

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)*

(Stock Code: 1186)

## **ANNOUNCEMENT OF 2010 INTERIM RESULTS**

The Board of the Company is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2010. This announcement, containing the full text of the 2010 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the interim results. Printed version of the Company's 2010 Interim Report will be sent to the shareholders of the H shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and of the Company at <http://www.crcc.cn> on or before 30 September 2010.

# Contents

|                                                                                           |    |
|-------------------------------------------------------------------------------------------|----|
| Corporate Information                                                                     | 2  |
| Financial Highlights                                                                      | 4  |
| Chairman's Statement                                                                      | 5  |
| Management's Discussion and Analysis of<br>Financial Conditions and Results of Operations | 6  |
| Particulars of Share Capital Structure,<br>Changes and Shareholders                       | 24 |
| Directors, Supervisors and Senior Management                                              | 27 |
| Directors', Supervisors' and Chief Executives'<br>Interests in Securities of The Company  | 27 |
| Share Option Scheme                                                                       | 27 |
| Repurchase, Sale or Redemption of<br>The Company's Securities                             | 27 |
| Corporate Governance                                                                      | 28 |
| Code of Conduct Regarding Securities<br>Transactions by The Directors and Supervisors     | 29 |
| Audit and Risk Management Committee                                                       | 29 |
| Interim Dividend                                                                          | 29 |
| Auditor's Review                                                                          | 29 |
| Significant Events                                                                        | 30 |
| Report on Review of Interim Condensed<br>Consolidated Financial Statements                | 37 |
| Interim Condensed Consolidated:                                                           |    |
| Income Statement                                                                          | 38 |
| Statement of Comprehensive Income                                                         | 39 |
| Statement of Financial Position                                                           | 40 |
| Statement of Changes in Equity                                                            | 42 |
| Statement of Cash Flows                                                                   | 43 |
| Notes to Interim Condensed Consolidated<br>Financial Statements                           | 44 |

# Corporate Information

|                                                 |                                                                                                                       |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <b>Chinese name</b>                             | 中國鐵建股份有限公司                                                                                                            |
| <b>English name</b>                             | CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED                                                                        |
| <b>Date of registration of the Company</b>      | 5 November 2007                                                                                                       |
| <b>Registered office and head office</b>        | East, No. 40 Fuxing Road, Haidian District, Beijing, China                                                            |
| <b>Principal place of business in Hong Kong</b> | 23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong                                         |
| <b>Legal representative of the Company</b>      | Li Guorui                                                                                                             |
| <b>Joint company secretaries</b>                | Li Tingzhu<br>Law Chun Biu                                                                                            |
| <b>Information and enquiry department</b>       | Secretariat of the Board of Directors                                                                                 |
| <b>Telephone</b>                                | 8610 5268 8600                                                                                                        |
| <b>Fax</b>                                      | 8610 5268 8302                                                                                                        |
| <b>Website address</b>                          | <a href="http://www.crcc.cn">www.crcc.cn</a>                                                                          |
| <b>Email address</b>                            | <a href="mailto:ir@crcc.cn">ir@crcc.cn</a>                                                                            |
| <b>H share registrar</b>                        | Computershare Hong Kong Investor Services Limited<br>18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| <b>Place of listing of shares</b>               | The Stock Exchange of Hong Kong Limited<br>Shanghai Stock Exchange                                                    |
| <b>Stock name</b>                               | China Rail Cons                                                                                                       |
| <b>Stock code</b>                               | 1186 (Hong Kong)<br>601186 (Shanghai)                                                                                 |

## Corporate Information (continued)

### 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 Mainland China 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 2010 and financial results for the six months ended 30 June 2010 (“**reporting period**”) are as follows:

- Turnover totalled RMB174,033.9 million, representing an increase of 37.9% from RMB126,247.6 million in the corresponding period last year.
- Net profit totalled RMB3,425.2 million representing an increase of 52.5% from RMB2,245.6 million in the corresponding period last year.
- Profit attributable to equity holders amounted to RMB3,378.1 million, representing an increase of 52.1% from RMB2,221.0 million in the corresponding period last year.
- Basic earnings per share amounted to RMB0.2738, representing an increase of 52.1% from RMB0.1800 in the corresponding period last year.
- Total assets as at 30 June 2010 amounted to RMB312,355.0 million, representing an increase of 10.4% from RMB282,990.3 million as at 31 December 2009.
- Total equity as at 30 June 2010 amounted to RMB55,045.0 million, representing an increase of 1.8% from RMB54,079.2 million as at 31 December 2009.

# Chairman's Statement

Dear Shareholders,

I would like to extend my heartfelt gratitude to all Shareholders for their care and support of CRCC.

In the first half of 2010, the central government successively issued control policies on the real estate sector, the restructuring of local financial platforms and measures imposing restrictions on industries with high pollution, high consumption and excess capacities. As a result, credit expansion slowed down and government directed infrastructural investment in comparison with the fixed asset investment decreased. However, such structural adjustment has not yet altered the trend and direction of macro development of domestic infrastructure construction. The size of investments in railways, roads, rail transit and urban utilities will remain substantial, especially in the PRC railway infrastructure sector where investment hit a record high as compared with the corresponding periods of previous years. Through innovative ideas and by tapping opportunities, stabilizing operations as well as by strengthening its capabilities in design and construction contracting business, the Group will further consolidate and enhance the contribution of profit-making business segments, promote lean management for quality and efficiency, and maintain the healthy and sustainable development of its production operations. Among the Fortune Global 500 companies, the Company's ranking jumped to 133 from 252 in 2009.

During the reporting period, the Group attained satisfactory results. Indicators such as new contract value, revenue and profit hit new record highs. The new contract value, revenue and net profit amounted to RMB313,425.5 million, RMB174,033.9 million and RMB3,425.2 million, representing an increase of 21.8%, 37.9% and 52.5% over the corresponding period last year, respectively. As at the end of the reporting period, the Group's value of outstanding contracts amounted to RMB837,455.9 million, representing an increase of 18.7% as compared to RMB705,744.3 million as at 31 December 2009. New overseas contract value amounted to RMB14,683.7 million, representing a year-on-year decrease of 70.8%. Revenue from overseas operations amounted to RMB7,676.6 million, representing a year-on-year increase of 5.2%.

The next few years will continue to be the peak period of China's infrastructure construction. After this investment peak period, the scale of China's infrastructure construction will gradually scale down and stabilize. Going forward, as a pioneer enterprise in the construction industry, and guided by the basic principle of "strengthening the principal business and adjusting and upgrading for transformation", the Group will capture opportunities arising from the heights of infrastructure construction to maintain steady and fast growth of the business of the Company and to realize leap development in the future. In the mean time, the Group is to accelerate the adjustment and upgrade of its industry structure to facilitate a healthy transformation and to gradually adjust towards the high-end of the industry by bolstering profitability and enhancing its global competitiveness as a whole, and to continuously create new value for the shareholders.

**LI Guorui**  
*Chairman*

Beijing, PRC  
30 August 2010

# 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 in this interim report (including the relevant notes).

## (I) SUMMARY

Since the beginning of 2010, by focusing on improving both the quality and performance of enterprise development, and by emphasizing market development and management of construction in progress as well as by striving forwards industrial restructuring, technical renovation and by promoting lean management on all fronts and expediting transformation of its economic growth pattern, the Group maintained a strong growth momentum for its production operations.

In the first half year, severe natural disasters in China did not have noticeable impacts on the Group's production operations. After the earthquake struck Yushu county in Qinghai, the Group actively fulfilled its social obligations. An aggregate of RMB5.60 million and approximately RMB0.40 million worth of goods were donated to the stricken area and rescue relief was initiated. The Company also took part in the reconstruction of Yushu county and undertook construction projects of approximately RMB3,500 million during the post-disaster reconstruction.

For the six months ended 30 June 2010, the Group's turnover amounted to RMB174,033.9 million, representing an increase of 37.9% as compared with RMB126,247.6 million for the corresponding period last year. Profit attributable to owners of the Company amounted to RMB3,378.1 million, representing an increase of 52.1% year-on-year. Basic earnings per share was RMB0.2738.

The following is a comparison between financial results of the Group for the six months ended 30 June 2010 and the financial results for the corresponding period in 2009.

### **Results of operations**

For the six months ended 30 June 2010, the Group's profit before tax amounted to RMB4,251.5 million, representing an increase of 43.1% as compared with RMB2,971.5 million for the corresponding period last year. Profit attributable to owners of the Company amounted to RMB3,378.1 million, representing a year-on-year increase of 52.1%. Basic earnings per share was RMB0.2738.

### **Revenue**

For the six months ended 30 June 2010, the Group's turnover amounted to RMB174,033.9 million, representing an increase of 37.9% as compared with RMB126,247.6 million for the corresponding 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 2010, the Group's cost of sales increased by 37.7% to RMB162,246.9 million from RMB117,826.1 million for the corresponding period last year.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

### ***New and outstanding contracts***

During the reporting period, the total value of new contracts entered into by the Group amounted to RMB313,425.5 million, representing an increase of 21.8% as compared to the corresponding period last year, of which the value of new domestic contracts amounted to RMB298,741.8 million, posting a new record high over the corresponding periods of previous years, and overseas new contract value amounted to RMB14,683.7 million. As at the end of the reporting period, outstanding contracts of the Group totalled RMB837,455.9 million, representing an increase of 18.7% over the end of last year.

Construction operations, being the Group's core business, continued faster growth and achieved new contract value of RMB287,107.6 million during the reporting period, accounting for 91.6% of the total new contract value. Of this amount, new contract value of domestic railway projects amounted to RMB205,467.7 million, accounting for 71.6% of the total new contract value of construction operations, representing a year-on-year increase of 88.8%. New contract value of domestic road projects amounted to RMB25,648.3 million, representing a year-on-year decrease of 49.8%, primarily due to the significant decrease in the number of road projects opened for tender in China since the beginning of the year and by the Company's focusing more on railway projects. New contract value of domestic urban railway transit projects amounted to RMB14,366.0 million, accounting for 5.0% of the total new contract value of construction operations, representing a year-on-year increase of 62.7%. The scope of such business encompasses all the cities in the PRC where railway transit construction is being implemented. New contract value of water and power generation engineering amounted to RMB4,373.9 million, representing a year-on-year increase of 118.9% and other new engineering contracts amounted to RMB28,013.6 million, representing a year-on-year increase of 23.1%.

During the reporting period, other business segments of the Group also saw significant growth, of which new contract value of the "survey, design and consultancy operations" segment reached RMB4,114.3 million, representing a year-on-year increase of 40.6%. New contract value of logistics and materials trading business reached RMB14,227.2 million, representing a year-on-year increase of 56.7%. Real estate business is one of the principal businesses of the Company. In the first half of 2010, the State successively issued a series of macro control policies on the real estate market to temper the excessive growth of property prices in several cities and regions, which is significant to the stable and healthy development of the PRC real estate market in the long run. The Group continues to develop its real estate business in a cautious and prudent manner by controlling land costs and improving its business layout. As at the end of the reporting period, the Group held 43 real estate projects in 26 cities in the PRC, with a designed total gross floor area of 16,200,000m<sup>2</sup>.

New contract value of the industrial manufacturing operations decreased by 21.7% year on year, mainly due to the cyclical nature of the Group's industrial products which are mainly applied in railway projects. Since 2010 is the last year of the 11th Five-Year Plan, procurement of industrial products for railway construction projects is at its final stage, whereas the proposed procurement under the 12th Five-Year Plan has not yet started.



# Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

## New and outstanding contracts (continued)

(Unit: RMB100 million)

|                                           | Value of new contracts |                                  |            | Value of outstanding contracts        |                        |            |
|-------------------------------------------|------------------------|----------------------------------|------------|---------------------------------------|------------------------|------------|
|                                           | The reporting period   | The corresponding period of 2009 | Growth (%) | As at the end of the reporting period | As at 31 December 2009 | Growth (%) |
| Construction operations                   | 2,871.076              | 2,417.459                        | 18.8       | 8,089.387                             | 6,845.977              | 18.2       |
| Survey, design and consultancy operations | 41.143                 | 29.267                           | 40.6       | 29.470                                | 24.290                 | 21.3       |
| Manufacturing operations                  | 26.205                 | 33.485                           | -21.7      | 4.297                                 | 8.672                  | -50.5      |
| Other businesses                          | 195.831                | 93.276                           | 110.0      | 251.405                               | 178.504                | 40.8       |
| Total                                     | 3,134.255              | 2,573.487                        | 21.8       | 8,374.559                             | 7,057.443              | 18.7       |

## Finance revenue

The finance revenue of the Group mainly includes bank interest income. For the six months ended 30 June 2010, the Group's finance revenue increased by 21.2% to RMB450.1 million from RMB371.4 million for the six months ended 30 June 2009.

## Finance costs

The finance costs of the Group include interest and finance expenses of bank borrowings, issuance of debentures, other borrowings, finance leases and discounted notes, less capitalised interests in construction in progress, construction contracts and properties under development. For the six months ended 30 June 2010, the Group's finance costs increased by 2.3% to RMB560.6 million from RMB548.2 million for the six months ended 30 June 2009.

## Share of profits of jointly-controlled entities and associates

For the six months ended 30 June 2010, the Group's share of losses of jointly-controlled entities and associates increased by RMB2.8 million to RMB4.1 million from RMB1.3 million for the six months ended 30 June 2009.

## Income tax expenses

For the six months ended 30 June 2010, the Group's income tax expenses increased by 13.9% to RMB826.4 million from RMB725.8 million for the six months ended 30 June 2009.

## Non-controlling interests

For the six months ended 30 June 2009 and for the six months ended 30 June 2010, the profit attributable to non-controlling interests of the Company amounted to RMB24.7 million and RMB47.1 million respectively.

# Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

## (II) DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT

The following table sets out the Group's revenue, operating profits and operating margins for the years as indicated below:

|                                              | Revenue<br>For the six months<br>ended 30 June |           | Operating profits<br>For the six months<br>ended 30 June |         | Operating margin<br>For the six months<br>ended 30 June |      |
|----------------------------------------------|------------------------------------------------|-----------|----------------------------------------------------------|---------|---------------------------------------------------------|------|
|                                              | 2010                                           | 2009      | 2010                                                     | 2009    | 2010                                                    | 2009 |
|                                              | (RMB million)                                  |           | (RMB million)                                            |         | (%)                                                     |      |
| Construction operations                      | 156,253.6                                      | 114,328.1 | 2,966.9                                                  | 2,599.9 | 1.9                                                     | 2.3  |
| Survey, design and<br>consultancy operations | 3,449.3                                        | 2,783.5   | 379.5                                                    | 223.6   | 11.0                                                    | 8.0  |
| Manufacturing operations                     | 4,241.7                                        | 2,666.6   | 335.9                                                    | 136.6   | 7.9                                                     | 5.1  |
| Other businesses                             | 12,975.2                                       | 7,324.2   | 683.9                                                    | 189.5   | 5.3                                                     | 2.6  |
| Subtotal                                     | 176,919.9                                      | 127,102.4 | 4,366.2                                                  | 3,149.5 | 2.5                                                     | 2.5  |
| Inter-segment elimination                    | (2,886.0)                                      | (854.9)   | —                                                        | —       | —                                                       | —    |
| Total                                        | 174,033.9                                      | 126,247.6 | 4,366.2                                                  | 3,149.5 | 2.5                                                     | 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<br>ended 30 June |             |
|------------------------------------|-------------------------------------|-------------|
|                                    | 2010                                | 2009        |
|                                    | (RMB million)                       |             |
| Segment revenue                    | 156,253.6                           | 114,328.1   |
| Cost of sales                      | (147,170.6)                         | (107,426.2) |
| Selling and distribution costs     | (154.9)                             | (206.7)     |
| Administrative expenses and others | (5,961.2)                           | (4,095.4)   |
| Segment results                    | 2,966.9                             | 2,599.9     |
| Depreciation and amortization      | 3,329.1                             | 2,552.9     |

**Segment revenue.** For the six months ended 30 June 2010, the Group's segment revenue before elimination of inter-segment sales from construction operations increased by 36.7% to RMB156,253.6 million from RMB114,328.1 million for the six months ended 30 June 2009.

**Cost of sales.** For the six months ended 30 June 2010, the Group's cost of sales before elimination of inter-segment sales from construction operations increased by 37.0% to RMB147,170.6 million from RMB107,426.2 million for the six months ended 30 June 2009.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

**Selling and distribution costs.** The Group's selling and distribution costs from construction operations decreased by 25.1% or RMB51.8 million to RMB154.9 million for the six months ended 30 June 2010 from RMB206.7 million for the six months ended 30 June 2009.

**Administrative expenses and other expenses.** Administrative expenses for the construction operations of the Group increased by 45.6% or RMB1,865.8 million to RMB5,961.2 million for the six months ended 30 June 2010 from RMB4,095.4 million for the six months ended 30 June 2009.

**Segment results.** Total operating profit from construction operations of the Group increased by 14.1% or RMB367.0 million to RMB2,966.9 million for the six months ended 30 June 2010 from RMB2,599.9 million for the six months ended 30 June 2009. The operating margin for the construction operations of the Group decreased to 1.9% for the six months ended 30 June 2010 from 2.3% for the six months ended 30 June 2009.

### 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:

|                                            | <b>For the six months ended 30 June</b> |           |
|--------------------------------------------|-----------------------------------------|-----------|
|                                            | <b>2010</b>                             | 2009      |
|                                            | <i>(RMB million)</i>                    |           |
| Segment revenue                            | <b>3,449.3</b>                          | 2,783.5   |
| Cost of sales                              | <b>(2,614.0)</b>                        | (2,235.9) |
| Selling and distribution costs             | <b>(167.1)</b>                          | (111.7)   |
| Administrative expenses and other expenses | <b>(288.7)</b>                          | (212.3)   |
| Segment results                            | <b>379.5</b>                            | 223.6     |
| Depreciation and amortization              | <b>74.5</b>                             | 45.7      |

**Segment revenue.** The Group's segment revenue before elimination of inter-segment sales from survey, design and consultancy operations increased by 23.9% to RMB3,449.3 million for the six months ended 30 June 2010 from RMB2,783.5 million for the six months ended 30 June 2009.

**Cost of sales.** The Group's cost of sales before elimination of inter-segment sales from survey, design and consultancy operations increased by 16.9% to RMB2,614.0 million for the six months ended 30 June 2010 from RMB2,235.9 million for the six months ended 30 June 2009.

**Selling and distribution costs.** Selling and distribution costs from the survey, design and consultancy operations of the Group increased by 49.6% or RMB55.4 million to RMB167.1 million for the six months ended 30 June 2010 from RMB111.7 million for the six months ended 30 June 2009.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

**Administrative expenses and other expenses.** Administrative expenses for the survey, design and consultancy operations of the Group increased by 36.0% to RMB288.7 million for the six months ended 30 June 2010 from RMB212.3 million for the six months ended 30 June 2009.

**Segment results.** Operating profit from the survey, design and consultancy operations of the Group increased to RMB379.5 million for the six months ended 30 June 2010 from RMB223.6 million for the six months ended 30 June 2009. The operating margin from the survey, design and consultancy operations of the Group increased to 11.0% for the six months ended 30 June 2010 from 8.0% for the six months ended 30 June 2009.

### 3. **Manufacturing operations**

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

|                                    | <b>For the six months<br/>ended 30 June</b> |           |
|------------------------------------|---------------------------------------------|-----------|
|                                    | <b>2010</b>                                 | 2009      |
|                                    | <i>(RMB million)</i>                        |           |
| Segment revenue                    | <b>4,241.7</b>                              | 2,666.6   |
| Cost of sales                      | <b>(3,597.4)</b>                            | (2,323.2) |
| Selling and distribution costs     | <b>(50.5)</b>                               | (36.6)    |
| Administrative expenses and others | <b>(257.9)</b>                              | (170.2)   |
| Segment results                    | <b>335.9</b>                                | 136.6     |
| Depreciation and amortization      | <b>156.4</b>                                | 130.0     |

**Segment revenue.** Segment revenue before elimination of inter-segment sales from manufacturing operations increased by 59.1% to RMB4,241.7 million for the six months ended 30 June 2010 from RMB2,666.6 million for the six months ended 30 June 2009.

**Cost of sales.** The Group's cost of sales before elimination of inter-segment sales from manufacturing operations increased by 54.8% to RMB3,597.4 million for the six months ended 30 June 2010 from RMB2,323.2 million for the six months ended 30 June 2009.

**Selling and distribution costs.** Selling and distribution costs from the manufacturing operation of the Group increased by 38.0% to RMB50.5 million for the six months ended 30 June 2010 from RMB36.6 million for the six months ended 30 June 2009.

**Administrative expenses and other expenses.** Administrative expenses for the manufacturing operations of the Group increased by 51.5% to RMB257.9 million for the six months ended 30 June 2010 from RMB170.2 million for the six months ended 30 June 2009.

**Segment results.** As a result of the foregoing reasons, operating profit from the manufacturing operations of the Group increased to RMB335.9 million for the six months ended 30 June 2010 from RMB136.6 million for the six months ended 30 June 2009. The operating margins for the manufacturing operations of the Group increased to 7.9% for the six months ended 30 June 2010 from 5.1% for the six months ended 30 June 2009.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

### 4. Other businesses

The Group's other businesses operations mainly include 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:

|                                    | <b>For the six months ended 30 June</b> |           |
|------------------------------------|-----------------------------------------|-----------|
|                                    | <b>2010</b>                             | 2009      |
|                                    | <i>(RMB million)</i>                    |           |
| Segment revenue                    | <b>12,975.2</b>                         | 7,324.2   |
| Cost of sales                      | <b>(11,750.8)</b>                       | (6,695.7) |
| Selling and distribution costs     | <b>(177.6)</b>                          | (99.3)    |
| Administrative expenses and others | <b>(363.0)</b>                          | (339.7)   |
| Segment results                    | <b>683.9</b>                            | 189.5     |
| Depreciation and amortization      | <b>90.4</b>                             | 72.1      |

**Segment revenue.** Segment revenue derived from other businesses mainly include income from the sales of real estate properties and provision of logistics services to customers. Revenue before elimination of inter-segment sales of these businesses increased by 77.2% to RMB12,975.2 million for the six months ended 30 June 2010 from RMB7,324.2 million for the six months ended 30 June 2009.

**Cost of sales.** The Group's cost of sales before elimination of inter-segment sales from other businesses increased by 75.5% to RMB11,750.8 million for the six months ended 30 June 2010 from RMB6,695.7 million for the six months ended 30 June 2009.

**Selling and distribution costs.** Selling and distribution costs from the Group's other businesses increased by 78.9% to RMB177.6 million for the six months ended 30 June 2010 from RMB99.3 million for the six months ended 30 June 2009.

**Administrative and other expenses.** Administrative expenses for the Group's other operations increased by 6.9% to RMB363.0 million for the six months ended 30 June 2010 from RMB339.7 million for the six months ended 30 June 2009.

**Segment results.** As a result of the foregoing reasons, total operating profits from the Group's operations other than construction, survey, design and consultancy and manufacturing operations for the six months ended 30 June 2009 and 2010 were RMB189.5 million and RMB683.9 million, respectively. The operating margins for other businesses operations of the Group for the six months ended 30 June 2009 and 2010 were 2.6% and 5.3%, respectively.

# Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

## (III) LIQUIDITY AND CAPITAL RESOURCES

### 1. Cash Flow

|                                                                          | <b>For the six months<br/>ended 30 June</b> |             |
|--------------------------------------------------------------------------|---------------------------------------------|-------------|
|                                                                          | <b>2010</b>                                 | <b>2009</b> |
|                                                                          | <i>(RMB million)</i>                        |             |
| Cash/cash equivalents at the beginning of the period                     | <b>55,070.1</b>                             | 49,455.3    |
| Net cash inflow from operating activities                                | <b>1,420.5</b>                              | 6,987.7     |
| Net cash outflow from investing activities                               | <b>(4,959.7)</b>                            | (5,374.7)   |
| Net cash inflow from financing activities                                | <b>4,079.9</b>                              | 904.6       |
| Net increase in cash/cash equivalents                                    | <b>540.7</b>                                | 2,517.5     |
| Impact on cash and cash equivalents from<br>the changes in exchange rate | <b>(134.8)</b>                              | (53.9)      |
| Cash/cash equivalents at the end of the period                           | <b>55,476.0</b>                             | 51,918.9    |

### 2. Net Cash flows from operating activities

For the six months ended 30 June 2010, the Group's net cash inflow from operating activities was RMB1,420.5 million, representing a decrease of RMB5,567.2 million as compared to the net cash inflow of RMB6,987.7 million for the corresponding period last year. The decrease was mainly attributable to the increase in inventories.

### 3. Net Cash flow from investing activities

For the six months ended 30 June 2010, the Group's net cash outflow from investing activities was RMB4,959.7 million, representing a decrease of RMB415 million as compared to the net cash outflow of RMB5,374.7 million for the corresponding period last year. The decrease was mainly attributable to the net decrease in time deposits made for a period of more than 3 months and other currency funding restricted for use.

### 4. Net cash flow from financing activities

For the six months ended 30 June 2010, the Group's net cash inflow from financing activities was RMB4,079.9 million, representing an increase of RMB3,175.3 million as compared with the net cash inflow of RMB904.6 million for the corresponding period last year. The increase was mainly attributable to the decrease in cash paid for repayment of debt.

### 5. Capital expenditures

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and purchase of equipment used for construction projects. In addition, the Group incurred capital expenditures for the expansion of production capacity of large track maintenance machinery and railway track components. The Group's capital expenditures were RMB6,523.5 million and RMB5,789.1 million for the six months ended 30 June 2009 and 2010, respectively.



## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

The following table sets forth the capital expenditures for the Group's business operations for the six months ended 30 June 2009 and 2010:

|                                           | <b>For the six months<br/>ended 30 June</b> |         |
|-------------------------------------------|---------------------------------------------|---------|
|                                           | <b>2010</b>                                 | 2009    |
|                                           | <i>(RMB million)</i>                        |         |
| Construction operations                   | <b>5,067.9</b>                              | 5,608.4 |
| Survey, design and consultancy operations | <b>173.5</b>                                | 182.1   |
| Manufacturing operations                  | <b>427.9</b>                                | 508.6   |
| Others                                    | <b>119.7</b>                                | 224.4   |
| Total                                     | <b>5,789.1</b>                              | 6,523.5 |

### 6. **Working capital**

#### (a) **Construction contracts in progress**

The following table sets forth the Group's construction contracts in progress as at the balance sheet dates indicated:

|                                                                         | <b>30 June<br/>2010</b> | 31 December<br>2009 |
|-------------------------------------------------------------------------|-------------------------|---------------------|
|                                                                         | <i>(RMB million)</i>    |                     |
| Contract cost incurred plus recognized<br>profit less recognized losses | <b>1,206,793.3</b>      | 926,397.0           |
| Less: progress billings received and receivable                         | <b>(1,170,615.5)</b>    | (894,289.8)         |
| Construction contracts in progress                                      | <b>36,177.8</b>         | 32,107.2            |
| Representing:                                                           |                         |                     |
| Amount due from customers<br>for contract work                          | <b>57,784.8</b>         | 52,021.1            |
| Amount due to customers for contract work                               | <b>(21,607.0)</b>       | (19,913.9)          |
|                                                                         | <b>36,177.8</b>         | 32,107.2            |

The Group's construction contracts in progress increased to RMB36,177.8 million as of 30 June 2010 from RMB32,107.2 million as at 31 December 2009.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

### (b) Trade receivables and trade payables

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

|                                    | 30 June<br>2010 | 31 December<br>2009 |
|------------------------------------|-----------------|---------------------|
| Turnover days of trade receivables | 48              | 43                  |
| Turnover days of trade payables    | 117             | 95                  |

- (1) The number of turnover days of trade receivables is 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 2010 by revenue and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2009).
- (2) The number of turnover days of trade payables is 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 2010 by cost of sales and then by multiplying 180 days (calculated by multiplying 365 days for the year ended 31 December 2009).

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

|                       | 30 June<br>2010<br>(RMB million) | 31 December<br>2009 |
|-----------------------|----------------------------------|---------------------|
| Less than one year    | 42,535.3                         | 43,090.9            |
| One to two years      | 2,589.9                          | 2,251.5             |
| Two to three years    | 1,008.5                          | 1,067.3             |
| More than three years | 320.7                            | 391.4               |
| Total                 | 46,454.4                         | 46,801.0            |

As of 30 June 2010, the Group had a provision for impairment of RMB436.4 million. The directors of the Company (the "**Directors**") believe that the provision for impairment of the Group is adequate.



## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

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

|                       | 30 June<br>2010 | 31 December<br>2009 |
|-----------------------|-----------------|---------------------|
|                       | (RMB million)   |                     |
| Less than one year    | 104,127.3       | 100,104.4           |
| One to two years      | 3,097.7         | 2,338.8             |
| Two to three years    | 634.6           | 430.3               |
| More than three years | 103.6           | 349.5               |
| Total                 | 107,963.2       | 103,223.0           |

As of 30 June 2010, the Group's trade and bills payables increased to RMB107,963.2 million from RMB103,223.0 million as of 31 December 2009.

### 7. Retentions

As of 31 December 2009 and 30 June 2010, among the Group's trade receivables, retention money receivables amounted to RMB6,082.3 million and RMB10,571.0 million, respectively. As of 31 December 2009 and 30 June 2010, among the Group's trade payables, retention money payables amounted to RMB1,242.9 million and RMB1,349.9 million respectively.

### 8. Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables increased to RMB54,189.8 million as of 30 June 2010 from RMB43,526.6 million as at 31 December 2009.

### 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 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 of 31 December 2009 and 30 June 2010, the Group had other payables and accruals of RMB71,409.8 million and RMB89,237.9 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.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

### 10. Indebtedness

#### (a) Borrowings

The maturity profile of interest-bearing borrowings of the Group as of 31 December 2009 and 30 June 2010 is as follows:

|                                                    | 30 June<br>2010      | 31 December<br>2009 |
|----------------------------------------------------|----------------------|---------------------|
|                                                    | <i>(RMB million)</i> |                     |
| Within one year                                    | 16,098.5             | 12,579.4            |
| In the second year                                 | 1,525.3              | 1,320.0             |
| In the third to fifth years (both years inclusive) | 12,948.3             | 11,749.6            |
| Beyond five years                                  | 836.3                | 1,064.6             |
| <b>Total</b>                                       | <b>31,408.4</b>      | <b>26,713.7</b>     |

The Group's gearing ratio was 64.0% and 66.5% as of 31 December 2009 and 30 June 2010, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities include the sum of trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

#### (b) Capital commitments

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

|                                                             | 30 June<br>2010      | 31 December<br>2009 |
|-------------------------------------------------------------|----------------------|---------------------|
|                                                             | <i>(RMB million)</i> |                     |
| Contracted, but not provided for:                           |                      |                     |
| Property, plant and equipment                               | 582.6                | 1,329.3             |
| Acquisition of non-controlling interests<br>in subsidiaries | —                    | 242.0               |
| Investment in associates                                    | 196.0                | —                   |
| Properties under development                                | 1,181.9              | —                   |
|                                                             | <b>1,960.4</b>       | <b>1,571.3</b>      |
| Authorized, but not contracted:                             |                      |                     |
| Property, plant and equipment                               | 4,623.6              | 7,641.1             |
| Properties under development                                | 3,150.4              | 351.2               |
| Available-for-sale investment                               | 1,600.0              | 1,600.0             |
|                                                             | <b>9,374.0</b>       | <b>9,592.3</b>      |

# Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

## 11. Use of proceeds

### (a) Use of proceeds raised from H shares

The Company's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 13 March 2008 and the Company raised a total net proceeds equivalent to RMB17,358.6 million. As of 30 June 2010, an aggregate of H share proceeds equivalent to RMB14,819.6 million had been used and with a net loss from foreign exchange gains and losses (after crediting interest) equivalent to RMB225.4 million incurred, the H share proceeds unused were equivalent to RMB2,313.5 million. The temporarily unused H share proceeds are deposited in the Company's special proceeds account. As at 30 June 2010, specific details in relation to the use of proceeds in projects financed by the H share proceeds of the Company were as follows:

Unit: RMB million

| Projects                                                                    | Whether there is any change in the project | Planned investment | Actual amount of proceeds applied | Unused amount | Whether in accordance with planned progress | Whether in accordance with estimated earnings |
|-----------------------------------------------------------------------------|--------------------------------------------|--------------------|-----------------------------------|---------------|---------------------------------------------|-----------------------------------------------|
| 1. Purchase of equipment                                                    | Yes                                        | 14,107.63          | 13,083.77                         | 1,023.86      | Yes                                         | N/A                                           |
| 2. Cement plant in Nigeria                                                  | No                                         | 1,515.10           | —                                 | 1,515.10      | No                                          | N/A                                           |
| 3. Replenishment of working capital                                         | No                                         | 1,735.86           | 1,735.86                          | —             | Yes                                         | N/A                                           |
| 4. Foreign exchange gains or losses and interest (loss is expressed by "-") |                                            |                    |                                   | -225.42       |                                             |                                               |
| Total                                                                       |                                            | 17,358.59          | 14,819.63                         | 2,313.54      |                                             |                                               |

Pursuant to the resolution of the general meeting and the approval from the State Administration of Foreign Exchange, the Company had remitted HK\$11.4 billion out of the H share proceeds to the PRC in different batches since 28 July 2009 and the funds were deposited in the domestic special proceeds account. As at 30 June 2010, the above HK\$11.4 billion had been fully remitted and used for equipment purchases.

Due to the impact of the global financial crisis and other factors, the cement plant project in Nigeria has not been implemented during the reporting period.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (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 2010, a cumulative amount of RMB18,266.5 million from the A share proceeds had been used and the unused proceeds amounted to RMB3,459.2 million. The balance of the special proceeds account for A shares is RMB3,709.9 million. The application of the Company's proceeds was in line with the proposed uses disclosed in the prospectus. The temporarily unused proceeds are deposited in the Company's special proceeds account. As at 30 June 2010, specific details in relation to the use of A share proceeds of the Company were as follows:

*Unit: RMB million*

|                                                        |           |
|--------------------------------------------------------|-----------|
| <b>Gross proceeds</b>                                  | 22,246.00 |
| <b>Total proceeds used during the reporting period</b> | 795.10    |
| <b>Total accumulated proceeds used</b>                 | 18,266.45 |

| Projects undertaken                                                                                                                                             | Planned investment | Whether there is any change in the project | Actual amount of proceeds applied | Income generated                     | Whether the project is on schedule | Whether in accordance with estimated earnings |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|-----------------------------------------------|
| 1. Acquisition of equipment for domestic construction projects                                                                                                  | 10,500.00          | No                                         | 8,037.54                          | N/A                                  | Yes                                | N/A                                           |
| 2. Innovation and expansion of the technology import and production domesticization project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd. | 1,150.00           | No                                         | 753.25                            | N/A                                  | Yes                                | N/A                                           |
| 3. The project of railway system of China Railway Rail System Group Co., Ltd.                                                                                   | 320.00             | No                                         | 320.00                            | Total profit of 253.14 was generated | Yes                                | Yes                                           |
| 4. The project of Changsha Xiu Feng Shan Zhuang                                                                                                                 | 400.00             | No                                         | 400.00                            | N/A                                  | Yes                                | N/A                                           |
| 5. Shijiazhuang-Wuhan Railway Passenger Dedicated Line Project                                                                                                  | 1,500.00           | No                                         | 900.00                            | N/A                                  | Yes                                | N/A                                           |
| 6. Replenishment of working capital and repayment of loans                                                                                                      | 7,855.66           | No                                         | 7,855.66                          | N/A                                  | Yes                                | N/A                                           |
| <b>Total</b>                                                                                                                                                    | <b>21,725.66</b>   | <b>—</b>                                   | <b>18,266.45</b>                  | <b>253.14</b>                        | <b>—</b>                           | <b>—</b>                                      |

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reasons and procedures for the changes (by specific items) | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Use and intended use of unused proceeds                    | A total of RMB3,709.9 million, including unused proceeds of RMB3,459.2 million and interest income of RMB250.7 million, was deposited in the Company's special proceeds account. Of this amount, RMB2,462.5 million will be used for the purchase of equipment required for domestic construction projects, RMB396.8 million for the innovation and expansion of the technology import and production domesticization project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd. (昆明中鐵大型養路機械集團公司), and RMB600 million for the Shijiazhuang-Wuhan Railway Passenger Dedicated Line Project. |

### 12. **Other substantial projects not funded by raised proceeds**

During the reporting period, investments in the Group's substantial projects not financed by the raised proceeds were as follows:

- (1) The (BT) project (Phase 2) of the main bridge of Changjiang in Yudong, Chongqing (重慶魚洞長江大橋正橋二期工程(BT)項目). The total contract value of the project is RMB457.85 million and the project is scheduled to complete construction in July 2011. In the first half of 2010, the amount invested by the Company was RMB74.18 million. As at the end of the reporting period, the total amount invested by the Company in the project was RMB222.99 million.
- (2) North Second Ring Road (BT) Project in Guiyang City(貴陽市北二環道路工程(BT)項目). The total investment of the project is RMB3,190 million, with a 17-month construction period and a redemption period of 5 years. The BT contract was entered into on 26 January 2010 by the Company with Guiyang Jinyang Construction Investment (Group) Co., Ltd.(貴陽金陽建設投資(集團)有限公司). As at the end of the reporting period, the Company had invested RMB1,340 million in the project.
- (3) At 5:00 p.m. (Vancouver time) on May 28 2010, all the conditions of the offer by CRCC-Tongguan Investment (Canada) Co., Ltd.(中鐵建銅冠投資(加拿大)有限公司), a wholly-owned subsidiary of CRCC-Tongguan Investment Co., Ltd.(中鐵建銅冠投資有限公司) (established and held as to 50% by each of the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd.(銅陵有色金屬集團控股有限公司)) to purchase all of the issued and outstanding common shares of the Canadian junior mining company, Corriente Resources Inc. ("Corriente"), at a price of Cdn.\$8.6 in cash per share had been satisfied. Under the offer, a total of 76,478,495 common shares of Corriente have been validly deposited, which represents approximately 96.9% of the common shares of Corriente on a fully-diluted basis.

## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

On 31 May 2010 (Toronto time), CRCC-Tongguan Investment (Canada) Co., Ltd.(中鐵建銅冠投資(加拿大)有限公司) issued the acceptance of depositary instructions to the depositary bank and completion of the trading of shares took place at 15:00 on that day. As the one-off acquisition represented more than 90% of the related shares, CRCC-Tongguan Investment (Canada) Co., Ltd.(中鐵建銅冠投資(加拿大)有限公司) initiated the procedures for mandatory general offer in accordance with the Canadian Securities Law and transferred Cdn.\$21,017,522.80 for acquisition of 2,443,898 shares, which have not accepted the offer, to the depositary bank.

As at 4 August 2010 (Vancouver time), CRCC-Tongguan Investment (Canada) Co., Ltd.(中鐵建銅冠投資(加拿大)有限公司) completed the acquisition of 100% of the issued and outstanding common shares of Corriente.

- (4) BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section)(成渝高速公路複線(重慶段)BOT項目). The Company and Chongqing Expressway Group Company Limited(重慶高速公路集團有限公司) jointly invested in the BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section), at an investment ratio of 40%:60%, respectively, with Chongqing Expressway Group Company Limited(重慶高速公路集團有限公司) as the controlling shareholder. The estimated total investment of the project is approximately RMB7.838 billion and the project capital is approximately RMB1.9595 billion, of which the Company will contribute RMB783.8 million according to its 40% equity interest in the project, and the rest will be funded by the project company with bank loans and other sources. In the first half of 2010, the total amount invested by the Company amounted to approximately RMB196.0 million. The project has not yet commenced construction.
- (5) Ji'nan-Leling Highway Construction Project (濟南至樂陵高速公路工程項目). On 11 June 2010, Shandong Development and Reform Commission issued the Approval in Relation to the Ji'nan-Leling Highway Project (《山東省發展和改革委員會關於濟南至樂陵高速公路項目的核准意見》) (Lufagainengjiao [2010] No.671) which marked the smooth completion of the approval procedures of the project. The initial design, construction and the monitoring of bidding and tender are underway.
- (6) Jiafeng-Nanchenpu Local Railway (BT) Project (嘉峰至南陳鋪地方鐵路(BT)項目). The local railway from Jiafeng to Nanchenpu, connecting to Taijiao and Houyue railway line, is located in Jincheng City in Shanxi Province. The total investment is temporarily set at RMB1.947 billion. The construction period is two and a half years and the redemption period is 5 years. The construction of the project has been progressing smoothly. As at 30 June 2010, the Company had invested RMB300 million.
- (7) Sino-Africa Lekki Investment Company Limited-Lekki Free Trade Zone Project (中非萊基投資有限公司—萊基自由貿易區項目). The proposed registered capital of CCECC-BEYOND International Investment Development Co., Ltd.(中土北亞國際投資發展有限公司) is RMB200 million, of which 35%, 30%, 20% and 15% will be contributed by the Company, the Company's wholly-owned subsidiary China Civil Engineering Construction Corporation(中國土木工程集團有限公司), China-Africa Development Fund (中非發展基金有限公司) and Nanjing Jiangning Economic and Technology Development Corporation (南京江寧經濟技術開發總公司), respectively. On 16 April 2010, CCECC-BEYOND International Investment Development Co., Ltd.(中土北亞國際投資發展有限公司) changed its name to "Sino-Africa Lekki Investment Company Limited" (中非萊基投資有限公司) and completed the change of business registration. The Company did not make any investment in the project in the first half of 2010.



## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

### **13. Foreign exchange risks and foreign exchanges gains and losses**

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 2010, the Group has not used foreign currency contracts to hedge foreign exchange risks.

During the reporting period, the Group's foreign exchange gains amounted to RMB41.1 million.

### **(IV) OVERSEAS OPERATIONS**

For the six months ended 30 June 2010, the Group recorded income from overseas operations of RMB7,676.6 million, representing an increase of 5.2% over the corresponding period last year.

### **(V) OUTLOOK**

At present, China's economic development environment is still relatively complex, with various complications and difficulties facing its economic operations. The State will continue to implement an active fiscal policy and a moderately loose monetary policy to sustain a steady and rapid economic momentum. As a construction enterprise, the Company's operation will encounter the following major problems and obstacles in the second half of the year:

1. Further adjustment in the industry structure is required, with the construction operations accounting for an excessive proportion of the Company's businesses, the proportion of other business segments with higher profitability has yet to be further increased;
2. With the increasing uncertainties in the scale of investment in the construction market, investments in infrastructure facilities such as railways, roads, urban utilities, housing development and urban rail transit will fluctuate with any adjustments in the national macro-economic policies;
3. Conflicts between business expansion and production factors need to be further resolved and lean management is to be further strengthened; and
4. The Company's overseas operations are more susceptible to risks of foreign exchange loss in anticipation of the appreciation of Renminbi.



## Management's Discussion and Analysis of Financial Conditions and Results of Operations (continued)

To address such problems and difficulties, the Company will adopt the following pragmatic and effective measures to stave off potential risks and strive to exceed year-round targets:

1. To capture the market share in each segment and industry across all arenas and strengthen the ability to obtain new construction projects. Specific emphasis is to be placed on the preparation of bidding for railway projects in the second half of the year. In view of the bidding arrangement of railway construction projects, the number of tenders of railway construction will reach its peak in the third quarter. In view of this, the Company will continue to seize opportunities to maintain and expand its market share so as to secure orders for sustainable production operations in the future;
2. To strengthen on-site management to ensure control on construction programme, safety and quality control to prevent management risks; and
3. To step up the centralized management of finance and capital as well as the centralized procurement of equipment and materials; to tighten cost management and further boost profitability for quality and efficient economic operations.

# Particulars of Share Capital Structure, Changes and Shareholders

## SHARE CAPITAL STRUCTURE AND CHANGES IN SHAREHOLDING

As at 30 June 2010, the share capital structure of the Company was as follows:

| Shareholders                              | Class of shares             | Number of shares | Approximate percentage in issued share capital (%) |
|-------------------------------------------|-----------------------------|------------------|----------------------------------------------------|
| China Railway Construction Corporation    | A share <sup>(Note 1)</sup> | 7,566,245,500    | 61.33                                              |
| National Council for Social Security Fund | A share <sup>(Note 2)</sup> | 245,000,000      | 1.98                                               |
| Public holders of A shares                | A share                     | 2,450,000,000    | 19.86                                              |
| Public holders of H shares                | H share <sup>(Note 3)</sup> | 2,076,296,000    | 16.83                                              |
| Total                                     |                             | 12,337,541,500   | 100.00                                             |

Note:

1. Lock-up period is 36 months from the date of listing of the A shares (i.e. 10 March 2008).
2. Lock-up period will end on 10 March 2014.
3. Including the H shares held by National Council for Social Security Fund.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Company are aware, as at 30 June 2010, the persons other than Directors, chief executives 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 ("SFO") (Chapter 571 of the Laws of Hong Kong) were as follows:

| Name of substantial shareholder                       | Class of shares | Number of shares held <sup>(Note 1)</sup> | Capacity                              | Approximate percentage in the relevant class of shares | Approximate percentage in total issued share capital |
|-------------------------------------------------------|-----------------|-------------------------------------------|---------------------------------------|--------------------------------------------------------|------------------------------------------------------|
| China Railway Construction Corporation                | A share         | 7,566,245,500                             | Beneficial owner                      | 73.74%                                                 | 61.33%                                               |
| The Capital Group Companies, Inc. <sup>(Note 2)</sup> | H share         | 189,383,200 (L)                           | Investment manager                    | 9.12%                                                  | 1.54%                                                |
| National Council for Social Security Fund             | H share         | 188,754,500 (L)                           | Beneficial owner                      | 9.09%                                                  | 1.53%                                                |
|                                                       | A share         | 245,000,000                               | Beneficial owner                      | 2.39%                                                  | 1.98%                                                |
| JPMorgan Chase & Co. <sup>(Note 3)</sup>              | H share         | 185,659,531 (L)                           | Beneficial owner, investment manager, | 8.94%                                                  | 1.50%                                                |
|                                                       |                 | 970,500 (S)                               | custodian                             | 0.05%                                                  | 0.0079%                                              |
|                                                       |                 | 106,711,031 (P)                           |                                       | 5.14%                                                  | 0.86%                                                |

Note:

1. L-long positions; S-short positions; P-lending pool.
2. As at 30 June 2010, The Capital Group Companies, Inc. held long positions in 189,383,200 H shares of the Company through certain corporations under its control.
3. As at 30 June 2010, JPMorgan Chase & Co. held long positions in 185,659,531 H shares and short positions in 970,500 H shares of the Company through certain corporations under its control.

## Particulars of Share Capital Structure, Changes and Shareholders (continued)

### SHAREHOLDING OF THE TOP 10 SHAREHOLDERS

As at 30 June 2010, the total number of shareholders of the Company was 338,184, including 311,119 holders of A shares and 27,065 holders of H shares.

Particulars of the top 10 shareholders (shareholders holding over 5% of equity interest) is as follows:

*Unit: shares*

| Name of shareholder                                                                                                                         | Nature of shareholder                   | Shareholding percentage | Total 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 shares                      | 61.33%                  | 7,566,245,500               | —                                             | 7,566,245,500                                  | —                                  |
| HKSCC NOMINEES LIMITED                                                                                                                      | Overseas listed foreign invested shares | 16.64%                  | 2,053,277,632               | -867,250                                      | —                                              | Unknown                            |
| National Council for Social Security Fund (全國社會保障基金理事會轉持三戶)                                                                                 | Stated-owned legal person shares        | 1.98%                   | 245,000,000                 | —                                             | 245,000,000                                    | Unknown                            |
| National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)                                                                       | Other                                   | 0.37%                   | 45,499,901                  | —                                             | —                                              | Unknown                            |
| Industrial and Commercial Bank of China — SSE 50 Trading Open-end Index Securities Investment Fund (中國工商銀行 — 上證50交易型開放式指數證券投資基金)            | Other                                   | 0.27%                   | 33,320,704                  | 3,749,708                                     | —                                              | Unknown                            |
| Industrial and Commercial Bank of China — Southern Longyuan Industrial Theme Equity Securities Investment Fund (中國工商銀行 — 南方隆元產業主題股票型證券投資基金) | Other                                   | 0.25%                   | 31,142,151                  | 1,107,100                                     | —                                              | Unknown                            |

## Particulars of Share Capital Structure, Changes and Shareholders (continued)

### SHAREHOLDING OF THE TOP 10 SHAREHOLDERS (continued)

| Name of shareholder                                                                                                                             | Nature of shareholder | Shareholding percentage | Total number of shares held | Increase/decrease during the reporting period | Number of shares subject to trading moratorium | Number of shares pledged or frozen |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------|-----------------------------|-----------------------------------------------|------------------------------------------------|------------------------------------|
| Industrial and Commercial Bank of China - Zhonghai Energy Strategy Mixed Securities Investment Fund (中國工商銀行—中海能源策略混合型證券投資基金)                    | Other                 | 0.17%                   | 21,384,596                  | New                                           | —                                              | Unknown                            |
| China Construction Bank - Guotai Jinma Stable Returns Securities Investment Fund (中國建設銀行—國泰金馬穩健回報證券投資基金)                                        | Other                 | 0.17%                   | 20,906,072                  | -210,350                                      | —                                              | Unknown                            |
| Bank of China - Jia Shi Hu Shen 300 Index Securities Investment Fund (中國銀行—嘉實滬深300指數證券投資基金)                                                     | Other                 | 0.16%                   | 19,291,289                  | -741,340                                      | —                                              | Unknown                            |
| Industrial and Commercial Bank of China Limited - Hua Xia Shanghai Shenzhen 300 Index Securities Investment Fund (中國工商銀行股份有限公司—華夏滬深300指數證券投資基金) | Other                 | 0.12%                   | 15,398,700                  | 1,398,700                                     | —                                              | Unknown                            |

## Directors, Supervisors and Senior Management

During the reporting period, Mr. Ding Yuanchen, an executive Director and vice chairman of the Company, reached the retirement age and resigned from the position as an executive Director, vice chairman and as a member of the Strategy and Investment Committee of the board of Directors of the Company (the “**Board**”) since 7 June 2010. As at 30 June 2010, members of the Strategy and Investment Committee under the Board were as follows:

Chairman: Zhao Guangfa

Members: Zhu Mingxian, Li Kecheng and Wu Taishi

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

## Directors’, Supervisors’ and Chief Executives’ Interests in Securities of The Company

As at 30 June 2010, none of the Directors, supervisors, chief executives of the Company and their respective associates had any interests in the shares or debentures of the Company and 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 2010, none of the Directors, supervisors and chief executives, or their spouses and 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).

## Share Option Scheme

During the reporting period, the Company has not yet implemented the share incentive plan and the preliminary proposal of the share incentive plan for the senior management and core staff members of the Company was in the process of going through the approval procedures of the relevant State departments.

## Repurchase, Sale or Redemption of The Company’s Securities

During the six-month period ended 30 June 2010, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any securities of the Company.

# Corporate Governance

The Company's articles of association, the terms of reference of the Audit and Risk Management Committee, the terms of reference of the Supervisory Committee and the Code of Conduct Regarding Securities Transactions by the Directors and Relevant Employees constitute the bases 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 the 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**") on 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 30 June 2010.

During the reporting period, the Company formulated the Accountability System for Material Errors in Annual Report Information Disclosure of CRCC (《中國鐵建年報信息披露重大差錯責任追究制度》) and the Management System of CRCC for Information Insider and External Information User (《中國鐵建內幕信息知情人和外部信息使用人管理制度》) and amended the Decision-making Manual on Connected Transactions of CRCC (《中國鐵建股份有限公司關聯交易決策制度》), in order to further enhance the quality of information disclosure and regulate the levels of operations of the Company.

The Company has placed much emphasis on internal control and comprehensive risk management. During the reporting period, the Company had conducted a comprehensive assessment of the risk exposure of the Company based on the overall planned requirements of the internal control and risk management and the current management status, so as to identify various risks existing in the course of production and operation of the Company. As a result, the Company established risk database and drew risk map to highlight material/significant risks of the Company, and addressed such risks by timely risk management and control measures at the same time. It also managed risk breakdown according to work allocation and implemented real-time risk monitoring in order to reduce and avoid the loss that all kinds of risk factors may cause to the Company. Apart from its ongoing effort to improve its internal control system, the Company promoted and established a comprehensive risk management and internal control system in its subsidiaries as well as published its Self-assessment Report on Internal Control (《內部控制的自我評估報告》). Specifically, in the first half of 2010, the Company:

1. formulated the 2010 risk management plan in accordance with the requirements of the Audit and Risk Management Committee and strictly implemented the plan;
2. carefully and conscientiously streamlined the operation of its major businesses under the assistance of professional consultancy institutions. Through serious research, studies and analyses, the Company had streamlined 15 modules (namely, operation management, financial management, assets management, investment management, construction project management, international construction management, quality and safety management, equipment and materials management, scientific research and technology management, human resources management, legal affairs management, information disclosure management, corporate governance, internal supervision management and information system management) and 41 second tier workflows together with 172 third tier workflows and has completed the workflow chart and descriptions of the relevant businesses;



## Corporate Governance (continued)

3. in the course of streamlining its operational workflow and drawing workflow charts, the Company performed systematic analysis and organization on issues concerning its existing internal control, provided opinions and recommendations for improvement in respect of different scenarios and prepared the Report on Defects of and Improvement Recommendations for Internal Control of the Company (Draft) (《公司內部控制缺陷及改進建議報告(初稿)》); and
4. actively introduced internal control and risk management initiatives in subsidiaries of the Company and initiated trial tests in China Railway 12th Bureau Group Co., Ltd. and China Railway Real Estate Group Co., Ltd. at the subsidiary level.

## Code of Conduct Regarding Securities Transactions by The Directors and Supervisors

For the purpose of clarification, 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 with 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 2010. Relevant employees who are likely to be in possession of unpublished price sensitive data of the Company related to dealings in the Company’s securities 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 2010.

## Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010, and also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

## Interim Dividend

The Company proposes the distribution of an interim dividend in cash of RMB0.5 per 10 shares (before tax) to all of the shareholders. The interim dividend proposed is subject to the approval by the shareholders at the general meeting. If approved, the Company will further announce the arrangement for the distribution of dividends, including the record date for distribution of dividend and the closure of H shares register of members.

## Auditor’s Review

Ernst & Young, the auditor of the Company, has reviewed the interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2010 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 in page 37.



# Significant Events

## MATERIAL LITIGATION AND ARBITRATION

The High People's Court of Shandong Province after conducting mediations between China Railway 14th Bureau Group Co., Ltd. and China Group Real Estate Development Group Ji'nan Jun'an Construction Company Limited ("**Jun'an Construction**"), following several hearings relating to a dispute on an outstanding construction amount, issued the mediation agreement ((2007) Lu Min Yi Chu Zi No.13) on 31 May 2010, Jun'an Construction is to pay RMB44.03 million to China Railway 14th Bureau Group Co., Ltd. in accordance with mediation agreement. As at 30 June 2010, the payment was fully settled and the case was closed.

## IMPLEMENTATION OF PROPOSED NEW SHARE OFFER DURING THE REPORTING PERIOD

As considered and approved at the 2009 annual general meeting, the first 2010 A shareholders' class meeting and the first 2010 H shareholders' class meeting convened by the Company on 18 June 2010, the Company proposed the non-public issuance and placing of A shares to not more than 10 target subscribers (including China Railway Construction Corporation ("**CRCCG**"), the controlling shareholder) in the amount of not more than 1,035 million A shares and with proceeds to be raised of not exceeding RMB8 billion, in which CRCCG will subscribe for not exceeding 518 million A shares which will be paid partly by transfer of certain of its assets and partly by cash with a total subscription amount of not exceeding RMB4 billion. The Company had filed its application for the non-public issuance and placing and the listing of A shares to China Securities Regulatory Commission ("**CSRC**") upon conclusion of the above meetings. The application documents are currently under review by CSRC.

## Significant Events (continued)

### SIGNIFICANT GUARANTEES

During the reporting period, significant 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<br>(Date of the agreement) | Amount of guarantee<br>(RMB0'000) | Type of guarantee           | Guarantee period      | Has it been completed | Was it provided to a related party<br>(yes or no) |
|----------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------|-----------------------------|-----------------------|-----------------------|---------------------------------------------------|
| ChunWo-Henryvicy-CRCC-Queensland Rail Joint Venture                                    | 2006.5.4                                     | 113.4                             | General liability guarantee | 2006.5.4-2010.8.8     | No                    | Yes                                               |
| Sichuan Naxu Railway Company Limited (四川納叙鐵路有限公司)                                      | 2006.12.28                                   | 6,720                             | General liability guarantee | 2006.12.28-2026.12.28 | No                    | No                                                |
| Sichuan Naxu Railway Company Limited (四川納叙鐵路有限公司)                                      | 2008.4.16                                    | 5,040                             | General liability guarantee | 2008.4.16-2028.4.16   | No                    | No                                                |
| CRCC-Tongguan Investment Co., Ltd.                                                     | 2010.5.25                                    | 6,827.9                           | General liability guarantee | 2010.5.25-2015.5.25   | No                    | Yes                                               |
| CRCC-Tongguan Investment Co., Ltd.                                                     | 2010.5.25                                    | 99,892.5                          | General liability guarantee | 2010.5.25-2015.5.25   | No                    | Yes                                               |
| Total amount of guarantee during the reporting period (RMB0'000)                       |                                              |                                   |                             |                       |                       | 106,720.1                                         |
| Total amount of outstanding guarantee as at the end of the reporting period (RMB0'000) |                                              |                                   |                             |                       |                       | 118,593.8                                         |

#### Guarantees granted by the Company to its subsidiaries

|                                                                                                                     |            |
|---------------------------------------------------------------------------------------------------------------------|------------|
| Total amount of guarantee provided to the subsidiaries during the reporting period (RMB0'000)                       | -380,775.2 |
| Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period (RMB0'000) | 418,190.9  |

#### Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)

|                                                                                           |           |
|-------------------------------------------------------------------------------------------|-----------|
| Total amount of guarantee (RMB0'000)                                                      | 536,784.7 |
| Percentage of the total amount of guarantee to the consolidated net assets of the Company | 9.75%     |

## Significant Events (continued)

### SIGNIFICANT GUARANTEES (continued)

| Including:                                                                                                                   |           |
|------------------------------------------------------------------------------------------------------------------------------|-----------|
| Amount of guarantee provided to the shareholders, actual controllers and their related parties (RMB0'000)                    | —         |
| Amount of debt guarantee provided directly or indirectly to the guaranteed parties with gearing ratio of over 70% (RMB0'000) | 418,058.6 |
| Total amount of guarantee exceeding 50% of the net assets (RMB0'000)                                                         | —         |
| Total amount of the above three guarantees (RMB0'000)                                                                        | 418,058.6 |

### MATERIAL CONTRACTS

During the six months ended 30 June 2010, the Group's material contracts with bidding price exceeding RMB3,000 million are set out in the following table:

| No.                                 | Date of the contract | Summary of the contract                                                                                                                        | Contract amount<br>(RMB100 million) | Subject of the contract                   | Performance period |
|-------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------|--------------------|
| <b>Domestic operating contracts</b> |                      |                                                                                                                                                |                                     |                                           |                    |
| 1                                   | 2010/3/8             | Pre-station construction for Section 1 of new passenger railway line from Datong to Xi'an                                                      | 37.088                              | China Railway 25th Bureau Group Co., Ltd. | 46 months          |
| 2                                   | 2010/3/8             | Pre-station construction for Section 5 of new passenger railway line from Datong to Xi'an                                                      | 35.160                              | China Railway 15th Bureau Group Co., Ltd. | 46 months          |
| 3                                   | 2010/3/8             | Pre-station construction for Section 8 of new passenger railway line from Datong to Xi'an                                                      | 78.010                              | China Railway 12th Bureau Group Co., Ltd. | 46 months          |
| 4                                   | 2010/3/8             | Pre-station construction for Section 10 of new passenger railway line from Datong to Xi'an                                                     | 33.973                              | China Railway 19th Bureau Group Co., Ltd. | 46 months          |
| 5                                   | 2010/3/29            | Master construction contract of construction for Section LXS-14 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line | 38.621                              | China Railway 12th Bureau Group Co., Ltd. | 45 months          |
| 6                                   | 2010/3/29            | Master construction contract of construction for Section LXS-15 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line | 31.834                              | China Railway 19th Bureau Group Co., Ltd. | 45 months          |
| 7                                   | 2010/3/29            | Master construction contract of construction for Section LXS-16 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line | 35.447                              | China Railway 11th Bureau Group Co., Ltd. | 45 months          |

## Significant Events (continued)

### MATERIAL CONTRACTS (continued)

| No. | Date of the contract | Summary of the contract                                                                                                                                           | Contract amount<br>(RMB100 million) | Subject of the contract                   | Performance period |
|-----|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------|--------------------|
| 8   | 2010/3/29            | Master construction contract of construction for Section LXS-17 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line                    | 30.213                              | China Railway 17th Bureau Group Co., Ltd. | 45 months          |
| 9   | 2010/4/7             | Master construction contract of Section ZNTJ-1 of pre-station project for Watang-Tangyindong (inclusive) section of the new Shanxi South Central Railway Passage  | 60.423                              | China Railway 12th Bureau Group Co., Ltd. | 42 months          |
| 10  | 2010/4/7             | Master construction contract of Section ZNTJ-7 of pre-station project for Watang-Tangyindong (inclusive) section of the new Shanxi South Central Railway Passage  | 37.037                              | China Railway 11th Bureau Group Co., Ltd. | 54 months          |
| 11  | 2010/4/7             | Master construction contract of Section ZNTJ-13 of pre-station project for Watang-Tangyindong (inclusive) section of the new Shanxi South Central Railway Passage | 37.497                              | China Railway 21st Bureau Group Co., Ltd. | 54 months          |
| 12  | 2010/4/12            | Master construction contract of Section HCZJ-2 of pre-station project for Zhejiang section of the passenger railway line of the new Hangzhou-Changsha railway     | 41.043                              | China Railway 17th Bureau Group Co., Ltd. | 39 months          |
| 13  | 2010/4/12            | Master construction contract of Section HCZJ-3 of pre-station project for Zhejiang section of the passenger railway line of the new Hangzhou-Changsha railway     | 30.040                              | China Railway 11th Bureau Group Co., Ltd. | 39 months          |
| 14  | 2010/4/12            | Master construction contract of Section HCZJ-7 of pre-station project for Zhejiang section of the passenger railway line of the new Hangzhou-Changsha railway     | 31.723                              | China Railway 19th Bureau Group Co., Ltd. | 39 months          |
| 15  | 2010/4/13            | Master construction contract of Section HCTJ-1 of pre-station project for Hunan section of the passenger railway line of the new Hangzhou-Changsha railway        | 43.729                              | China Railway 20th Bureau Group Co., Ltd. | 28 months          |
| 16  | 2010/4/15            | Master construction contract of Section HKJX-1 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway      | 57.041                              | China Railway 15th Bureau Group Co., Ltd. | 32 months          |

## Significant Events (continued)

### MATERIAL CONTRACTS (continued)

| No. | Date of the contract | Summary of the contract                                                                                                                                            | Contract amount<br>(RMB100 million) | Subject of the contract                                                                                                                                                 | Performance period |
|-----|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 17  | 2010/4/15            | Master construction contract of Section HKJX-5 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway       | 46.599                              | China Railway 16th Bureau Group Co., Ltd.                                                                                                                               | 32 months          |
| 18  | 2010/4/15            | Master construction contract of Section HKJX-8 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway       | 47.523                              | China Railway 19th Bureau Group Co., Ltd.                                                                                                                               | 32 months          |
| 19  | 2010/4/13            | Master construction contract of pre-station construction and associated works for the HFZQ-2 section for Anhui section of the new Hefei-Fuzhou railway             | 59.329                              | China Railway 13th Bureau Group Co., Ltd.                                                                                                                               | 48 months          |
| 20  | 2010/4/13            | Master construction contract of pre-station construction and associated works for the HFZQ-4 section for Anhui section of the new Hefei-Fuzhou railway             | 32.639                              | China Railway 24th Bureau Group Co., Ltd.                                                                                                                               | 48 months          |
| 21  | 2010/4/13            | Master construction contract of pre-station construction and associated works for the HFZQ-7 section for Anhui section of the new Hefei-Fuzhou railway             | 35.992                              | China Railway 11th Bureau Group Co., Ltd.                                                                                                                               | 40 months          |
| 22  | 2010/4/15            | Master construction contract of the civil works in the HFMG-1 section for the new Hefei-Fuzhou passenger railway line (Mingan section)                             | 70.802                              | China Railway 11th Bureau Group Co., Ltd.                                                                                                                               | 38 months          |
| 23  | 2010/4/15            | Master construction contract of the civil works in the HFMG-3 section for the new Hefei-Fuzhou passenger railway line (Mingan section)                             | 45.926                              | China Railway 19th Bureau Group Co., Ltd.                                                                                                                               | 40 months          |
| 24  | 2010/4/15            | Master construction contract of the civil works in the HFMG-4 section for the new Hefei-Fuzhou passenger railway line (Mingan section)                             | 30.268                              | China Railway 24th Bureau Group Co., Ltd.                                                                                                                               | 40 months          |
| 25  | 2010/4/15            | Master construction contract of the civil works in the HFMG-7 section for the new Hefei-Fuzhou passenger railway line (Mingan section)                             | 42.924                              | China Railway 17th Bureau Group Co., Ltd.                                                                                                                               | 40 months          |
| 26  | 2010/4/21            | Master construction contract of capacity expansion and renovation project and construction works of Section 1 of the Mudanjiang-Suifenhe section of Binsui railway | 31.209                              | A consortium comprising China Railway 22nd Bureau Group Co., Ltd. and China Railway Electrification Bureau (Group) 3rd Engineering Co., Ltd.<br>(中鐵建電氣化局集團<br>第三工程有限公司) | 43 months          |

## Significant Events (continued)

### MATERIAL CONTRACTS (continued)

| No. | Date of the contract | Summary of the contract                                                                                                                                            | Contract amount<br>(RMB100 million) | Subject of the contract                                                                                                                                                                                                                                            | Performance period |
|-----|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 27  | 2010/4/21            | Master construction contract of capacity expansion and renovation project and construction works of Section 2 of the Mudanjiang-Suifenhe section of Binsui railway | 30.476                              | A consortium comprising China Railway 13th Bureau Group Co., Ltd., The 5th Engineering Co., Ltd. of China Railway Shisiju Group, China Railway Construction Group Co., Ltd. and China Railway Electrification Bureau (Group) 1st Company Limited (中鐵建電氣化局集團第一有限公司) | 43 months          |
| 28  | 2010/4/30            | Master construction contract of construction works for Section SDTJ-2 of the new passenger railway line from Shenyang-Dandong                                      | 37.928                              | A consortium comprising China Railway 13th Bureau Group Co., Ltd. and China Railway 23th Bureau Group 2nd Engineering Co., Ltd.                                                                                                                                    | 45 months          |
| 29  | 2010/5/10            | Master construction contract of Section YGZQ-4 of pre-station construction (Guangxi section) of the new Yun-Gui Railway                                            | 71.819                              | China Railway 19th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 65 months          |
| 30  | 2010/5/10            | Master construction contract of Section 2 of pre-station construction (Yunnan section) of the new Yun-Gui Railway                                                  | 41.552                              | China Railway 25th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 59 months          |
| 31  | 2010/5/10            | Master construction contract of Section 5 of pre-station construction (Yunnan section) of the new Yun-Gui Railway                                                  | 31.483                              | China Railway 17th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 55 months          |
| 32  | 2010/5/10            | Master construction contract of Section 6 of pre-station construction (Yunnan section) of the new Yun-Gui Railway                                                  | 35.800                              | China Railway 18th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 58 months          |
| 33  | 2010/5/10            | Master construction contract of Section 8 of pre-station construction (Yunnan section) of the new Yun-Gui Railway                                                  | 31.426                              | China Railway 19th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 56 months          |
| 34  | 2010/5/10            | Pre-station construction for the inclusion of new Yun-Gui railway line to Kunming networks                                                                         | 34.819                              | China Railway 11th Bureau Group Co., Ltd.                                                                                                                                                                                                                          | 49 months          |

## Significant Events (continued)

### IMPLEMENTATION OF COMMITMENTS

1. At the time of the offering 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 for which the Group was in the process of applying for land use rights by way of capital contribution by the State as the consideration, and 53 parcels for which the Group was in the process of going through the procedures for granted land use rights. During the reporting period, the Company continued to press ahead with the renewal and application for land use rights certificates. As at 30 June 2010, land use right certificates had been obtained for an aggregate of 315 parcels of allocated land, which were contributed as capital of the Company by the State, and 45 parcels of land had obtained the land use right certificates upon completion of the land grant procedures. The Company will further push ahead with the perfection of the land use rights certificates to fulfil its undertakings to the shareholders.



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
Phone: (852) 2846 9888  
Fax: (852) 2868 4432  
[www.ey.com/china](http://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 38 to 80, which comprise the interim condensed consolidated statement of financial position as at 30 June 2010 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  
30 August 2010

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

|                                                              |       | For the six months ended 30 June |               |
|--------------------------------------------------------------|-------|----------------------------------|---------------|
|                                                              |       | 2010                             | 2009          |
|                                                              |       | RMB'000                          | RMB'000       |
|                                                              | Notes | (Unaudited)                      | (Unaudited)   |
| REVENUE                                                      | 4     | 174,033,926                      | 126,247,569   |
| Cost of sales                                                |       | (162,246,884)                    | (117,826,135) |
| Gross profit                                                 |       | 11,787,042                       | 8,421,434     |
| Other income and gains, net                                  | 4     | 198,223                          | 327,393       |
| Selling and distribution costs                               |       | (550,143)                        | (454,323)     |
| Administrative expenses                                      |       | (7,008,228)                      | (5,085,989)   |
| Other expenses                                               |       | (60,738)                         | (58,976)      |
| PROFIT FROM OPERATIONS                                       | 5     | 4,366,156                        | 3,149,539     |
| Finance revenue                                              | 6     | 450,084                          | 371,370       |
| Finance costs                                                | 6     | (560,628)                        | (548,181)     |
| Share of profits and losses of:                              |       |                                  |               |
| Jointly-controlled entities                                  |       | (4,094)                          | 2,288         |
| Associates                                                   |       | 10                               | (3,565)       |
| PROFIT BEFORE TAX                                            |       | 4,251,528                        | 2,971,451     |
| Income tax                                                   | 7     | (826,357)                        | (725,803)     |
| PROFIT FOR THE PERIOD                                        |       | 3,425,171                        | 2,245,648     |
| Attributable to:                                             |       |                                  |               |
| Owners of the Company                                        |       | 3,378,096                        | 2,220,998     |
| Non-controlling interests                                    |       | 47,075                           | 24,650        |
|                                                              |       | 3,425,171                        | 2,245,648     |
| Earnings per share attributable to<br>Owners of the Company: |       |                                  |               |
| Basic                                                        | 9     | 27.38 cents                      | 18.00 cents   |
| Diluted                                                      | 9     | N/A                              | N/A           |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

|                                                                 | <b>For the six months ended 30 June</b> |                    |
|-----------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                 | <b>2010</b>                             | <b>2009</b>        |
|                                                                 | <i>RMB'000</i>                          | <i>RMB'000</i>     |
|                                                                 | <i>(Unaudited)</i>                      | <i>(Unaudited)</i> |
| PROFIT FOR THE PERIOD                                           | 3,425,171                               | 2,245,648          |
| OTHER COMPREHENSIVE (LOSS)/INCOME                               |                                         |                    |
| Available-for-sale investments:                                 |                                         |                    |
| Changes in fair value                                           | (113,479)                               | 161,131            |
| Income tax effect                                               | 23,297                                  | (32,960)           |
|                                                                 | (90,182)                                | 128,171            |
| Exchange differences on translation of foreign operations       | (28,474)                                | (5,511)            |
| OTHER COMPREHENSIVE (LOSS)/INCOME<br>FOR THE PERIOD, NET OF TAX | (118,656)                               | 122,660            |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD,<br>NET OF TAX        | 3,306,515                               | 2,368,308          |
| Attributable to:                                                |                                         |                    |
| Owners of the Company                                           | 3,259,440                               | 2,343,590          |
| Non-controlling interests                                       | 47,075                                  | 24,718             |
|                                                                 | 3,306,515                               | 2,368,308          |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

|                                                       | Notes | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------------------|-------|-------------------------------------------|---------------------------------------------|
| <b>NON-CURRENT ASSETS</b>                             |       |                                           |                                             |
| Property, plant and equipment                         | 10    | 32,283,451                                | 30,440,748                                  |
| Prepaid land lease payments                           |       | 4,901,354                                 | 4,933,996                                   |
| Intangible assets                                     |       | 776,719                                   | 743,265                                     |
| Interests in jointly-controlled entities              |       | 1,380,453                                 | 1,193,175                                   |
| Interests in associates                               |       | 478,440                                   | 282,484                                     |
| Held-to-maturity investments                          |       | 6,653                                     | 6,684                                       |
| Available-for-sale investments                        |       | 1,999,730                                 | 2,053,113                                   |
| Deferred tax assets                                   | 11    | 2,228,683                                 | 2,351,572                                   |
| Trade and bills receivables                           | 12    | 2,496,536                                 | 1,905,068                                   |
| Prepayments, deposits and other receivables           | 13    | 83,979                                    | 60,923                                      |
| <b>Total non-current assets</b>                       |       | <b>46,635,998</b>                         | <b>43,971,028</b>                           |
| <b>CURRENT ASSETS</b>                                 |       |                                           |                                             |
| Prepaid land lease payments                           |       | 108,583                                   | 110,443                                     |
| Inventories                                           | 14    | 23,860,757                                | 19,138,399                                  |
| Properties under development                          |       | 20,996,029                                | 13,490,171                                  |
| Completed properties held for sale                    |       | 387,295                                   | 847,891                                     |
| Construction contracts                                | 15    | 57,784,822                                | 52,021,064                                  |
| Trade and bills receivables                           | 12    | 43,957,885                                | 44,895,969                                  |
| Prepayments, deposits and other receivables           | 13    | 54,105,856                                | 43,465,710                                  |
| Held-to-maturity investments                          |       | 10,000                                    | —                                           |
| Financial assets at fair value through profit or loss |       | 67,655                                    | 97,339                                      |
| Pledged deposits                                      | 16    | 2,977,091                                 | 2,582,055                                   |
| Cash and cash equivalents                             | 16    | 61,463,010                                | 62,370,198                                  |
| <b>Total current assets</b>                           |       | <b>265,718,983</b>                        | <b>239,019,239</b>                          |
| <b>TOTAL ASSETS</b>                                   |       | <b>312,354,981</b>                        | <b>282,990,267</b>                          |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2010

|                                                 |       | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------------|-------|-------------------------------------------|---------------------------------------------|
|                                                 | Notes |                                           |                                             |
| CURRENT LIABILITIES                             |       |                                           |                                             |
| Trade and bills payables                        | 17    | 106,613,296                               | 101,980,100                                 |
| Construction contracts                          | 15    | 21,607,011                                | 19,913,886                                  |
| Other payables and accruals                     | 18    | 89,100,040                                | 71,305,694                                  |
| Interest-bearing bank and other borrowings      | 19    | 16,098,532                                | 12,579,425                                  |
| Provision for early retirement benefits         |       | 986,060                                   | 956,060                                     |
| Tax payable                                     |       | 664,659                                   | 857,889                                     |
| Provision                                       |       | 2,240                                     | 2,240                                       |
| Total current liabilities                       |       | 235,071,838                               | 207,595,294                                 |
| NET CURRENT ASSETS                              |       | 30,647,145                                | 31,423,945                                  |
| TOTAL ASSETS LESS CURRENT LIABILITIES           |       | 77,283,143                                | 75,394,973                                  |
| NON-CURRENT LIABILITIES                         |       |                                           |                                             |
| Trade and bills payables                        | 17    | 1,349,944                                 | 1,242,870                                   |
| Other payables and accruals                     | 18    | 137,848                                   | 104,079                                     |
| Interest-bearing bank and other borrowings      | 19    | 15,309,865                                | 14,134,294                                  |
| Provision for early retirement benefits         |       | 4,800,054                                 | 5,181,680                                   |
| Deferred tax liabilities                        | 11    | 274,238                                   | 302,404                                     |
| Other long term liabilities                     |       | 222,406                                   | 212,927                                     |
| Deferred revenue                                |       | 143,746                                   | 137,486                                     |
| Total non-current liabilities                   |       | 22,238,101                                | 21,315,740                                  |
| NET ASSETS                                      |       | 55,045,042                                | 54,079,233                                  |
| EQUITY                                          |       |                                           |                                             |
| EQUITY ATTRIBUTABLE TO OWNERS<br>OF THE COMPANY |       |                                           |                                             |
| Issued share capital                            | 20    | 12,337,542                                | 12,337,542                                  |
| Reserves                                        |       | 41,389,110                                | 38,953,936                                  |
| Proposed interim/final dividends                |       | 616,877                                   | 1,974,007                                   |
|                                                 |       | 54,343,529                                | 53,265,485                                  |
| NON-CONTROLLING INTERESTS                       |       | 701,513                                   | 813,748                                     |
| TOTAL EQUITY                                    |       | 55,045,042                                | 54,079,233                                  |

**LI Guorui**  
Director

**ZHAO Guangfa**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

| (Unaudited)                                                                    | Attributable to owners of the Company |                    |                                                                |                      |                                    |                  |                                |             |                                  |                 |
|--------------------------------------------------------------------------------|---------------------------------------|--------------------|----------------------------------------------------------------|----------------------|------------------------------------|------------------|--------------------------------|-------------|----------------------------------|-----------------|
|                                                                                | Issued<br>share<br>capital            | Capital<br>reserve | Available-<br>for-sale<br>investment<br>revaluation<br>reserve | Retained<br>earnings | Exchange<br>fluctuation<br>reserve | Reserve<br>funds | Proposed<br>final<br>dividends | Total       | Non-<br>controlling<br>interests | Total<br>equity |
|                                                                                | RMB'000                               | RMB'000            | RMB'000                                                        | RMB'000              | RMB'000                            | RMB'000          | RMB'000                        | RMB'000     | RMB'000                          | RMB'000         |
| As at 1 January 2010                                                           | 12,337,542                            | 31,247,164         | 272,937                                                        | 6,709,995            | 106,566                            | 617,274          | 1,974,007                      | 53,265,485  | 813,748                          | 54,079,233      |
| Total comprehensive income                                                     | —                                     | —                  | (90,182)                                                       | 3,378,096            | (28,474)                           | —                | —                              | 3,259,440   | 47,075                           | 3,306,515       |
| Capital contributions                                                          | —                                     | —                  | —                                                              | —                    | —                                  | —                | —                              | —           | 5,161                            | 5,161           |
| Dividends paid to<br>non-controlling interests                                 | —                                     | —                  | —                                                              | —                    | —                                  | —                | —                              | —           | (125,860)                        | (125,860)       |
| Purchase of<br>non-controlling interests                                       | —                                     | (207,389)          | —                                                              | —                    | —                                  | —                | —                              | (207,389)   | (38,611)                         | (246,000)       |
| Final 2009 dividend<br>declared (note 8)                                       | —                                     | —                  | —                                                              | —                    | —                                  | —                | (1,974,007)                    | (1,974,007) | —                                | (1,974,007)     |
| Proposed interim dividend<br>for the six months<br>ended 30 June 2010 (note 8) | —                                     | —                  | —                                                              | (616,877)            | —                                  | —                | 616,877                        | —           | —                                | —               |
| As at 30 June 2010                                                             | 12,337,542                            | 31,039,775         | 182,755                                                        | 9,471,214            | 78,092                             | 617,274          | 616,877                        | 54,343,529  | 701,513                          | 55,045,042      |

| (Unaudited)                                    | Attributable to owners of the Company |                    |                                                                |                      |                                    |                  |                                |             |                                  |                 |
|------------------------------------------------|---------------------------------------|--------------------|----------------------------------------------------------------|----------------------|------------------------------------|------------------|--------------------------------|-------------|----------------------------------|-----------------|
|                                                | Issued<br>share<br>capital            | Capital<br>reserve | Available-<br>for-sale<br>investment<br>revaluation<br>reserve | Retained<br>earnings | Exchange<br>fluctuation<br>reserve | Reserve<br>funds | Proposed<br>final<br>dividends | Total       | Non-<br>controlling<br>interests | Total<br>equity |
|                                                | RMB'000                               | RMB'000            | RMB'000                                                        | RMB'000              | RMB'000                            | RMB'000          | RMB'000                        | RMB'000     | RMB'000                          | 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      |
| 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<br>non-controlling interests | —                                     | —                  | —                                                              | —                    | —                                  | —                | —                              | —           | (370)                            | (370)           |
| Final 2008 dividend<br>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      |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

|                                                  | <i>Note</i> | <b>For the six months ended 30 June</b> |                                       |
|--------------------------------------------------|-------------|-----------------------------------------|---------------------------------------|
|                                                  |             | 2010<br><i>RMB'000</i><br>(Unaudited)   | 2009<br><i>RMB'000</i><br>(Unaudited) |
| Net cash flows from operating activities         |             | 1,420,527                               | 6,987,695                             |
| Net cash flows used in investing activities      |             | (4,959,688)                             | (5,374,721)                           |
| Net cash flows from financing activities         |             | 4,079,931                               | 904,558                               |
| Effect of foreign exchange rate changes, net     |             | (134,814)                               | (53,915)                              |
| NET INCREASE IN CASH AND CASH EQUIVALENTS        |             | 405,956                                 | 2,463,617                             |
| Cash and cash equivalents at beginning of period |             | 55,070,050                              | 49,455,325                            |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD       | 16          | 55,476,006                              | 51,918,942                            |



# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 1. CORPORATE INFORMATION

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 (i) the construction of infrastructure; (ii) the provision of survey, design and consultancy services; (iii) design, research and development, production and sale of large track maintenance machinery and components for railway construction; (iv) real estate development; and (v) the 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 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirements of the Hong Kong Company Ordinance. 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 2009.

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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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 2009, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), noted below:

|                   |                                                                                                             |
|-------------------|-------------------------------------------------------------------------------------------------------------|
| IFRS 1 (Revised)  | <i>First-time Adoption of IFRSs</i>                                                                         |
| IFRS 1 Amendments | Amendments to IFRS 1<br><i>First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters</i> |
| IFRS 2 Amendments | Amendments to IFRS 2<br><i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>    |
| IFRS 3 (Revised)  | <i>Business Combinations</i>                                                                                |
| IAS 27 (Revised)  | <i>Consolidated and Separate Financial Statements</i>                                                       |
| IAS 39 Amendment  | Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>       |
| IFRIC 17          | <i>Distributions of Non-cash Assets to Owners</i>                                                           |

Other than as further explained below regarding the impact of IFRS 3 (Revised) and IAS 27 (Revised), the adoption of these new and revised IFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

IFRS 3 (Revised) introduces some changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

### **Improvements to IFRSs 2009**

In April 2009, the International Accounting Standards Board has issued *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard. These amendments did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 3. OPERATING 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.

Segment assets exclude deferred tax assets and segment liabilities exclude tax payable and deferred tax liabilities as the Group does not manage these assets and liabilities based on 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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 3. OPERATING SEGMENT INFORMATION (continued)

### Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the six months ended 30 June 2010 and 2009:

For the six months ended 30 June 2010

| (Unaudited)                                                         | Construction<br>operations<br>RMB'000 | Survey,<br>design and<br>consultancy<br>operations<br>RMB'000 | Manufacturing<br>operations<br>RMB'000 | Other<br>business<br>operations<br>RMB'000 | Eliminations<br>and<br>adjustments<br>RMB'000 | Consolidated<br>RMB'000 |
|---------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------|----------------------------------------|--------------------------------------------|-----------------------------------------------|-------------------------|
| <b>Segment revenue</b>                                              |                                       |                                                               |                                        |                                            |                                               |                         |
| Sales to external customers                                         | 155,658,211                           | 3,442,547                                                     | 4,048,442                              | 10,884,726                                 | —                                             | 174,033,926             |
| Intersegment sales                                                  | 595,385                               | 6,793                                                         | 193,284                                | 2,090,492                                  | (2,885,954)                                   | —                       |
| Total                                                               | 156,253,596                           | 3,449,340                                                     | 4,241,726                              | 12,975,218                                 | (2,885,954)                                   | 174,033,926             |
| <b>Segment results</b>                                              |                                       |                                                               |                                        |                                            |                                               |                         |
| Profit before tax                                                   | 2,817,108                             | 432,342                                                       | 303,677                                | 698,401                                    | —                                             | 4,251,528               |
| Profit before tax included:                                         |                                       |                                                               |                                        |                                            |                                               |                         |
| Finance revenue                                                     | 347,120                               | 54,482                                                        | 3,390                                  | 45,092                                     | —                                             | 450,084                 |
| Finance costs                                                       | (487,841)                             | (1,644)                                                       | (35,596)                               | (35,547)                                   | —                                             | (560,628)               |
| Share of profits and losses of:                                     |                                       |                                                               |                                        |                                            |                                               |                         |
| Jointly-controlled entities                                         | (9,094)                               | —                                                             | —                                      | 5,000                                      | —                                             | (4,094)                 |
| Associates                                                          | —                                     | 10                                                            | —                                      | —                                          | —                                             | 10                      |
| Depreciation and amortisation                                       | (3,329,077)                           | (74,547)                                                      | (156,405)                              | (90,425)                                   | —                                             | (3,650,454)             |
| Write-back / (write-down) of<br>inventories to net realisable value | 136                                   | —                                                             | —                                      | (123)                                      | —                                             | 13                      |
| Provision for foreseeable losses on<br>construction contracts       | (71,955)                              | —                                                             | —                                      | —                                          | —                                             | (71,955)                |
| Impairment losses reversed/ (recognized)                            | 13,068                                | (15)                                                          | 514                                    | (2,363)                                    | —                                             | 11,204                  |
| <b>Segment assets and liabilities</b>                               |                                       |                                                               |                                        |                                            |                                               |                         |
| Segment assets <sup>(a)</sup>                                       | 265,887,495                           | 9,703,434                                                     | 10,029,424                             | 44,051,628                                 | (17,317,000)                                  | 312,354,981             |
| Segments assets included:                                           |                                       |                                                               |                                        |                                            |                                               |                         |
| Interests in jointly-controlled entities                            | 1,330,778                             | —                                                             | —                                      | 49,675                                     | —                                             | 1,380,453               |
| Interests in associates                                             | 457,583                               | 9,772                                                         | —                                      | 11,085                                     | —                                             | 478,440                 |
| Segment liabilities <sup>(a)</sup>                                  | 225,238,645                           | 7,592,781                                                     | 6,780,731                              | 36,304,568                                 | (18,606,786)                                  | 257,309,939             |
| <b>Other segment information</b>                                    |                                       |                                                               |                                        |                                            |                                               |                         |
| Capital expenditure <sup>(a)</sup>                                  | 5,067,936                             | 173,499                                                       | 427,900                                | 119,721                                    | —                                             | 5,789,056               |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 3. OPERATING SEGMENT INFORMATION (continued)

### Operating segments (continued)

For the six months ended 30 June 2009

| (Unaudited)                                                               | Construction<br>operations<br>RMB'000 | Survey,<br>design and<br>consultancy<br>operations<br>RMB'000 | Manufacturing<br>operations<br>RMB'000 | Other<br>business<br>operations<br>RMB'000 | Eliminations<br>and<br>adjustments<br>RMB'000 | Consolidated<br>RMB'000 |
|---------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------|----------------------------------------|--------------------------------------------|-----------------------------------------------|-------------------------|
| <b>Segment revenue</b>                                                    |                                       |                                                               |                                        |                                            |                                               |                         |
| Sales to 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)                                     | —                       |
| <b>Total</b>                                                              | <b>114,328,131</b>                    | <b>2,783,493</b>                                              | <b>2,666,566</b>                       | <b>7,324,247</b>                           | <b>(854,868)</b>                              | <b>126,247,569</b>      |
| <b>Segment results</b>                                                    |                                       |                                                               |                                        |                                            |                                               |                         |
| 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<br>net realisable value                      | (5,495)                               | —                                                             | —                                      | (26,306)                                   | —                                             | (31,801)                |
| Reversal of provision for foreseeable<br>losses on construction contracts | 3,387                                 | —                                                             | —                                      | —                                          | —                                             | 3,387                   |
| Impairment losses (recognised)/reversed                                   | (23,814)                              | (584)                                                         | (12,012)                               | 5,848                                      | —                                             | (30,562)                |
| <b>Other segment information</b>                                          |                                       |                                                               |                                        |                                            |                                               |                         |
| Capital expenditure <sup>(iii)</sup>                                      | 5,608,426                             | 182,138                                                       | 508,613                                | 224,352                                    | —                                             | 6,523,529               |

Notes:

- (i) Segment assets do not include deferred tax assets of RMB2,228,683,000 as the Group does not manage these assets based on operating segments and hence these are not allocated to the operating segments. In addition, intersegment receivables of RMB19,545,683,000 are eliminated on consolidation.
- (ii) Segment liabilities do not include deferred tax liabilities of RMB274,238,000 and tax payable of RMB664,659,000 as the Group does not manage these liabilities based on operating segments and hence these are not allocated to the operating segments. In addition, intersegment payables of RMB19,545,683,000 are eliminated on consolidation.
- (iii) Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and intangible assets.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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 |             |
|---------------------------------------------------------------------------------|----------------------------------|-------------|
|                                                                                 | 2010                             | 2009        |
|                                                                                 | RMB'000                          | RMB'000     |
|                                                                                 | (Unaudited)                      | (Unaudited) |
| <b>Revenue:</b>                                                                 |                                  |             |
| Construction contracts                                                          | 155,658,211                      | 114,049,451 |
| Provision of survey, design and consultancy services                            | 3,442,547                        | 2,779,262   |
| Manufacture, sale, repair and maintenance of large track maintenance machinery  | 4,048,442                        | 2,631,624   |
| Others (note (a))                                                               | 10,884,726                       | 6,787,232   |
|                                                                                 | 174,033,926                      | 126,247,569 |
| <b>Other income and gains, net:</b>                                             |                                  |             |
| Government grants:                                                              |                                  |             |
| — Recognition of deferred revenue                                               | 8,349                            | 10,929      |
| — Others (note (b))                                                             | 29,061                           | 30,367      |
| Fair value gains, net, on financial assets at fair value through profit or loss | —                                | 16,617      |
| Gain on disposal of associates                                                  | 3,269                            | —           |
| Gain on disposal of available-for-sale investments                              | 10,680                           | 3,978       |
| Gain on disposal of property, plant and equipment, net                          | 17,878                           | 10,926      |
| Foreign exchange differences, net                                               | 41,121                           | 192,324     |
| Others (note (c))                                                               | 87,865                           | 62,252      |
|                                                                                 | 198,223                          | 327,393     |

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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 5. PROFIT FROM OPERATIONS

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

|                                                                                            | For the six months ended 30 June |                                |
|--------------------------------------------------------------------------------------------|----------------------------------|--------------------------------|
|                                                                                            | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Cost of services rendered                                                                  | 149,182,465                      | 109,379,202                    |
| Cost of goods sold                                                                         | 13,064,419                       | 8,446,933                      |
| Total cost of sales                                                                        | 162,246,884                      | 117,826,135                    |
| Depreciation of property, plant and equipment ( <i>note (a)</i> )                          | 3,577,089                        | 2,728,196                      |
| Amortisation of prepaid land lease payments                                                | 50,413                           | 50,064                         |
| Amortisation of intangible assets                                                          | 22,952                           | 22,460                         |
| Total depreciation and amortisation                                                        | 3,650,454                        | 2,800,720                      |
| Reversal of impairment of trade and bills receivables                                      | (10,528)                         | (16,938)                       |
| Impairment of property, plant, equipment                                                   | —                                | 6,308                          |
| (Reversal of impairment)/impairment of deposits and other receivables                      | (676)                            | 41,192                         |
| Total (reversal of impairment) / impairment, net                                           | (11,204)                         | 30,562                         |
| (Write-back)/ write-down of inventories to net realisable value                            | (13)                             | 31,801                         |
| Provision/ (reversal of provision) for foreseeable losses on construction contracts        | 71,955                           | (3,387)                        |
| Fair value losses / (gains), net, on financial assets at fair value through profit or loss | 14,596                           | (16,617)                       |
| Gains on disposal of property, plant and equipment, net                                    | (17,878)                         | (10,926)                       |
| Foreign exchange differences, net                                                          | (41,121)                         | (192,324)                      |

Note:

- (a) Depreciation of approximately RMB3,212,063,000 (unaudited) (2009: RMB2,420,215,000 (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 2010.



# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 6. FINANCE REVENUE AND FINANCE COSTS

The Group's finance revenue totalling RMB450,084,000 (unaudited) (2009: RMB371,370,000 (unaudited)) mainly represented bank interest income during the period.

The Group's finance costs are as follows:

|                                                                           | For the six months ended 30 June |                                |
|---------------------------------------------------------------------------|----------------------------------|--------------------------------|
|                                                                           | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Interest on bank loans and other loans wholly repayable within five years | 498,230                          | 597,043                        |
| Interest on bank loans repayable beyond five years                        | 27,589                           | 13,766                         |
| Interest on finance leases                                                | 15,135                           | 5,480                          |
| Interest on discounted bills                                              | 7,770                            | 17,788                         |
| Interest on corporate bonds                                               | 168,603                          | 5,100                          |
| Total interest                                                            | 717,327                          | 639,177                        |
| Less: Interest capitalised in:                                            |                                  |                                |
| — Construction in progress                                                | (11,044)                         | (21,129)                       |
| — Construction contracts                                                  | (5,437)                          | (740)                          |
| — Properties under development                                            | (140,218)                        | (66,965)                       |
| — Intangible assets                                                       | —                                | (2,162)                        |
|                                                                           | 560,628                          | 548,181                        |

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 |                     |
|----------------------|----------------------------------|---------------------|
|                      | 2010<br>(Unaudited)              | 2009<br>(Unaudited) |
| Capitalisation rates | 4.8% - 6.4%                      | 5.4% - 7.2%         |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 7. INCOME 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 a preferential rate of 15% 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% (2009: 25%) during the six months ended 30 June 2010.

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2010.

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 |                                |
|----------------------------------|----------------------------------|--------------------------------|
|                                  | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Current income tax:              |                                  |                                |
| — Mainland China                 | 694,812                          | 569,511                        |
| — Hong Kong                      | 2,081                            | 992                            |
| — Others                         | 11,444                           | 59,112                         |
| Deferred income tax              | 118,020                          | 96,188                         |
| Income tax charge for the period | 826,357                          | 725,803                        |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 7. INCOME TAX (continued)

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 |                                |
|------------------------------------------------------------------------------------------|----------------------------------|--------------------------------|
|                                                                                          | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Profit before tax                                                                        | 4,251,528                        | 2,971,451                      |
| Income tax charge at statutory income tax rate of 25% (2009: 25%)                        | 1,062,882                        | 742,863                        |
| Lower income tax rates for specific provinces or locations                               | (201,465)                        | (28,317)                       |
| Tax effect of share of profits and losses of jointly-controlled entities and associates  | 368                              | 263                            |
| Income not subject to tax                                                                | (19,908)                         | (2,309)                        |
| Expenses not deductible for tax purposes                                                 | 60,431                           | 66,112                         |
| Tax losses utilised from previous periods                                                | (9,687)                          | (9,732)                        |
| Income tax benefits on locally purchased machinery and research and development expenses | (96,429)                         | (87,805)                       |
| Tax losses not recognised                                                                | 23,890                           | 53,692                         |
| Adjustments in respect of current income tax of previous periods                         | 6,275                            | (8,964)                        |
| Income tax charge for the period                                                         | 826,357                          | 725,803                        |

The share of tax attributable to jointly-controlled entities and associates amounting to RMB2,647,000 (unaudited) (2009: Nil (unaudited)) and RMB706,000 (unaudited) (2009: RMB139,000 (unaudited)), respectively, is included in the "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 8. DIVIDENDS

|                                                    | For the six months ended 30 June |                                |
|----------------------------------------------------|----------------------------------|--------------------------------|
|                                                    | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Proposed interim dividends – RMB0.50 per 10 shares | 616,877                          | —                              |

The proposed interim dividends for the six months ended 30 June 2010 are subject to the approval of the Company's shareholders at the forthcoming shareholders' meeting.

At the annual general meeting held on 18 June 2010, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2009 of RMB1.60 per 10 shares which amounted to RMB1,974,007,000. The dividend declared has not been paid as at 30 June 2010.

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.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2010 is based on the profit attributable to owners of the Company amounting to RMB3,378,096,000 (unaudited) (2009: RMB2,220,998,000 (unaudited)) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2010.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT

|                                                  | Buildings   | Machinery   | Vehicles    | Production equipment | Measurement and experimental equipment | Other equipment | Construction in progress | Total        |
|--------------------------------------------------|-------------|-------------|-------------|----------------------|----------------------------------------|-----------------|--------------------------|--------------|
|                                                  | RMB'000     | RMB'000     | RMB'000     | RMB'000              | RMB'000                                | RMB'000         | RMB'000                  | RMB'000      |
|                                                  | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited)          | (Unaudited)                            | (Unaudited)     | (Unaudited)              | (Unaudited)  |
| Cost:                                            |             |             |             |                      |                                        |                 |                          |              |
| At 1 January 2010                                | 7,063,825   | 20,977,944  | 7,741,882   | 4,081,259            | 1,575,678                              | 6,161,640       | 2,571,812                | 50,174,040   |
| Additions                                        | 242,852     | 1,552,750   | 934,583     | 551,562              | 245,703                                | 876,804         | 1,243,139                | 5,647,393    |
| Transfer from construction in progress           | 201,636     | 199,576     | 13,491      | 62,771               | 514                                    | 24,736          | (503,274)                | (550)        |
| Transfer to prepaid land lease payments          | —           | —           | —           | —                    | —                                      | —               | —                        | —            |
| Disposals                                        | (51,028)    | (315,899)   | (173,850)   | (64,177)             | (30,354)                               | (346,647)       | —                        | (981,955)    |
| At 30 June 2010                                  | 7,457,285   | 22,414,371  | 8,516,106   | 4,631,415            | 1,791,541                              | 6,716,533       | 3,311,677                | 54,838,928   |
| Accumulated depreciation and impairment:         |             |             |             |                      |                                        |                 |                          |              |
| At 1 January 2010                                | (1,917,876) | (8,001,599) | (4,247,365) | (1,492,979)          | (803,915)                              | (3,269,008)     | (550)                    | (19,733,292) |
| Depreciation charge for the period (note 5)      | (161,047)   | (1,314,448) | (713,657)   | (258,191)            | (144,654)                              | (985,092)       | —                        | (3,577,089)  |
| Impairment for the period <sup>##</sup> (note 5) | —           | —           | —           | —                    | —                                      | —               | —                        | —            |
| Disposals                                        | 41,418      | 172,138     | 153,476     | 37,352               | 19,292                                 | 330,678         | 550                      | 754,904      |
| At 30 June 2010                                  | (2,037,505) | (9,143,909) | (4,807,546) | (1,713,818)          | (929,277)                              | (3,923,422)     | —                        | (22,555,477) |
| Net carrying amount:                             |             |             |             |                      |                                        |                 |                          |              |
| At 30 June 2010                                  | 5,419,780   | 13,270,462  | 3,708,560   | 2,917,597            | 862,264                                | 2,793,111       | 3,311,677                | 32,283,451   |

<sup>##</sup> No impairment losses were recognised in the interim condensed consolidated income statement for the six months ended 30 June 2010.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                                   | Buildings   | Machinery   | Vehicles    | Production equipment | Measurement and experimental equipment | Other equipment | Construction in progress | Total        |
|---------------------------------------------------|-------------|-------------|-------------|----------------------|----------------------------------------|-----------------|--------------------------|--------------|
|                                                   | RMB'000     | RMB'000     | RMB'000     | RMB'000              | RMB'000                                | RMB'000         | RMB'000                  | RMB'000      |
|                                                   | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited)          | (Unaudited)                            | (Unaudited)     | (Unaudited)              | (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                                         | 612,173     | 6,290,732   | 2,268,478   | 1,183,822            | 491,441                                | 2,107,882       | 2,248,527                | 15,203,055   |
| Acquisition of assets and liabilities (note (21)) | —           | —           | —           | —                    | —                                      | 667             | —                        | 667          |
| Transfer from construction in progress            | 876,004     | 521,677     | 106,365     | 181,928              | 22,113                                 | 166,607         | (1,874,694)              | —            |
| Disposals                                         | (163,605)   | (652,260)   | (330,852)   | (153,779)            | (67,785)                               | (416,001)       | —                        | (1,784,282)  |
| At 31 December 2009                               | 7,063,825   | 20,977,944  | 7,741,882   | 4,081,259            | 1,575,678                              | 6,161,640       | 2,571,812                | 50,174,040   |
| 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) |
| Impairment for the year <sup>#</sup>              | (3,480)     | —           | —           | (2,828)              | —                                      | —               | —                        | (6,308)      |
| Depreciation charge for the year                  | (240,713)   | (2,679,901) | (1,239,937) | (426,031)            | (233,807)                              | (1,382,024)     | —                        | (6,202,413)  |
| Disposals                                         | 57,686      | 488,972     | 297,827     | 78,870               | 58,330                                 | 361,490         | —                        | 1,343,175    |
| At 31 December 2009                               | (1,917,876) | (8,001,599) | (4,247,365) | (1,492,979)          | (803,915)                              | (3,269,008)     | (550)                    | (19,733,292) |
| Net carrying amount:                              |             |             |             |                      |                                        |                 |                          |              |
| At 31 December 2009                               | 5,145,949   | 12,976,345  | 3,494,517   | 2,588,280            | 771,763                                | 2,892,632       | 2,571,262                | 30,440,748   |

<sup>#</sup> Impairment losses of RMB6,308,000 were recognised in the consolidated income statement for the year, which mainly represented the write-down of certain items of buildings and production equipment in the construction operations segment to their recoverable amounts.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings, machinery, which had an aggregate net carrying amount of RMB597,569,000 (unaudited) as at 30 June 2010 (31 December 2009: RMB616,445,000 (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 RMB1,000,266,000 (unaudited) as at 30 June 2010 (31 December 2009: RMB1,053,483,000 (audited)).

As at 30 June 2010, 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 RMB57,740,000 (unaudited) (31 December 2009: RMB72,138,000 (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 2010.

## 11. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

|                                                                                                  | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| At beginning of the period/year, net                                                             | 2,049,168                                 | 2,453,646                                   |
| Deferred tax charged to the income statements during the period/year                             | (118,020)                                 | (369,879)                                   |
| Deferred tax recognised in other comprehensive income during the period/year:                    |                                           |                                             |
| — Deferred tax liabilities arising from changes in fair values of available-for-sale investments | 23,297                                    | (34,599)                                    |
| At end of the period/year, net                                                                   | 1,954,445                                 | 2,049,168                                   |

As at 30 June 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB95,325,000 (unaudited) (31 December 2009: RMB146,948,000 (audited)), which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 30 June 2010, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no liability to additional tax should such amounts be remitted (31 December 2009: Nil (audited)).



# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 11. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Deferred tax assets:                                                               |                                           |                                             |
| Provision for early retirement benefits                                            | 1,281,103                                 | 1,350,106                                   |
| Provision for impairment of assets                                                 | 128,516                                   | 129,468                                     |
| Provision for foreseeable losses on construction contracts                         | 21,508                                    | 23,262                                      |
| Tax losses available for offset against future taxable income                      | 37,741                                    | 39,926                                      |
| Accruals and provisions                                                            | 17,210                                    | 19,304                                      |
| Additional tax deduction on revaluation surplus arising from a prior restructuring | 717,335                                   | 771,585                                     |
| Others                                                                             | 25,270                                    | 17,921                                      |
|                                                                                    | 2,228,683                                 | 2,351,572                                   |
| Deferred tax liabilities:                                                          |                                           |                                             |
| Recognition of revenue on construction contracts                                   | (90,380)                                  | (90,913)                                    |
| Others                                                                             | (183,858)                                 | (211,491)                                   |
|                                                                                    | (274,238)                                 | (302,404)                                   |
|                                                                                    | 1,954,445                                 | 2,049,168                                   |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------|-------------------------------------------|---------------------------------------------|
| Bills receivable                     | 270,335                                   | 206,396                                     |
| Trade receivables                    | 36,049,478                                | 40,961,908                                  |
| Retention money receivables          | 10,570,986                                | 6,082,305                                   |
| Provision for impairment             | (436,378)                                 | (449,572)                                   |
|                                      | 46,454,421                                | 46,801,037                                  |
| Portion classified as current assets | (43,957,885)                              | (44,895,969)                                |
| Non-current portion                  | 2,496,536                                 | 1,905,068                                   |

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------|-------------------------------------------|---------------------------------------------|
| Within 6 months    | 37,591,885                                | 39,018,091                                  |
| 6 months to 1 year | 4,943,427                                 | 4,072,781                                   |
| 1 to 2 years       | 2,589,949                                 | 2,251,480                                   |
| 2 to 3 years       | 1,008,457                                 | 1,067,308                                   |
| More than 3 years  | 320,703                                   | 391,377                                     |
|                    | 46,454,421                                | 46,801,037                                  |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------|-------------------------------------------|---------------------------------------------|
| Neither past due nor impaired | 42,794,645                                | 42,140,218                                  |
| Past due but not impaired:    |                                           |                                             |
| Less than 3 months past due   | 223,420                                   | 665,770                                     |
| 3 to 6 months past due        | 55,809                                    | 314,828                                     |
| Over 6 months past due        | 377,493                                   | 344,380                                     |
|                               | 43,451,367                                | 43,465,196                                  |

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------------------|-------------------------------------------|---------------------------------------------|
| At beginning of the period/year                  | 449,572                                   | 537,250                                     |
| Reversal of impairment for the period/year (net) | (10,528)                                  | (61,000)                                    |
| Written off                                      | (2,666)                                   | (26,678)                                    |
| At end of the period/year                        | 436,378                                   | 449,572                                     |

## Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

### 12. TRADE AND BILLS RECEIVABLES (continued)

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB436,378,000 (unaudited) (31 December 2009: RMB449,572,000 (audited)) with a carrying amount of RMB3,439,432,000 (unaudited) (31 December 2009: RMB3,785,413,000 (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.

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

|                           | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|---------------------------|-------------------------------------------|---------------------------------------------|
| Ultimate holding company  | 12,047                                    | 26,358                                      |
| Fellow subsidiaries       | 53,944                                    | 65,793                                      |
| Associates                | 13,065                                    | 16,089                                      |
| Jointly-controlled entity | 25                                        | 26                                          |
|                           | 79,081                                    | 108,266                                     |

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

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                                                     | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|---------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Advances to suppliers                                               | 29,801,200                                | 23,627,766                                  |
| Prepayments                                                         | 83,979                                    | 60,923                                      |
| Deposits and other receivables,<br>net of provision for impairment* | 24,304,656                                | 19,837,944                                  |
| Portion classified as current assets                                | 54,189,835<br>(54,105,856)                | 43,526,633<br>(43,465,710)                  |
| Non-current portion                                                 | 83,979                                    | 60,923                                      |

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

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

|                               | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------|-------------------------------------------|---------------------------------------------|
| Neither past due nor impaired | 23,696,214                                | 19,368,018                                  |

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------------------|-------------------------------------------|---------------------------------------------|
| At beginning of the period/year                  | 228,324                                   | 249,988                                     |
| Reversal of impairment for the period/year (net) | (676)                                     | (18,739)                                    |
| Written off                                      | (4,361)                                   | (2,925)                                     |
| At end of the period/year                        | 223,287                                   | 228,324                                     |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The above provision for impairment of deposits and other receivables is a provision for individually impaired deposits and other receivables of RMB223,287,000 (unaudited) (31 December 2009: RMB228,324,000 (audited)) with a carrying amount of RMB831,729,000 (unaudited) (31 December 2009: RMB698,250,000 (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 jointly-controlled entities and associates included in the above are as follows:

|                             | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-----------------------------|-------------------------------------------|---------------------------------------------|
| Jointly-controlled entities | 216,558                                   | 274,287                                     |
| Associates                  | 41,888                                    | 39,831                                      |
|                             | 258,446                                   | 314,118                                     |

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

## 14. INVENTORIES

|                  | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|------------------|-------------------------------------------|---------------------------------------------|
| Raw materials    | 15,046,387                                | 11,450,286                                  |
| Work in progress | 1,683,238                                 | 1,413,763                                   |
| Finished goods   | 2,836,649                                 | 2,466,981                                   |
| Spare parts      | 4,294,483                                 | 3,807,369                                   |
|                  | 23,860,757                                | 19,138,399                                  |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 15. CONSTRUCTION CONTRACTS

|                                                                                | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Gross amount due from contract customers                                       | 57,784,822                                | 52,021,064                                  |
| Gross amount due to contract customers                                         | (21,607,011)                              | (19,913,886)                                |
|                                                                                | 36,177,811                                | 32,107,178                                  |
| Contract costs incurred plus recognised profits less recognised losses to date | 1,206,793,303                             | 926,396,970                                 |
| Less: Progress billings                                                        | (1,170,615,492)                           | (894,289,792)                               |
|                                                                                | 36,177,811                                | 32,107,178                                  |

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

|                           | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|---------------------------|-------------------------------------------|---------------------------------------------|
| Ultimate holding company  | 24,594                                    | 22,996                                      |
| Fellow subsidiaries       | 122,229                                   | 28,824                                      |
| Associate                 | 73,874                                    | 22,153                                      |
| Jointly-controlled entity | 170,627                                   | 14,678                                      |
|                           | 391,324                                   | 88,651                                      |

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

|                          | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------|-------------------------------------------|---------------------------------------------|
| Ultimate holding company | —                                         | 3,813                                       |

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



## Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

### 16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

|                                                                                                 | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Cash and bank balances                                                                          | 51,368,313                                | 49,006,623                                  |
| Time deposits                                                                                   | 13,071,788                                | 15,945,630                                  |
|                                                                                                 | 64,440,101                                | 64,952,253                                  |
| Less: Pledged bank balances for                                                                 |                                           |                                             |
| — Bills payable ( <i>note 17</i> )                                                              | (2,036,066)                               | (1,887,370)                                 |
| — Projects bidding                                                                              | (941,025)                                 | (694,685)                                   |
|                                                                                                 | (2,977,091)                               | (2,582,055)                                 |
| Cash and cash equivalents in the interim condensed consolidated statement of financial position | 61,463,010                                | 62,370,198                                  |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired    | (5,987,004)                               | (7,300,148)                                 |
| Cash and cash equivalents in the interim condensed consolidated statement of cash flows         | 55,476,006                                | 55,070,050                                  |
| Cash and bank balances and time deposits denominated in:                                        |                                           |                                             |
| — RMB                                                                                           | 56,250,750                                | 55,850,961                                  |
| — United States dollars                                                                         | 3,225,711                                 | 3,440,970                                   |
| — Hong Kong dollars                                                                             | 273,903                                   | 1,419,931                                   |
| — Other currencies                                                                              | 4,689,737                                 | 4,240,391                                   |
|                                                                                                 | 64,440,101                                | 64,952,253                                  |

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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------|-------------------------------------------|---------------------------------------------|
| Trade and bills payables                  | 107,963,240                               | 103,222,970                                 |
| Portion classified as current liabilities | (106,613,296)                             | (101,980,100)                               |
| Non-current portion                       | 1,349,944                                 | 1,242,870                                   |

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------|-------------------------------------------|---------------------------------------------|
| Within 6 months    | 90,372,390                                | 88,402,660                                  |
| 6 months to 1 year | 13,754,942                                | 11,701,720                                  |
| 1 to 2 years       | 3,097,713                                 | 2,338,794                                   |
| 2 to 3 years       | 634,573                                   | 430,251                                     |
| More than 3 years  | 103,622                                   | 349,545                                     |
|                    | 107,963,240                               | 103,222,970                                 |

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

|            | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|------------|-------------------------------------------|---------------------------------------------|
| Associates | 184                                       | 4,863                                       |

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

The Group's bills payable were secured by pledged bank balances of approximately RMB2,036,066,000 (unaudited) as at 30 June 2010 (31 December 2009: RMB1,887,370,000 (audited)) (note 16).

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 18. OTHER PAYABLES AND ACCRUALS

|                                           | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------|-------------------------------------------|---------------------------------------------|
| Advances from customers                   | 51,647,412                                | 37,443,418                                  |
| Accrued salaries, wages and benefits      | 6,635,456                                 | 6,471,076                                   |
| Dividend payable                          | 1,983,541                                 | 20,759                                      |
| Other taxes payable                       | 3,233,478                                 | 2,836,834                                   |
| Current portion of deferred revenue       | 17,560                                    | 18,210                                      |
| Others*                                   | 25,720,441                                | 24,619,476                                  |
| Portion classified as current liabilities | 89,237,888<br>(89,100,040)                | 71,409,773<br>(71,305,694)                  |
| Non-current portion                       | 137,848                                   | 104,079                                     |

\* 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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------|-------------------------------------------|---------------------------------------------|
| Ultimate holding company (note (a)) | 1,423,603                                 | 196,692                                     |
| Fellow subsidiaries                 | 2,200                                     | 109,333                                     |
| Jointly-controlled entities         | 2,008,940                                 | 2,045,791                                   |
| Associates                          | 49,856                                    | 62,681                                      |
|                                     | 3,484,599                                 | 2,414,497                                   |

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 2010 and 31 December 2009.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

|                                                                       | Effective<br>interest rate<br>(%) | Maturity  | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-----------------------------------------------------------------------|-----------------------------------|-----------|-------------------------------------------|---------------------------------------------|
| <b>Current</b>                                                        |                                   |           |                                           |                                             |
| Finance lease payables                                                | 5.0-9.3                           | 2011      | 392,200                                   | 320,337                                     |
| Short term bank loans:                                                |                                   |           |                                           |                                             |
| — unsecured                                                           | 1.9-7.8                           | 2011      | 13,795,237                                | 10,413,349                                  |
| — secured                                                             | 5.4                               | 2010      | 52,294                                    | 61,100                                      |
| Short term other loans:                                               |                                   |           |                                           |                                             |
| — unsecured                                                           | 4.9-5.3                           | 2011      | 59,598                                    | 66,018                                      |
| Short term corporate bonds:                                           |                                   |           |                                           |                                             |
| — unsecured                                                           | 3.5                               | 2010      | 409,350                                   | 402,370                                     |
| Current portion of long<br>term bank loans:                           |                                   |           |                                           |                                             |
| — unsecured                                                           | 0.8-8.0                           | 2011      | 982,788                                   | 901,354                                     |
| — secured                                                             | 4.4-7.9                           | 2010      | 407,065                                   | 414,897                                     |
|                                                                       |                                   |           | 16,098,532                                | 12,579,425                                  |
| <b>Non-current</b>                                                    |                                   |           |                                           |                                             |
| Finance lease payables                                                | 5.0-9.3                           | 2011-2016 | 574,687                                   | 569,093                                     |
| Long term bank loans:                                                 |                                   |           |                                           |                                             |
| — unsecured                                                           | 0.8-8.0                           | 2011-2043 | 2,172,260                                 | 2,431,931                                   |
| — secured                                                             | 0.8-7.9                           | 2011-2026 | 2,556,868                                 | 1,127,220                                   |
| Long term other loans:                                                |                                   |           |                                           |                                             |
| — unsecured                                                           | 2.6                               | 2011      | 6,050                                     | 6,050                                       |
| Long term corporate bonds:                                            |                                   |           |                                           |                                             |
| — unsecured                                                           | 3.4                               | 2012      | 10,000,000                                | 10,000,000                                  |
|                                                                       |                                   |           | 15,309,865                                | 14,134,294                                  |
|                                                                       |                                   |           | 31,408,397                                | 26,713,719                                  |
| <b>Interest-bearing bank and other<br/>borrowings denominated in:</b> |                                   |           |                                           |                                             |
| — RMB                                                                 |                                   |           | 27,027,470                                | 22,875,029                                  |
| — Euros                                                               |                                   |           | 1,407,692                                 | 1,750,980                                   |
| — Hong Kong dollars                                                   |                                   |           | —                                         | 8,926                                       |
| — United States dollars                                               |                                   |           | 2,973,235                                 | 2,078,784                                   |
|                                                                       |                                   |           | 31,408,397                                | 26,713,719                                  |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|----------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Analysed into:                                                 |                                           |                                             |
| Bank loans repayable:                                          |                                           |                                             |
| Within one year                                                | 15,237,384                                | 11,790,700                                  |
| In the second year                                             | 1,188,184                                 | 982,961                                     |
| In the third to fifth years, inclusive                         | 2,730,270                                 | 1,550,469                                   |
| Beyond five years                                              | 810,674                                   | 1,025,721                                   |
|                                                                | 19,966,512                                | 15,349,851                                  |
| Other borrowings (including finance lease payables) repayable: |                                           |                                             |
| Within one year                                                | 451,798                                   | 386,355                                     |
| In the second year                                             | 337,127                                   | 337,062                                     |
| In the third to fifth years, inclusive                         | 218,014                                   | 199,159                                     |
| Over five years                                                | 25,596                                    | 38,922                                      |
|                                                                | 1,032,535                                 | 961,498                                     |
| Corporate bonds repayable:                                     |                                           |                                             |
| Within one year                                                | 409,350                                   | 402,370                                     |
| In the third to fifth years, inclusive                         | 10,000,000                                | 10,000,000                                  |
|                                                                | 10,409,350                                | 10,402,370                                  |
|                                                                | 31,408,397                                | 26,713,719                                  |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

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

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

|                                                  | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|--------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Property, plant and equipment ( <i>note 10</i> ) | 597,569                                   | 616,445                                     |
| Prepaid land lease payments                      | 30,202                                    | 30,920                                      |
| Intangible assets                                | 468,305                                   | 408,926                                     |
| Properties under development                     | 5,590,681                                 | 1,618,275                                   |
| Completed properties held for sale               | 2,622                                     | 2,622                                       |

Certain interest-bearing bank and other borrowings of the Company of approximately RMB92 million (unaudited) (31 December 2009: RMB127 million (audited)) were guaranteed by the subsidiaries of the Company as at 30 June 2010 (note 22(c)).

Other interest rate information:

|                              | 30 June 2010                         |                                         | 31 December 2009                   |                                       |
|------------------------------|--------------------------------------|-----------------------------------------|------------------------------------|---------------------------------------|
|                              | Fixed rate<br>RMB'000<br>(Unaudited) | Floating rate<br>RMB'000<br>(Unaudited) | Fixed rate<br>RMB'000<br>(Audited) | Floating rate<br>RMB'000<br>(Audited) |
| Bank loans – unsecured       | 11,655,650                           | 5,294,635                               | 8,487,430                          | 5,259,204                             |
| Bank loans – secured         | 487,547                              | 2,528,680                               | 649,205                            | 954,012                               |
| Other borrowings – unsecured | 65,648                               | —                                       | 7,050                              | 65,018                                |
| Other borrowings – secured   | 966,887                              | —                                       | 889,430                            | —                                     |
| Corporate bonds – unsecured  | 10,409,350                           | —                                       | 10,402,370                         | —                                     |

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.



# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

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

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

|                              | 30 June 2010     |             | 31 December 2009 |             |
|------------------------------|------------------|-------------|------------------|-------------|
|                              | Carrying amounts | Fair values | Carrying amounts | Fair values |
|                              | RMB'000          | RMB'000     | RMB'000          | RMB'000     |
|                              | (Unaudited)      | (Unaudited) | (Audited)        | (Audited)   |
| Bank loans – unsecured       | 745,586          | 679,147     | 765,398          | 664,849     |
| Bank loans – secured         | 408,279          | 349,570     | 507,828          | 413,152     |
| Other borrowings – unsecured | 6,050            | 5,846       | 6,050            | 5,769       |
| Other borrowings – secured   | 574,687          | 560,970     | 569,093          | 560,970     |
| Corporate bonds – unsecured  | 10,000,000       | 9,955,000   | 10,000,000       | 9,955,000   |
|                              | 11,734,602       | 11,550,533  | 11,848,369       | 11,599,740  |

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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 20. ISSUED SHARE CAPITAL

|                                             | 30 June 2010                            |                                         | 31 December 2009                      |                                       |
|---------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
|                                             | Number of shares<br>'000<br>(Unaudited) | Nominal value<br>RMB'000<br>(Unaudited) | Number of shares<br>'000<br>(Audited) | Nominal value<br>RMB'000<br>(Audited) |
| Registered, issued and fully paid:          |                                         |                                         |                                       |                                       |
| — State legal person shares of RMB1.00 each | 7,566,245                               | 7,566,245                               | 7,566,245                             | 7,566,245                             |
| — A Shares of RMB1.00 each                  | 2,695,000                               | 2,695,000                               | 2,695,000                             | 2,695,000                             |
| — 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 2010                            |                                         | 31 December 2009                      |                                       |
|-----------------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
|                                                                 | Number of shares<br>'000<br>(Unaudited) | Nominal value<br>RMB'000<br>(Unaudited) | Number of shares<br>'000<br>(Audited) | Nominal value<br>RMB'000<br>(Audited) |
| At beginning of period/year                                     | 12,337,542                              | 12,337,542                              | 12,337,542                            | 12,337,542                            |
| State legal person shares converted into A Shares<br>(note (a)) | —                                       | —                                       | —                                     | —                                     |
| At end of period/year                                           | 12,337,542                              | 12,337,542                              | 12,337,542                            | 12,337,542                            |

- (a) On 22 September 2009, CRCCG converted 245,000,000 state legal person shares of the Company into A Shares and transferred the shares to the National Council for Social Security Fund.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 20. ISSUED SHARE CAPITAL (continued)

- (b) On 2 March 2010, the directors resolved to propose the non-public issuance and placing of not more than 1,035 million new A Shares to not more than ten target subscribers, including CRCCG. The specified number of A Shares to be subscribed by CRCCG will be determined based on the assessed value approved by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") in respect of the assets to be transferred by CRCCG to the Company and the issue price of the new A Shares, subject to a maximum of 518 million A Shares. On the same day, the Company entered into the conditional share subscription framework agreement with CRCCG in which CRCCG proposed to subscribe part of the new A Shares to be issued by the transfer of certain of its assets and by cash.

At the 2009 annual general meeting held on 18 June 2010, the Company's shareholders approved the aforesaid non-public issuance and placing of the new A Shares. The Company had filed its application for non-public issuance and placing and listing of A Shares to China Securities Regulatory Commission ("CSRC") upon conclusion of the annual general meeting. The application documents are currently under review by CSRC.

## 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. Subsequently, the Group and Zhonglianya agreed to revise the purchase consideration from RMB834,270,000 to RMB760,067,000. As at 31 December 2009, the Group has fully paid the purchase consideration of RMB760,067,000 to Zhonglianya in the form of cash and has obtained the 100% equity interest in Six Continent.

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

|                                                  | <i>RMB'000</i> |
|--------------------------------------------------|----------------|
| Assets and liabilities acquired:                 |                |
| Other receivables                                | 2,061          |
| Properties under development                     | 2,883,324      |
| Property, plant and equipment ( <i>note 10</i> ) | 667            |
| Trade payables                                   | (3,439)        |
| Other payables and accruals                      | (2,122,546)    |
| Net assets                                       | 760,067        |
| Satisfied by:                                    |                |
| Cash                                             | 760,067        |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 22. CONTINGENT LIABILITIES

- (a) The Group was involved in a number of legal proceedings and claims 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|---------------------------------------|-------------------------------------------|---------------------------------------------|
| Jointly-controlled entities           | 1,068,338                                 | 1,137                                       |
| An investee of the Company (note (i)) | 117,600                                   | 117,600                                     |
|                                       | 1,185,938                                 | 118,737                                     |

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.
- (c) Certain interest-bearing bank and other borrowings of the Company of approximately RMB92 million (unaudited) (31 December 2009: RMB127 million (audited)) were guaranteed by the subsidiaries of the Company as at 30 June 2010 (note 19).

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-----------------------------------------|-------------------------------------------|---------------------------------------------|
| Within one year                         | 139,639                                   | 112,065                                     |
| In the second to fifth years, inclusive | 94,325                                    | 161,267                                     |
| Beyond five years                       | —                                         | 978                                         |
|                                         | 233,964                                   | 274,310                                     |

### (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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Contracted, but not provided for:                     |                                           |                                             |
| Property, plant and equipment                         | 582,563                                   | 1,329,301                                   |
| Purchase of non-controlling interests in a subsidiary | —                                         | 242,000                                     |
| Investment in an associate                            | 195,950                                   | —                                           |
| Properties under development                          | 1,181,900                                 | —                                           |
|                                                       | 1,960,413                                 | 1,571,301                                   |
| Authorised, but not contracted for:                   |                                           |                                             |
| Property, plant and equipment                         | 4,623,606                                 | 7,641,065                                   |
| Properties under development                          | 3,150,388                                 | 351,218                                     |
| Available-for-sale investments                        | 1,600,000                                 | 1,600,000                                   |
|                                                       | 9,373,994                                 | 9,592,283                                   |

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 23. COMMITMENTS (continued)

### (b) Capital commitments (continued)

In addition, the Group's and the Company's share of the jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

|                                        | 30 June<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|----------------------------------------|-------------------------------------------|---------------------------------------------|
| Authorised, but not contracted for:    |                                           |                                             |
| Acquisition of a subsidiary (note (i)) | 67,579                                    | 2,205,500                                   |

Note:

- (i) The Company and Tongling Nonferrous Metals Group Holdings Co., Ltd. ("Tongling Holdings") jointly established CRCC-Tongguan Investment Co., Ltd. ("CRCC-Tongguan") in which each party holds 50% equity interests. CRCC-Tongguan would make an offer to acquire Corriente Resources Inc. ("Corriente"), a Canadian-based junior mining company. On 28 December 2009, the Company, Tongling Holdings, CRCC-Tongguan and Corriente signed a Support Agreement (the "Support Agreement") in relation to the proposed acquisition of Corriente. Pursuant to the Support Agreement, CRCC-Tongguan would make a cash offer to acquire all of Corriente's tradeable common shares in issue and the common shares in relation to the options which have been granted but not yet exercised ("Diluted Tradeable Shares").

On 28 May 2010, upon all of the terms and conditions of the offer having been satisfied, CRCC-Tongguan acquired 76,478,495 common shares, representing approximately 96.9% of the common shares of Corriente on a fully-diluted basis, at a price of Canadian Dollars 8.60 in cash per common share, and CRCC-Tongguan paid the purchase consideration in the form of cash. As at 30 June 2010, the Company's remaining share of CRCC-Tongguan's capital commitments was approximately RMB67,579,000. As at 4 August 2010, CRCC-Tongguan completed the acquisition of the remaining 2,443,898 common shares of Corriente, representing approximately 3.1% of the common shares in issue, and fully paid the purchase consideration and has obtained the 100% equity interest of Corriente.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 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 2010:

|                                                                 |       | For the six months ended 30 June |             |
|-----------------------------------------------------------------|-------|----------------------------------|-------------|
|                                                                 |       | 2010                             | 2009        |
|                                                                 |       | RMB'000                          | RMB'000     |
|                                                                 | Notes | (Unaudited)                      | (Unaudited) |
| <b><u>Construction operations revenue</u></b>                   |       |                                  |             |
| Fellow subsidiaries                                             | (iv)  | 428,648                          | 333,302     |
| Associate                                                       |       | 181,328                          | 18,398      |
| Jointly-controlled entity                                       |       | 452,380                          | 919,731     |
| Ultimate holding company                                        | (iv)  | 1,597                            | 46,500      |
|                                                                 |       | 1,063,953                        | 1,317,931   |
| <b><u>Survey, design and consultancy operations revenue</u></b> |       |                                  |             |
| Fellow subsidiary                                               | (iv)  | 237                              | 2,664       |
| Associate                                                       |       | —                                | 100         |
| Ultimate holding company                                        | (iv)  | 2,962                            | —           |
|                                                                 |       | 3,199                            | 2,764       |
| <b><u>Other income</u></b>                                      |       |                                  |             |
|                                                                 | (i)   |                                  |             |
| Jointly-controlled entities                                     |       | 63,579                           | 50,025      |
| Associate                                                       |       | 2,856                            | —           |
|                                                                 |       | 66,435                           | 50,025      |
| <b><u>Operating expenses</u></b>                                |       |                                  |             |
|                                                                 | (ii)  |                                  |             |
| Ultimate holding company                                        |       | 15,000                           | 18,105      |
| Fellow subsidiaries                                             | (iv)  | 1,352                            | 15,797      |
| Associate                                                       |       | 100                              | —           |
| Jointly-controlled entity                                       |       | 184                              | 664,515     |
|                                                                 |       | 16,636                           | 698,417     |



# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 24. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

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<br>2010<br>RMB'000<br>(Unaudited) | 31 December<br>2009<br>RMB'000<br>(Audited) |
|-----------------------------|-------------------------------------------|---------------------------------------------|
| Jointly-controlled entities | 1,068,338                                 | 1,137                                       |

- (iv) These related party transactions also constitute connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules.

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 2010, 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.

# Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

## 24. RELATED PARTY TRANSACTIONS (continued)

- (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 |                                |
|------------------------------|----------------------------------|--------------------------------|
|                              | 2010<br>RMB'000<br>(Unaudited)   | 2009<br>RMB'000<br>(Unaudited) |
| Short term employee benefits | 1,877                            | 2,099                          |
| Post-employment benefits     | 466                              | 528                            |
|                              | 2,343                            | 2,627                          |

## 25. EVENTS AFTER THE BALANCE SHEET DATE

No significant events took place subsequent to 30 June 2010.

## 26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six months ended 30 June 2010 were approved and authorised for issue by the board of directors on 30 August 2010.

By order of the Board of Directors  
**China Railway Construction Corporation Limited**  
*Chairman*  
**Li Guorui**

Beijing, PRC

30 August 2010

*As at the date of this announcement, the board of directors of the Company comprises: Mr. Li Guorui (Chairman and non-executive director), Mr. Zhao Guangfa (President and executive director), Mr. Huo Jingui (Non-executive director), Mr. Zhu Mingxian (Non-executive director), Mr. Li Kecheng (Independent non-executive director), Mr. Zhao Guangjie (Independent non-executive director), Mr. Wu Taishi (Independent non-executive director) and Mr. Ngai Wai Fung (Independent non-executive director).*