957,527
Property, plant and equipment (note 10)	667
Trade payables	(3,439)
Other payables and accruals	(2,122,546)
Net assets	834,270
Satisfied by:	
Cash	383,270
Payable due to an independent third party	451,000
	834,270

There were no acquisitions of assets and liabilities during the six months ended 30 June 2008.

22. CONTINGENT LIABILITIES

(a) The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

(b) The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Jointly-controlled entities	1,137	2,132
An investee of the Company (note (i))	109,200	109,200
	110,337	111,332

Note:

(i) The Company has a 16.8% equity interest in this investee. Other than that, in the opinion of the Directors, this investee has no other relationship with the Group and the ultimate holding company.

23. COMMITMENTS

(a) *Operating lease arrangements*

The Group leases certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally require the tenants to pay security deposits.

The Group's future minimum operating lease payments under non-cancelable operating leases as at the balance sheet date are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	57,921	10,789
In the second to fifth years, inclusive	159,926	9,208
Beyond five years	3,538	584
	221,385	20,581

(b) *Capital commitments*

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at the balance sheet date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	1,177,112	1,931,676
Intangible assets	45,993	159,253
Available-for-sale investment	618,800	—
	1,841,905	2,090,929
Authorised, but not contracted for:		
Property, plant and equipment	16,844,138	16,849,785
Properties under development	367,162	367,162
Available-for-sale investments	1,108,832	600,000
	18,320,132	17,816,947

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following significant transactions with related parties during the six months ended 30 June 2009:

	Notes	For the six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Construction operations income			
Fellow subsidiaries		333,302	291,861
Jointly-controlled entity		919,731	313,208
Ultimate holding company		46,500	96,839
Associate		18,398	—
		1,317,931	701,908
Survey, design and consultancy operations income			
Fellow subsidiary		2,664	2,000
Ultimate holding company		—	566
Associate		100	—
		2,764	2,566
Other income	(i)		
Jointly-controlled entities		50,025	2,011
Operating expenses	(ii)		
Fellow subsidiaries		33,902	10,224
Associate		—	219,460
Jointly-controlled entity		664,515	489,568
		698,417	719,252

Notes:

(i) Other income mainly includes management fee income and rental income.

(ii) Operating expenses mainly include management fee expenses, property management fees, sub-contracting costs, operating lease fees and printing costs.

(iii) The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Jointly-controlled entities	1,137	2,132

24. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

In the opinion of the Directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties after taking into account the market prices.

In the opinion of the Directors, the above related party transactions were conducted in the ordinary course of business.

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the six months ended 30 June 2009, the Group had transactions with State-owned Enterprises including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 12, 13, 15, 17 and 18 to the interim condensed consolidated financial statements.

(c) Compensation of key management personnel of the Group

An analysis of the compensation of key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	2,099	1,682
Post-employment benefits	528	488
	2,627	2,170

25. NON-CURRENT ASSET HELD FOR SALE

As at 30 June 2009, the non-current asset held for sale represents a concession asset of RMB1,398,647,000 (unaudited) (31 December 2008: RMB1,331,306,000 (audited)). The concession asset represents the right to operate the northeast section of the Harbin Highway Circle (the "Harbin Highway Circle") and is included in the construction operations segment.

On 10 July 2006, the Group through its wholly-owned subsidiary, China Railway 13th Bureau Group Co., Ltd. ("13th Bureau"), entered into a build-operate-transfer agreement with an external third party, Heilongjiang Provincial Bureau of Highway Construction under Heilongjiang Provincial Transport Department, for the construction of the Harbin Highway Circle.

In 2008, Heilongjiang Provincial Transport Department decided to acquire back the operating right of the Harbin Highway Circle from 13th Bureau upon the completion of its construction. In addition, the Group has also agreed to hand over the operating right of the Harbin Highway Circle to Heilongjiang Provincial Transport Department based on a price mutually agreed between both parties upon the completion of the construction of the Harbin Highway Circle in 2009. As the construction of the Harbin Highway Circle has not been completed as at 30 June 2009, this transaction is not completed as at 30 June 2009.

As the transaction is expected to be completed within the next twelve months from 30 June 2009, the concession asset is classified as a non-current asset held for sale in the interim condensed consolidated statement of financial position as at 30 June 2009. As at the date of issuance of the interim condensed consolidated financial statements, the transaction has not been completed.

26. EVENTS AFTER THE BALANCE SHEET DATE

On 24 August 2009, the Company issued its first tranche of medium-term notes ("the Notes") with an offering size of RMB10,000 million. The Notes with a coupon rate of 3.4% will mature in 3 years. The proceeds from the issuance of the Notes were received by the Company on 25 August 2009.

Save as aforesaid, no other significant events took place subsequent to 30 June 2009.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six months ended 30 June 2009 were approved and authorised for issue by the Board of Directors on 27 August 2009.

中国铁建

中 國 鐵 建 股 份 有 限 公 司

China Railway Construction Corporation Limited