中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

Stock Code : 390

Annual Report 2010

Railway Construction

Completed a total track laying length of railway main lane of 7,901 kilometers in 2010

Highway Construction

Completed a total length of highway construction of 1,591 kilometers in 2010

Municipal Works

Completed a total length of light railways and subway lines construction of 268.9 kilometers in 2010

New Contracts

New contracts entered into in 2010 reached RMB 735.48 billion

Contents

Company Profile

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

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

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

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

Financial Summary

Summary of consolidated statement of comprehensive income

	For the year ended 31 December					Change 2010 vs 2009
	2010	2009	2008	2007	2006	**2009**
	RMB million					(%)
Revenue						
Infrastructure Construction	**416,513**	314,106	211,406	168,562	140,399	32.6
Survey, Design and Consulting Services	**9,279**	7,007	4,745	3,394	4,124	32.4
Engineering Equipment and Component Manufacturing	**12,210**	9,236	7,169	5,193	4,095	32.2
Property Development	**11,945**	5,535	3,966	3,282	1,879	115.8
Other Businesses	**32,472**	17,676	11,429	8,122	6,278	83.7
Inter-segment Eliminations and Adjustments	**(26,317)**	(19,515)	(13,686)	(11,162)	(3,207)	34.9
Total	**456,102**	334,045	225,029	177,391	153,568	36.5
Gross Profit	**27,115**	20,442	16,495	12,732	11,921	32.6
Profit before Taxation	**10,640**	8,682	2,300	3,384	3,387	22.6
Profit for the Year	**8,303**	7,396	1,669	2,835	2,739	12.3
Profit Attributable to Owners of the Company	**7,490**	6,875	1,350	2,488	2,046	8.9
Basic Earnings per Share (RMB)	**0.352**	0.323	0.063	0.186	0.160	9.0

Summary of consolidated statement of financial position

	As at 31 December					Change 2010 vs 2009
	2010	2009	2008	2007	2006	**2009**
	RMB million					(%)
Assets						
Current Assets	**298,654**	238,027	193,137	172,242	117,932	25.5
Non-current Assets	**90,482**	74,373	59,604	44,083	25,161	21.7
Total Assets	**389,136**	312,400	252,741	216,325	143,093	24.6
Liabilities						
Current Liabilities	**264,400**	210,499	166,302	136,520	117,509	25.6
Non-current Liabilities	**51,015**	35,317	25,447	20,064	15,071	44.4
Total Liabilities	**315,415**	245,816	191,749	156,584	132,580	28.3
Total Equity	**73,721**	66,584	60,992	59,741	10,513	10.7
Total Equity and Liabilities	**389,136**	312,400	252,741	216,325	143,093	24.6

Strive to Challenge Limits and Achieve Excellence

As one of the largest integrated construction group in China and Asia, we are committed to improving construction technique, strengthening quality controls and enhancing the standard of project management to create a brighter prospect for shareholders and a better living environment for the general public.

Chairman's Report

LI Changjin
Chairman

I am pleased to present the 2010 annual report of China Railway Group Limited on behalf of the Board of Directors.

In 2010, the Group promoted the guidance of the Scientific Concept of Development through well-defined policies in "growth sustainability, structural refinement, system enhancement and efficiency orientation", via prudently planning and strategic execution, all of which enabled the group's production and operation jumping to a new level. The revenue of the Group, the value of new contracts and total amount of profit increased substantially and hit new records fulfilling every goal in the "11th five-year plan" of the Group. The Group ranked 137 in the Fortune Global 500 in 2010, up 105 in ranking as compared to that in 2009.

Financial Results

The value of new contracts entered into by the Group in 2010 reached RMB735.48 billion, representing an increase of 22.2% over 2009. Total revenue amounted to RMB456.102 billion, representing an increase of 36.5% over 2009. Profit attributable to owners of the Company increased by 8.9% year-on-year to RMB7.490 billion. Profit attributable to owners of the Company after deduction of non-recurrent profit and loss items (such as exchange gain on proceeds from H share offering and gain on disposal of equity interests) reached RMB6.614 billion, representing an increase of 26.6% over the same period of last year.

Business Development

In 2010, the Group actively responded to the difficult domestic and international economic situation subsequent to the financial crisis. Firstly, the Group continued to accelerate industrial restructuring, achieving major breakthrough in internal restructuring and expansion of overseas markets, and optimizing the Group's operational conditions. Secondly, the Group fully implemented indicator assessment in strategic management and key operational performance references, improved financial budget management, strengthened analysis of economic activities and focused more effort in central control management. Thirdly, the Group continued to build its internal control system in order to further enhance its capability in risk alertness and risk prevention. Fourthly, the Group made greater efforts on self-innovation to reinforce its capabilities in technology. Under the joint efforts of all employees, the Group achieved good business results with all business divisions posting steady growth. At present, the Group has principally developed a coordinated "upstream, middle-stream and downstream" industrial value-chain and established a sound operation platform for our principal business in infrastructure construction, as well as, synergetic development of related businesses.

In regard to the infrastructure construction business, the value of new contracts entered into increased by 14.3% year-on-year to RMB619.48 billion in 2010 with continuous rise in market share. During the year, market share of the Group in railways and urban rails were 40% and 50% respectively, while market share in municipal works and property construction increased significantly. The construction of a large number of key projects, namely, Beijing-Shanghai high-speed railway, Harbin-Dalian passenger railway, Shanghai-Nanjing intercity railway, Shenzhen Metro Line 5, Shiziyang Tunnel on Guangzhou-Shenzhen-Hong Kong express rail link, Xiamen Xiang'an Undersea Tunnel, Qingdao Bay Bridge, Wuhan Tianxingzhou Yangtze River Bridge, and Zhengzhou Yellow River Rail-Road Bridge, kept the Group's market leading position in the infrastructure construction industry.

In view of survey, design and consulting services business, the value of new contracts entered into increased by 9.2% year-on-year to RMB9.39 billion in 2010. During the year, the Group achieved good results in design and consulting services of various projects which included railway projects based on high speed railway line, passenger railway line and complex mountainous areas, urban rail transportation projects and highway projects, municipal works of bridge projects and overseas railway projects, further enhanced the Group's competitiveness in the survey, design and consulting services industry.

In respect of the engineering equipment and component manufacturing business, the value of new contracts entered into increased by 19.9% year-on-year to RMB14.75 billion in 2010. The Group posted a strong growth in its businesses as domestic investment in infrastructure construction projects, in particular, market demand for engineering equipment for railway, bridge and other engineering construction continued to increase and the Group's capability of self-conducted research and development and manufacture improved. During the year, leading products such as high-speed turnouts and steel structures in bridge designed by the Group had in excess of 75% of the domestic market. Shield-equipment being developed and manufactured by the Group itself have also gained general recognition from the market.

As for property development business, in 2010, the Group responded proactively to the macro-controls in the real estate market by devoting greater efforts in sales promotion and accelerating the developing progress. Annual revenue increased by 115.8% year-on-year to RMB11.945 billion.

With regard to other businesses, the Group's mining business, BOT projects and materials trade progressed smoothly. In 2010, the Group accelerated the production commencement of mining resources, which realized sales revenue of RMB1.17 billion. The overall operation of BOT projects ran well with revenue increased significantly to RMB0.898 billion. The Group also newly established China Railway Materials Trade Company in order to enhance the capability in trading.

Corporate Governance

During the reporting period, the Group further improved its corporate governance system through innovation of systematic mechanisms and further strengthening of internal control management in compliance with requirements of relevant laws and regulations such as the Company Law and the Securities Law as well as the regulations of

relevant authorities in Hong Kong and the PRC, enabling it to be more scientific, systematic and effective. The Three Meetings: shareholders' general meetings, the board of directors meetings and the supervisory committee meetings, were convened according to the relevant laws and regulations. Furthermore, the Board endeavored to execute internal control construction and genuinely carried out its duties with respect to integrity and transparency in the capital markets by due performance of its obligation of information disclosure and active development of investor relation platform, all of which helped bring about a positive image to the Group. In 2010, the Group was awarded 18 prizes in capital market including "2010 The Best Governance of Corporate" and "2010 The Best Board of Directors" and received "The Best Disclosure of Information" from Shanghai Stock Exchange and the title of "Best IR Program" for Asia-Pacific regions and China in 2010 IR Global Rankings (IRGR).

Outlook

In 2011, the economic situation within the country and abroad will become more complicated, with the domestic economy's evolution into a new development mode and period, which would include assurance of improving people's livelihood, adjustment of economic structure and enhancement of the quality of development. The country insists on the strategic implementation of domestic demand expansion, coordinated speed-up of consumption, investment and export to drive growth. Facing the new situation and mission and in response to the "12th five-year plan", the Group proposed its strategy of "Instigate two changes, Create second startup", that is, to put into action "From a big business to being a strong and high-quality business; From being one of China's largest enterprises to being a big enterprise with international competitiveness". On one hand, the Group will focus on domestic and international opportunities in infrastructure market , strengthen production management and further work towards "internationalization", ensuring continuous steady growth of its infrastructure business. On the other hand, the Group will accelerate its steps on corporate transformation, that is, moving focus from scale-expansion to quality and efficiency, promote self-innovation, speed up structural adjustment, strengthen internal control, proactive implementation of talent strategy, procure all-round coordination in achieving sustainable development so as to create higher value for shareholders.

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

LI Changjin
Chairman

Beijing, the PRC
30 March 2011

Changes in Share Capital and Information on Shareholders

1. Changes in Share Capital

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

Unit: Shares

	Before movement: Number of Shares	Before movement: Percentage (%)	Increase/decrease (+/-): New Issue	Bonus Issue	Conversion from Reserves	Others	Sub-total	After movement: Number of Shares	After movement: Percentage (%)
(1) Shares with selling restrictions									
1. State-owned shares	11,950,010,000	56.10	0	0	0	-11,950,010,000	-11,950,010,000	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Of which:									
Shares held by domestic non-state-owned legal persons	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Shares held by foreign investors	0	0	0	0	0	0	0	0	0
Of which:									
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
Total number of shares with selling restrictions	12,417,510,000	58.30	0	0	0	-11,950,010,000	-11,950,010,000	467,500,000	2.20
(2) Tradable shares without selling restrictions									
1. RMB-denominated ordinary shares	4,675,000,000	21.95	0	0	0	+11,950,010,000	+11,950,010,000	16,625,010,000	78.05
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	4,207,390,000	19.75	0	0	0	0	0	4,207,390,000	19.75
4. Others	0	0	0	0	0	0	0	0	0
Total number of tradable shares without selling restrictions	8,882,390,000	41.70	0	0	0	+11,950,010,000	+11,950,010,000	20,832,400,000	97.80
(3) Total	21,299,900,000	100.00	–	–	–	–	–	21,299,900,000	100.00

(2) Details of Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholders	Number of shares with selling restrictions at the beginning of 2010	Number of shares with selling restrictions expired in 2010	Number of additional shares with selling restrictions in 2010	Number of shares with selling restrictions at the end of 2010	Reasons for selling restrictions	Expiry date of selling restrictions
CRECG	11,950,010,000	11,950,010,000	0	0	The promoter undertook to be subject to a lock-up period of 36 months from the date of listing of A Shares	6 December 2010
No.3 Transfer Account of National Council for Social Security Fund	467,500,000	0	0	467,500,000	Extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over	3 December 2013
Total	12,417,510,000	11,950,010,000	0	467,500,000	/	/

2. Issue of Securities and Listing

(1) Issue of Securities over the Past Three Years

Unit: Shares Currency: RMB

Category of stock and its derivative securities	Issue date	Offer price (RMB)	Number of shares issued	Date of listing	Number of approved tradable shares	Termination date
Shares						
A Shares	21 November 2007	RMB4.80 per share	4,675,000,000	3 December 2007	3,272,450,000	–
H Shares	23 November 2007	HK$5.78 per share	4,207,390,000	7 December 2007	3,658,600,000	–
				14 December 2007	548,790,000	–
Corporate bonds						
Corporate bonds	27 January 2010	100	10,000,000	3 March 2010	10,000,000	27 January 2015
	27 January 2010	100	50,000,000	3 March 2010	50,000,000	27 January 2020
	19 October 2010	100	35,000,000	3 November 2010	35,000,000	19 October 2025
	19 October 2010	100	25,000,000	3 November 2010	25,000,000	19 October 2020

In November 2007, the Company carried out its initial public offering of 4,675,000,000 A Shares at the offer price of RMB4.80 each, and such A Shares were listed on the Shanghai Stock Exchange on 3 December 2007. Upon completion of the offering of such A Shares, the total issued share capital of the Company amounted to 17,475,000,000 shares, of which CRECG held 12,800,000,000 A Shares, accounting for 73.25% of the total issued share capital of the Company and the public shareholders held 4,675,000,000 A Shares, representing 26.75% of the total issued share capital of the Company.

In November 2007, the Company, by means of the global offering and the Hong Kong public offering, carried out its initial public offering of 4,207,390,000 H Shares (upon the exercise of the over-allotment option) at the offer price of HK$5.78 each, which included 382,490,000 state-owned shares simultaneously disposed by CRECG. Upon completion of the offering of such H Shares, the total issued share capital of the Company amounted to 21,299,900,000 shares, of which CRECG held 12,417,510,000 A Shares, representing 58.30% of the total issued share capital of the Company, the public shareholders held 4,675,000,000 A Shares, representing 21.95% of the total issued share capital of the Company; and the shareholders of H Shares held 4,207,390,000 H Shares, representing 19.75% of the total issued share capital of the Company.

On 9 September 2009, the Company received the approval from the China Securities Regulatory Commission of issuing the corporate bonds of amount RMB12 billion by tranche. The issuance of 1st tranche of corporate bonds in the amount of RMB6 billion was completed on 29 January 2010, and the listing and trading thereof on the Shanghai Stock Exchange have been commenced since 3 March 2010. The issuance of 2nd tranche of corporate bonds in the amount of RMB6 billion was completed on 21 October 2010, and the listing and trading thereof on the Shanghai Stock Exchange have been commenced since 3 November 2010.

(2) Changes in the Total Issued Share Capital and Shareholding Structure of the Company

There were no changes in the total issued share capital and shareholding structure of the Company as a result of bonus issue and placing of shares during the reporting period.

(3) Details of Shares Held by Company's Employees

None of the Company's employees held any share of the Company at the end of the reporting period.

Changes in Share Capital and Information on Shareholders (continued)

3. Information on Shareholders and Ultimate Controller

(1) Total number of shareholders at the end of the reporting period

At the end of the reporting period, the Company had a total of 822,932 shareholders, of which 794,743 were holders of A Shares (including CRECG) and 28,189 were holders of H Shares.

(2) Shareholdings of the top ten shareholders

Unit: Shares

Number	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares with selling restrictions	Number of pledged or frozen shares
1	CRECG	State-owned	56.10	11,950,010,000	0	0	0
2	HKSCC Nominees Limited (Note1)	Other	19.46	4,145,805,560	+456,417	0	0
3	No. 3 Transfer Account of National Council for Social Security Fund	Other	2.20	467,500,000	0	467,500,000	0
4	ICBC – SSE 50 Exchange Traded Fund	Other	0.21	45,417,330	-3,419,264	0	0
5	CNBM Investment Co., Ltd.	Other	0.17	36,237,632	+36,237,632	0	0
6	Citic Securities – ICBC – Credit Suisse (Hong Kong) Limited	Other	0.15	31,320,976	+16,895,340	0	0
7	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.14	29,394,062	-3,975,017	0	0
8	China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu	Other	0.10	22,000,000	-4,000,000	0	0
9	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	Other	0.10	20,800,000	-3,200,000	0	0
10	Bill & Melinda Gates Foundation Trust	Other	0.09	20,000,090	0	0	0
Statement on the connected relations and concerted actions between the shareholders above		CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. Save as disclosed above, the Company is not aware of any connected relationships or concerted-action relationships between the above shareholders.					

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 31 December 2010.

Changes in Share Capital and Information on Shareholders (continued)

(3) Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

Number	Name of shareholder	Number of shares held without selling restrictions	Type of shares
1	CRECG	11,950,010,000	RMB-denominated ordinary shares
2	HKSCC Nominees Limited (Note1)	4,145,805,560	Overseas listed foreign shares
3	ICBC – SSE 50 Exchange Traded Fund	45,417,330	RMB-denominated ordinary shares
4	CNBM Investment Co., Ltd.	36,237,632	RMB-denominated ordinary shares
5	Citic Securities – ICBC – Credit Suisse (Hong Kong) Limited	31,320,976	RMB-denominated ordinary shares
6	Bank of China – Harvest SSE-SZSE 300 Index Securities Investment Fund	29,394,062	RMB-denominated ordinary shares
7	China Life Insurance Company Limited – Traditional – General – 005L – CT001 Hu	22,000,000	RMB-denominated ordinary shares
8	ICBC – ChinaAMC SSE-SZSE 300 Index Securities Investment Fund	20,800,000	RMB-denominated ordinary shares
9	Bill & Melinda Gates Foundation Trust	20,000,090	RMB-denominated ordinary shares
10	Guotai Jun'an – CCB – HSBC	18,738,682	RMB-denominated ordinary shares

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

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 31 December 2010.

(4) Number of shares held by and selling restrictions of the top ten shareholders with selling restrictions

Unit: Shares

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

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

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

None of the strategic investors or general legal persons becomes the top ten shareholders by placing of new shares at the end of the reporting period.

(6) Changes in the controlling shareholder and the ultimate controller

1. Details of controlling shareholder and ultimate controller

Controlling shareholder – CRECG

CRECG is a super-scale central enterprise group supervised by State-owned Assets Supervision and Administration Commission of the State Council established on 7 March 1990 with its headquarter in Beijing. In September 2007, CRECG restructured by injecting the major scope of business and related assets, and employees into China Railway and established the China Railway Group Limited as the sole promoter. At present, CRECG is holding 11,950,010,000 shares of China Railway Group Limited representing 56.1% of the shares.

Ultimate controller – State-owned Assets Supervision and Administration Commission of the State Council

State-owned Assets Supervision and Administration Commission of the State Council is the ministry-level organization directly under the State Council which was set up in accordance with the Institutional Reform Plan of the State Council and the Notice of the State Council on Establishment of Institutions passed at the First Session of the 10th National People's Congress. Under authorization of the State Council, State-owned Assets Supervision and Administration Commission of the State Council performs its duties as an investor on behalf of the State. The scope of supervision of State-owned Assets Supervision and Administration Commission of the State Council extents to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, State-owned Assets Supervision and Administration Commission of the State Council is holding 100% of the shareholding of CRECG.

Changes in Share Capital and Information on Shareholders (continued)

2. Controlling shareholder

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

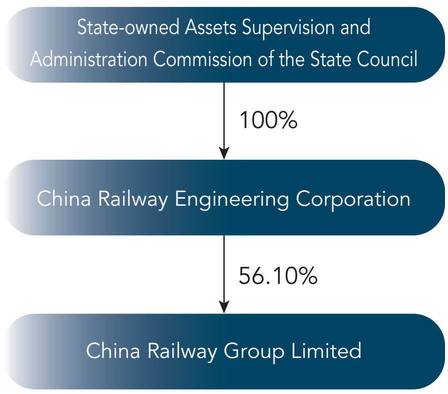
3. Ultimate controller

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

4. Changes in the controlling shareholder and the ultimate controller

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

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



(7) Other legal person shareholders with shareholding of 10% or above

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

Business Overview

BAI Zhongren
Executive Director and President

The Group is one of the largest multi-functional integrated construction group in the PRC and in Asia, which enables us to offer a full range of construction, design and industrial products related services to our customers. The Group holds a leading position in areas such as infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing in the PRC and in Asia. Leveraging on our traditional platform in infrastructure construction, the Group further integrated and expanded into property development and other businesses such as mining in order to increase our profitability.

1. Industry Development Overview

(1) Infrastructure Construction Business

In 2010, an orderly, efficient and quality railway construction were carried out on a large scale basis. Infrastructure construction investment of RMB709.1 billion were completed for the year, representing a year-on-year increase of RMB108.66 billion or 18.1%.

(2) Survey, Design and Consulting Services Business

In 2010, the growth in investment in infrastructure construction also prompted the development of the survey and design services market in the PRC, which continued to maintain a strong momentum.

(3) Engineering Equipment and Component Manufacturing Business

Affected by the State's policy of expanding the domestic consumption, the growth of the transportation equipment manufacturing industry in 2010 was faster than that in 2009. The industrial value-added output of the transportation equipment manufacturing industry increased by 22.4% in 2010 (2009: 18.4%).

(4) Property Development Business

During 2010, the property market saw various control policies, unprecedently severe differential credit policies, restrictions on purchases of houses and gradual expansion of property tax pilots . In this backdrop, property price experienced a slowdown and the trading volume of the property market also decreased. In 2010, the sold floor area of the PRC commercial properties increased by 10.1% year-on-year to 1.043 billion square meters.

2. Business Development Overview

The Group's principal businesses include infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. In 2010, the Group realized operating revenue of RMB456.102 billion, representing a year-on-year increase of 36.5%. The value of new contracts amounted to RMB735.48 billion, representing a year-on-year increase of 22.2%. As of 31 December 2010, the Group's contract backlog amounted to RMB966.71 billion, representing an increase of 42.3% as compared to that as of 31 December 2009.

(1) Infrastructure Construction Business

In 2010, the Group participated in a number of key infrastructure construction projects in the PRC, including railway, highway, municipal works construction and so on. The infrastructure construction business segment maintained a positive growth momentum. In 2010, revenue from the Group's infrastructure construction business was RMB416.513 billion, representing a year-on-year increase of 32.6%; the value of new contracts was RMB619.48 billion, representing a year-on-year increase of 14.3%. As of 31 December 2010, the Group's contract backlog of the infrastructure construction business was RMB868.734 billion, representing an increase of 35.2% as compared to that as of 31 December 2009.

1. Railway Construction

In 2010, the Group completed new railway construction contracts of RMB406.91 billion, including track laying of 7,901 kilometers of main railway line (new tracks and double-track) and 10,203 kilometers of the main line of the electrified railway network, further strengthening the Group's leading position in the railway construction market. Track laying of Beijing-Shanghai high-speed railway and Harbin-Dalian Passenger Line, which the Group participated in their construction, has been fully completed, whereas Shanghai-Nanjing Inter-city Railway, Shanghai-Hangzhou high-speed railway, Southeast Coast Passenger Line and Yichang-Wanzhou Railway have commenced operation successfully. Major construction works of railways including Shanghai-Kunming, Beijing-Shijiazhuang, Shijiazhuang-Wuhan, Xi'an-Baoji, Lanzhou-Xinjiang, Lanzhou-Chongqing, Yunnan-Guangxi, Xiangtang-Putian, Guiyang-Guangzhou and Nanning-Guangzhou, all of which the Group participated, have carried out smoothly.

2. Highway Construction

In 2010, the Group achieved favorable results in highway construction. The value of new contracts amounted to RMB76.4 billion and the Group's market share in domestic highway market was approximately 11.2%. The Group had completed highway construction totaling 1,591 kilometers for the year, of which 1,126 kilometers were expressways. Throughout the year, Guangyuan-Bazhong Expressway, Yingtan-Ruijin Expressway, Shicheng-Ji'an Expressway, Fenyang-Pingyao Expressway and Taiyuan-Jiaxian Expressway, construction of which the Group participated in, have commenced operation successfully.

3. Municipal Works and Other Construction

In 2010, with the acceleration of urbanization in the PRC, the Group achieved favorable economic benefits following this trend and the value of new contracts amounted to RMB136.17 billion, and the Group's market share in the urban rail transportation projects nationwide reached over 50%. During the year, the Group completed the construction of 268.9 kilometers of city light rails and subways and laid 108 kilometers of tracks in total. Nanjing Subway Line 2, north section of Shanghai Metro Line 11, Shenyang Subway Line 1 and Beijing Subway Line 15 and its branch line, construction of which the Group participated in, have commenced trial operation. Bridges and Tunnels construction which the Group participated in, including Xiamen Xiang'an Undersea Tunnel, the first undersea tunnel in the PRC, and Qingdao Bay Bridge, the longest sea-crossing bridge in the world, has been completed successfully; whereas the construction of the Middle Route for South-to-North Water Transfer of Yellow River-Crossing Project, which the Group participated in, has been fully connected.

(2) Survey, Design and Consulting Services Business

In 2010, leveraging on our enriched experience in survey, design and consulting services and leading technologies in the industry, the Group undertook a number of survey, design and consulting services projects, and continued to strengthen the Group's leading position in the industry. Among them, revenue of RMB9.279 billion was realised, representing a year-on-year growth of 32.4%; the value of new contracts amounted to RMB9.39 billion, representing a growth of 9.2% year-on-year. As of 31 December 2010, the Group's contract backlog of the survey, design and consulting services business was RMB12.23 billion, representing an increase of 22.8% as compared to that as of 31 December 2009. Throughout the year, the Group provided survey, design and consulting services for the following projects: high-speed railways, passenger railways and railway construction projects in mountainous areas such as Guiyang-Guangzhou, Nanning-Guangzhou, Beijing-Zhangjiakou and Dali-Ruili; urban rail transportation projects in areas such as Beijing, Shanghai and Guangzhou; bridge engineering projects such as the combined highway and railway Huanggang Yangtze River Bridge and Wuhan Erqi Yangtze River Bridge; expressway projects such as Chengdu-Zigong-Luzhou Expressway and Chengdu-Anyue-Chongqing Highway as well as international engineering projects such as railway projects in the plain in Northern Venezuela.

(3) Engineering Equipment and Component Manufacturing Business

In 2010, revenue from the Group's engineering equipment and component manufacturing business was RMB12.210 billion, representing a year-on-year growth of 32.2%; the value of new contracts amounted to RMB14.75 billion, representing a year-on-year growth of 19.9%. As of 31 December 2010, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB8.71 billion, representing an increase of 27.9% as compared to that as of 31 December 2009. Throughout the year, the Group's market shares in large bridge steel structures, passenger line turnout and high-speed turnout are over 75% and mainly concentrate in the PRC, of which sales volume in the domestic market is over 97% while that in foreign market is approximately 3%. In 2010, shield manufacturing capacity and producing scale of the Group both growed substantially, with 22 shields produced and manufactured, representing a growth of 120% compared to that of 2009.

(4) Property Development Business

In 2010, revenue from the Group's property development business was RMB11.945 billion, representing a year-on-year increase of 115.8%. Property projects such as Guiyang China Railway Yidou International, Xi'an Binfen Nanjun and Wuhan Bairuijing Central Business District recorded satisfactory results. As of 31 December 2010, total site area and gross floor area of projects under development of the Group amounted to 14.56 million square meters and 25.01 million square meters respectively.

(5) Other Businesses

Leveraging on the existing businesses platform, the Group actively engaged in BOT for highways, exploitation of mineral resources and materials trade. In 2010, the operation of the BOT projects invested and constructed by the Company had been steady and revenue increased year by year to RMB898 million. An interactive model on mineral resources and infrastructure construction is continuously employed, generating a revenue of RMB1.17 billion. The materials trade of the Group developed rapidly, generating a revenue of RMB26.63 billion.

3. Technology Research Development and Technological Achievements

In 2010, 1,180 new technological research projects were newly developed by the Group, with technological investment amount of more than RMB8 billion, demonstrating significant development in technological innovation. Throughout the year, 481 technological results passed the evaluation and assessment, 125 awards of new engineering methods at the provincial and ministerial level and 333 patient rights were granted (104 of which were invention patents). 17 awards of consulting results for excellent projects in the PRC, 32 awards of survey and design for excellent projects at provincial and ministerial level, and 24 awards of consulting results for excellent projects at provincial and ministerial level were granted. The Group won two prizes of the National Advanced Science and Technology Prizes, 167 technological advancement awards at the provincial level, and a special award in technological innovation for central enterprise from 2007 to 2009. Relying on technological advancement, the application of a number of new technologies, new techniques, new materials and new equipments are essential to the engineering construction, which fully improve the project and products quality and substantially strengthen the Group's own innovative capacity. Meanwhile, the Group also implemented energy savings and emission reduction policy. Energy consumption level has been decreasing with the energy consumption of revenues of over RMB10,000 dropped by 5.62% year-on-year, standing on the top rank among the state-owned construction enterprises. In 2010, the Company won the first "low carbon economic model unit in the PRC" and the "Leading Brand Award" in the first low carbon China year.

4. Outlook

(1) Development trend of the industry where the Group belongs to and the market competition which the Group is facing

During the period of "Twelfth Five-Year", the circumstances around the world and the PRC continue to change tremendously, and the economic and social development of the PRC demonstrated characteristics of a new stage. The PRC economy enters a new development period where the main characteristics include changing ways of development, protecting and improving people's livelihood, adjusting economic structure and improving development quality, and therefore faces historical opportunities which could result in huge achievements and is also exposed to many foreseeable and unforeseeable risks and challenges. The focus of economic works in 2011 has changed to "curbing inflation, adjusting structure and protecting livelihood". In particular, as the State gradually implements macro-economic reformation and changes its moderately loose monetary policy to prudent monetary policy, the national economy will gradually adjust its growth model so that the economic growth will be driven by a combination of consumption, investment and exports.

Domestic market: in the "Twelfth Five-Year" Plan, it was specified that the construction of passenger railway lines, inter-regional trunk lines and coal transportation routes should be accelerated and high-speed railways should also be developed so as to build a high-speed passenger railway network and strengthen the heavy-loaded transportation network; the planning of national highways should be optimized and the construction of road network should also be speeded up; the construction of high-class river routes for inland river should be given great impetus to; the construction of inter-city high-speed transportation network should be carried forward with rail transportation and expressways as the main elements and highways in the country and provinces as the supplement; the construction of inter-city routes of cities in key development regions should also be pushed forward while finishing the construction of transportation networks in three major metropolitan areas such as Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta. This provides an excellent room for development of infrastructure construction business in the PRC which accounts for the largest part in the Group's businesses.

International market: the impacts of international financial crisis are profound, but peace, development and cooperation are still the trend of the era. As one of the economic pillars in the "post financial crisis era", construction industry is important to the economic recovery and development in various countries, and in particular, the high-speed railways development in the PRC is generally recognised by many countries in the world. In addition, the State further enhanced its effort in implementing the "Outbound" strategy of PRC railways, providing great opportunities for the Group to go "Outbound". However, the Group also appreciates the increasing importance of risk control in overseas projects as the international political and economic environment becomes more complicated.

(2) Future development opportunities and challenges of the Group concerned by the management of the Company

During the "Twelfth Five-Year", the economy of the PRC will maintain a steady and rapid development overally, and the government will accelerate the pace of urbanisation, push the construction of new socialistic country forward, comprehensively commence another round of large-scale development in the Western Region, and implement the policy of expanding the domestic consumption and construction for livelihood further gradually as well as the industry revitalising plan. All of these will effectively promote the construction of infrastructure and the development in upper and lower stream, providing a huge room for the Group's development during the "Twelfth Five-Year".

In the "Twelfth Five-year", the State will mainly rely on the strategic adjustment in economic structure to speed up the shift of economic development model. The State will also establish a long-term mechanism of domestic consumption and adjust the economic growth model so that the economic growth will be drive by a combination of consumption, investment and exports, which will bring certain challenges to the Group's development during the "Twelfth Five-year".

(3) Development strategy and business development plan of the Group

In the "Twelfth Five-year" (i.e. 2011-2015), the overall strategic aims of the Group's development include instigating two changes and creating second startup, so as to promote "China Railway" as a leading conglomerate in the PRC and top-class in the world with outstanding core businesses, wide diversification and strong international competitiveness.

1. Infrastructure Construction Business

Infrastructure construction segment is the traditional core business of the Group, the foundation of the Group's subsistence and development. The Group will continue to solidify the supporting status of the infrastructure construction segment, endeavor to maintain its traditional advantages and market shares of such areas as railways, highways and urban rail transportation, strengthen the competitiveness in the areas such as harbour ports, airports, water and electricity, establish the leading position of the Group in the PRC's construction industry firmly, and take lead in the development of the industry.

2. Survey, Design and Consulting Services Business

The Group will consolidate its position in the railway market and actively expand into the related areas, build new concepts in design and consulting services, and introduce advanced design technology and tools, so as to further strengthen its market competitiveness.

3. Engineering Equipment and Component Manufacturing

During the "Twelfth Five-year", manufacturing business segment will, by deepening the reformation, strengthen the functions of certain areas such as strategic management, capital operation, corporate restructuring, structural adjustment, financial control and risks aversion, to give full play of its overall advantage and realise a professional and systematic operation. The Group's engineering equipment and component manufacturing business segment will basically establish a platform where major technological equipments, the high and new technological equipments in the industry, basic equipments and general mechanical equipments will exert professional and reasonable division of labour, cooperative advancement and coordinative development of the industry, whereas major products such as turnouts, steel girder and steel structure as well as shields will reach a leading standard in the PRC as well as in the world.

4. Property Development Business

The Group will strengthen the resources integration, optimize the regional planning, innovate the operating model, streamline the decision-making procedures and build a scientific investment and financing system, so as to further establish the brand of "China Railway Real Estate", improve the internal control and risk management and promote the professionalism, large scale and branding of the Group's property business.

5. Other Businesses

Leveraging on its advantage on the brand, technology, management and capital, the Group will actively enter into the area of mineral resources development, establish "China Railway Resources" brand, and expand effectively and rapidly into the market such as mineral resources development, so as to build a foundation for the long-term, sustainable and healthy development. At the same time, the Group will actively develop materials trade and achieve an effective operation and management of BOT projects.

In 2011, the Group plans to achieve revenue of RMB447.5 billion and costs of sales of RMB407.0 billion. It is estimated that the amount of new contracts to be entered into is RMB650.0 billion, and capital expenditure is RMB15.9 billion . The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

Management Discussion and Analysis

1. Overview

In the year of 2010, the Group managed to make new breakthroughs in principal businesses by exploring domestic and overseas markets extensively and further expanding its operating scale. In 2010, the Group's revenue increased by 36.5% year-on-year to RMB456.102 billion. Net profit for the year increased by 12.3% year-on-year to RMB8.303 billion while profit attributable to owners of the Company increased by 8.9% year-on-year to RMB7.490 billion. After excluding the non-recurrent profit and loss items (such as exchange gain on proceeds from H share offering and gain on disposal of equity interests), profit attributable to owners of the Company increased by 26.6% year-on-year to RMB6.614 billion.

A comparison of the financial results for 2010 and 2009 is set forth below.

2. Consolidated Results of Operations

Revenue

The Group is mainly engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. The Group's total revenue increased by 36.5% from RMB334.045 billion for 2009 to RMB456.102 billion for 2010. The increase in the Group's revenue was primarily attributable to the increase in the volume of infrastructure construction projects benefiting from the increased investment in infrastructure construction in the PRC. In 2010, the value of new contracts increased by 22.2% year-on-year to RMB735.48 billion. As compared with 2009, contract backlog increased by 42.3% to RMB966.71 billion in 2010.

Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2010, the Group's cost of sales increased by 36.8% to RMB428.987 billion from RMB313.603 billion for 2009 due to the expansion of the overall business of the Group. In 2010, gross profit of the Group increased by RMB6.673 billion or 32.6% to RMB27.115 billion from RMB20.442 billion for 2009. The overall gross profit margin for 2010 was 5.9%, a decrease of 0.2 percentage point from 6.1% for 2009. It was mainly due to (1) rapid development of the Group led to the increase in new projects for which the conditions for gross profit recognition cannot be fulfilled; (2) the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw materials prices); (3) the rise of price level led to the increase of contracting costs; and (4) the high concentration of railway projects led to the increase in costs of allocating resources such as mechanical equipments of the Group.

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government. In 2010, the Group's other income increased by 31.4% year-on-year from RMB0.911 billion to RMB1.197 billion. The increase of other income was primarily due to the increase of revenue from sales of materials.

Other expense

The Group's other expense primarily includes expenditures on research and development. In 2010, other expense increased by 221.2% from RMB0.650 billion of the last year to RMB2.088 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capacities and enhanced energy saving and emission reduction efforts.

Other Gains and Losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal of interests in fixed assets and subsidiaries. The other gains of RMB0.534 billion in 2010, representing a decrease of 60.2% as compared to that of RMB1.341 billion in 2009, was primarily due to the decrease in net exchange gain from RMB1.088 billion in 2009 to RMB0.373 billion in 2010.

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2010, the Group's selling and marketing expenses amounted to RMB1.443 billion, representing an increase of 25.5% from RMB1.150 billion of 2009. The selling and marketing expenses as a percentage of the total revenue for 2010 was 0.3%, which was roughly the same as compared to 2009. The Group's efforts on cost control have obtained noticeable results.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits, impairment in trade and other receivables and depreciation and amortization of its assets related to administration. In 2010, the Group's administrative expenses increased by 27.1% to RMB13.560 billion from RMB10.666 billion of last year. Administrative expenses as a percentage of revenue for 2010 was 3.0%, representing a decrease of 0.2 percentage point from 3.2% of 2009, which reflected noticeable results of the Group's administrative expenses control and management efficiency. In the future, the Group will further optimize the administrative cost through various measures such as streamlining the levels of management and enhancing project management capabilities.

Interest income

In 2010, the interest income increased by 29.4% to RMB1.370 billion from RMB1.059 billion for 2009. The increase in the interest income was primarily due to the increase in average balance of bank deposits.

Interest expenses

In 2010, the interest expenses was RMB2.485 billion, representing an increase of 6.7% from RMB2.328 billion for 2009. Though there was an increase in principal amount of borrowings as a result of the Group's expansion of business scale, the continuous and effective implementation of centralization of fund management achieved a satisfactory result which enhanced the efficiency of fund utilization.

Profit before taxation

As a result of the foregoing factors, the profit before taxation for 2010 increased by RMB1.958 billion, or 22.6% to RMB10.640 billion from RMB8.682 billion for 2009.

Income tax expense

In 2010, the income tax expense increased by 81.7% to RMB2.337 billion from RMB1.286 billion for 2009. The effective tax rate of the Group increased from 14.8% for 2009 to 22.0% for 2010, primarily attributable to the decrease of the utilization of tax losses not previously recognized as deferred tax assets from RMB0.654 billion in 2009 to RMB0.144 billion in 2010.

Minority interests

As a result of the increase in profitability of subsidiaries, minority interests increased by 56.0% from RMB0.521 billion for 2009 to RMB0.813 billion for 2010.

Profit attributable to owners of the Company

As a result of the foregoing factors, the profit attributable to owners of the Company for 2010 increased by 8.9% to RMB7.490 billion from RMB6.875 billion for 2009. The profit margin of the profit attributable to owners of the Company for 2010 decreased to 1.6% from 2.1% for 2009. After excluding the non-recurrent profit and loss items (such as exchange gain on proceeds from H share offering and gain on disposal of equity interests), profit attributable to owners of the Company increased by 26.6% year-on-year to RMB6.614 billion, while the profit margin of the profit attributable to owners of the Company for 2010 was 1.5%, which was roughly the same as compared to 1.6% for 2009.

3. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2010 are set forth in the table below.

Business Segments	Segment Revenue RMB million	Growth Rate (%)	Profit Before Taxation RMB million	Growth Rate (%)	Profit Before Taxation Margin[1] (%)	Segment Revenue as a Percentage of Total (%)	Profit Before Taxation as a Percentage of Total (%)
Infrastructure Construction	416,513	32.6	8,290	2.2	2.0	86.3	66.3
Survey, Design and Consulting	9,279	32.4	809	34.2	8.7	1.9	6.5
Engineering Equipment and Component Manufacturing	12,210	32.2	641	30.8	5.2	2.5	5.1
Property Development	11,945	115.8	1,368	93.8	11.5	2.5	10.9
Other Businesses	32,472	83.7	1,407	322.5	4.3	6.8	11.2
Inter-segment Elimination and Adjustments	(26,317)		(1,875)				
Total	**456,102**	**36.5**	**10,640**	**22.6**	**2.3**	**100.0**	**100.0**

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

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2010, the revenue from the infrastructure construction business accounted for 86.3% of the total revenue of the Group (2009: 88.8%). In 2010, segment revenue from the Group's infrastructure construction business increased by 32.6% year-on-year to RMB416.513 billion. Profit before taxation margin of the infrastructure construction segment was 2.0% (2009: 2.6%). After deducting the effect of exchange gains and losses and inter-segment transactions, the profit before taxation margin of infrastructure construction business for 2010 was 1.7%, representing a slight decrease from 1.8% for 2009. It was primarily due to (1) rapid development of the Group led to the increase in new projects for which the conditions for gross profit recognition cannot be fulfilled; (2) the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw materials prices); (3) the rise of price level led to the increase of contracting costs; and (4) the high concentration of railway projects led to the increase in costs of allocating resources such as mechanical equipments of the Group.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. In 2010, segment revenue of survey, design and consulting services business increased by 32.4% to RMB9.279 billion from RMB7.007 billion for last year, primarily due to the government's vast investment in infrastructure construction and the commencement of a number of projects, which provided excellent opportunities for the development of the Group's survey, design and consulting services business. The profit before taxation margin for the segment for 2010 was 8.7%, representing a slight increase from 8.6% for 2009. It was mainly due to (1) the strengthening in control of labour cost and expenses; and (2) the decrease in the proportion of businesses with low gross profit margin.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2010, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 32.2% year-on-year to RMB12.210 billion from RMB9.236 billion. Profit before taxation margin was 5.2% for 2010, representing a slight decrease from 5.3% for 2009. The increase in operating revenue is attributable to the continuous increase of market demand for railway, bridge and other project construction equipments, in particular, large scale specialized equipments resulted from the vast investments in railway and other infrastructure construction projects. The slight decrease in profit before taxation margin was mainly due to (1) the increase in raw materials cost and decrease in gross profit margin resulted from intense competition; and (2) the increase in the proportion of businesses with low gross profit margin.

Property development business

Revenue from the Group's property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2010, revenue from property development business increased by 115.8% to RMB11.945 billion from RMB5.535 billion for 2009. Profit before taxation margin decreased from 12.8% for 2009 to 11.5% for 2010. The decrease in profit before taxation margin for 2010 is primarily due to the fact that (1) the external environment of the property market becomes complicated as the government continuously adopts control policies towards the property market in recent years; and (2) the growth of operating costs recognized in the reporting period exceeds that of operation revenue as a result of the rise in construction materials price and labour cost and the improvement of the product quality, etc.

Other businesses

Revenue from other businesses increased by 83.7% from RMB17.676 billion in 2009 to RMB32.472 billion. Profit before taxation margin increased from 1.9% for 2009 to 4.3% for 2010. The increase in revenue was due to the fact that by leveraging on the advantage of the traditional businesses, the Group achieved a smooth development in resources development and construction business by adopting an interactive model on mining resources and infrastructure construction. During the reporting period, the revenue from materials trading accounted for a higher percentage in the revenue from this business segment. Besides, the investment of BOT projects also played a positive role on the development of the main business segment. The increase in profit before taxation margin was primarily due to the decrease in loss incurred by BOT projects.

4. Cash Flow

In 2010, the net cash generated from operating activities amounted to RMB0.963 billion, representing a decline in net cash flow generated from operating activities from RMB18.960 billion for 2009, which was primarily attributable to the increase in trade receivables and land reserves. In 2010, the net cash used in investing activities of the Group amounted to RMB16.359 billion, which was roughly the same with RMB16.563 billion for 2009. The Group's use of cash in investing activities mainly includes acquisition of fixed assets, intangible assets and long-term equity investment. In 2010, the net cash generated from financing activities of the Group amounted to RMB20.876 billion while the net cash used in financing activities was RMB0.793 billion for 2009. The significant increase of the net cash generated from financing activities was primarily attributable to the issuance of corporate bonds and short-term notes to fulfill the funding requirement for working capital and capital expenditures as a result of expansion in the Group's operating scale.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. In order to cope with the further expansion of the Group's infrastructure business, the Group increased its capital expenditure in 2010, which will benefit the Group's continued efforts to expand its business and improve its competitiveness. The Group's total capital expenditure for 2010 was RMB19.224 billion (2009: RMB18.529 billion).

The following table sets forth the Group's capital expenditure (including acquisition of subsidiaries) by business segments in 2010.

For the year ended 31 December 2010	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Property, plant and equipment	7,283	491	992	136	553	9,455
Lease prepayments	113	29	33	56	805	1,036
Investment properties	–	–	–	–	104	104
Intangible assets	1,755	7	10	1	1,960	3,733
Mining assets	–	–	–	–	117	117
Acquisition of subsidiaries	258	34	–	–	4,487	4,779
Total	9,409	561	1,035	193	8,026	19,224

Working capital

	As at 31 December	
	2010	2009
	RMB million	RMB million
Inventories	**30,026**	23,831
Properties under development for sale	**38,411**	25,204
Trade and bills receivables	**83,198**	68,408
Trade and bills payables	**136,716**	94,790
Turnover of inventory (days)	**23**	24
Turnover of trade and bills receivables (days)	**60**	64
Turnover of trade and bills payables (days)	**97**	93

The Group's inventories and properties under development for sale increased by 26.0% and 52.4% respectively from RMB23.831 billion and RMB25.204 billion as at the end of 2009 to RMB30.026 billion and RMB38.411 billion as at the end of 2010. The increase was primarily due to: (1) the increase in the purchase of raw materials and consumables in response to the growth of the infrastructure construction business and the engineering equipment and component manufacturing business; and (2) the increase in number of property projects under development as a result of growth of the Group's property development business. The Group's inventory turnover days of 23 days in 2010 remained at the similar level as in 2009. As the Group's business expanded, the Group's trade and bills receivables increased by 21.6% from RMB68.408 billion as at the end of 2009 to RMB83.198 billion as at the end of 2010, among which, the balance of retention receivables as at the end of 2010 significantly increased by 44.4% from RMB24.181 billion as at the end of 2009 to RMB34.917 billion as at the end of 2010, due to the rapid business expansion.

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 25.7% (2009: 21.0%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2010	2009
	RMB million	RMB million
Less than six months	**43,449**	38,673
Six months to one year	**18,386**	15,387
One year to two years	**13,415**	9,801
Two years to three years	**5,833**	3,194
More than three years	**2,115**	1,353
Total	**83,198**	68,408

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As the Group's business scale expanded, the Group's trade and bills payables increased by 44.2% from RMB94.790 billion as at the end of 2009 to RMB136.716 billion as at the end of 2010. The number of turnover days was 97 days in 2010, representing an increase of 4 days from 93 days in 2009. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 10.3% (2009: 10.8%) of the total payables.

Trade and bills payables

	As at 31 December 2010 RMB million	2009 RMB million
Less than one year	**122,630**	84,578
One year to two years	**10,144**	7,200
Two years to three years	**2,475**	2,197
More than three years	**1,467**	815
Total	**136,716**	94,790

5. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2010 and 2009. 48.5% of the Group's debts were short-term debts (31 December 2009: 51.4%). The Group is generally capable of making timely repayments.

	As at 31 December 2010 RMB million	2009 RMB million
Bank loans		
Secured	**14,666**	11,327
Unsecured	**42,114**	27,114
	56,780	38,441
Short-term debentures, unsecured	**6,702**	3,800
Long-term debentures, secured	**11,933**	–
Other short-term loans, unsecured	**6,136**	6,150
Other long-term loans, unsecured	**1,808**	7,472
Total	**83,359**	55,863
Long-term borrowings	**42,915**	27,151
Short-term borrowings	**40,444**	28,712
Total	**83,359**	55,863

Bank loans carry interest rates ranging from 3.86% to 10.0% (2009: 0.75% to 9.5%) per annum. Short-term debentures carry fixed interest rates ranging from 1.65% to 4.06% (2009: 1.65% to 7.1%) per annum. Long-term debentures carry fixed interest rates ranging from 4.34% to 4.88% per annum. Other short-term loans carry interest rates ranging from 3.82% to 6.98% (2009: 3.72% to 14.4%) per annum. Other long-term loans carry interest rates ranging from 3.89% to 13.0% (2009: 2.2% to 13.0%) per annum.

The following table sets forth the maturity of the Group's bank loans and other long-term borrowings as at 31 December 2010 and 2009.

	As at 31 December	
	2010	2009
	RMB million	RMB million
Bank loans:		
Within one year	**27,606**	18,762
More than one year, but within two years	**3,397**	3,469
More than two years, but within three years	**5,270**	2,513
More than three years, but within four years	**1,647**	621
More than four years, but within five years	**4,494**	1,099
More than five years	**14,366**	11,977
Total bank loans	**56,780**	38,441
Other long-term loans:		
More than one year, but within two years	**1,723**	7,323
More than two years, but within three years	**23**	–
More than three years, but within four years	**–**	23
More than four years, but within five years	**62**	–
More than five years	**–**	126
Total other long-term loans	**1,808**	7,472

As at 31 December 2010 and 2009, the Group's bank loans comprised fixed-rate bank loans amounting to RMB0.701 billion and RMB0.958 billion and floating-rate bank loans amounting to RMB56.079 billion and RMB37.483 billion, respectively.

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

	Borrowings in U.S. dollars RMB million	**Borrowings in Euros** RMB million	**Borrowings in other currencies** RMB million
As at 31 December 2010	**740**	**349**	**42**
As at 31 December 2009	877	447	34

As at 31 December 2010, approximately RMB14.666 billion (31 December 2009: RMB11.345 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB22.703 billion (31 December 2009: RMB17.493 billion). As at 31 December 2010, the Group had unutilized credit facilities with an aggregate amount of approximately RMB231.574 billion (31 December 2009: RMB144.641 billion).

As at 31 December 2010, the Group's gearing ratio (total liabilities/total assets) was 81.1%, representing an increase of 2.4 percentage points as compared with 78.7% for 2009. Such increase was primarily attributable to the fact that the Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. In addition, the Group will utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other convertible securities) to secure financing for business development. In 2010, the Company issued an aggregate of RMB12 billion corporate bonds and RMB6.7 billion short-term notes. In 2011, the Group's funding arrangement is as follows: 1) For debt financing, the Group will, in a timely manner as required, issue mid-term notes of RMB12 billion (among which, RMB8 billion has been issued on 23 March 2011), short-term bonds of RMB19 billion and bank and trust loans, etc; 2) For equity financing, the Company is planning to implement the proposal of equity re-financing (offering of new A shares) amounting to approximately RMB6 billion, which was considered and approved by the shareholders' extraordinary meeting in 2010. Nevertheless, such proposal has not yet been implemented up to the date of this report due to policy and other external factors. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in US dollars and other currencies.

6. Contingent Liabilities

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

	As at 31 December	
	2010	2009
	RMB million	RMB million
Pending lawsuits (Note)	**237**	351

Note: The Group has been named in lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

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

	As at 31 December			
	2010		2009	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Jointly controlled entities and associates	**5,283**	**2011-2027**	5,713	2010-2027
Other State-owned enterprises	**659**	**2011-2012**	790	2010-2011
Property purchasers	**5,250**	**2011-2012**	3,836	2010-2011
Investees of the Group	**43**	**2011-2016**	176	2010-2016
Other independent parties	**50**	**2011-2011**	–	
Total	**11,285**		10,515	

In addition to the above, as at 31 December 2010, Yichang Hongming Real Estate Co., Ltd., a subsidiary acquired by the Group in the current year, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd. ("Yichang Sanxia") to the extent of RMB0.303 billion (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Hongming Real Estate Co., Ltd.) if Yichang Sanxia failed to repay those liabilities in future.

7. Business Risks

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk, interest rate risk and foreign exchange risk arising in the ordinary course of business.

Market risk: The level of growth in the national and regional economies and the general level of growth in the relevant industries would affect the overall market. Moreover, increasingly intensive competition in the markets and the fluctuation of the price of raw materials may adversely affect the Group's business.

Operation risk: For infrastructure construction business, the bidding prices of construction contracting projects are affected largely by market competition. Meanwhile, there are also certain operation risks for the Group to control accurately the cost and to engage labour subcontractors.

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

Policy risk: Changes in the foreign exchange administration system, preferential taxation policies and real estates industry policy in the PRC could have an adverse impact on the Group.

Financial risk: Delay in payment by its customers could affect the Group's working capital and cash flow, and the failure to obtain sufficient funding could also affect the expansion plan and development prospects of the Group.

Investment risk: Investment risk is mainly associated with relevant advance payments for projects, decrease of investment of infrastructural projects by non-governmental investment institutions resulting from changes in policies, and significant outlay of working capital over extended periods.

Interest rate risk: The Group's exposure to changes in interest rates is mainly attributable to its external borrowings from the market. According to our analysis of the current funding size, changes in interest rate policy will considerably affect our finance cost. The Group currently does not have any hedging policy against interest rate risk. However, the Group's management closely monitors any change in interest rate at all time and, if necessary, will consider to take effective measures against any significant interest rate exposure in accordance with the strict implementation of the national policy and in compliance with the regulatory requirements.

Foreign exchange risk: The Group's functional currency is Renminbi. The fluctuation of foreign exchange rate will affect us to a certain extent as our overseas operations grows and the foreign income increases. However, our exposure to foreign exchange risk is limited as our principal business is focused on the PRC. As at 31 December 2010, the balance of proceeds from H share offering denominated in foreign currencies was HK$18,300, which has further minimised the impact to the Group by the fluctuation of exchange rates.

Biography of Directors, Supervisors and Senior Management

1. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, 52, professor level senior engineer, is the Chairman, an Executive Director and Secretary to the Communist Party Committee of the Company. Mr. Li is also the chairman, general manager and deputy secretary to the Communist Party Committee of CRECG. From July 2002 to September 2006, he was deputy general manager of CRECG. From September 2006 to September 2007, he was a director, general manager and deputy secretary to the Communist Party Committee of CRECG. From September 2007 to June 2010, Mr. Li was a director and secretary to the Communist Party Committee of CRECG, an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li has been the chairman of the board of SICOMINES SARL since June 2008, the chairman of CRECG since May 2010, and general manager and deputy secretary to the Communist Party Committee of CRECG and Chairman, an Executive Director and Secretary to the Communist Party Committee of the Company since June 2010.

BAI Zhongren
(Executive Director and President)

BAI Zhongren, 50, professor level senior engineer, is an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Bai is also secretary to the Communist Party Committee and a director of CRECG, and vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd. Mr. Bai was deputy general manager and chief economist of CRECG from October 2001 to September 2007, chairman of China Railway Construction Group (CRGC) Co., Ltd. from November 2006 to January 2008. He was an Executive Director, Vice President and Chief Economist of the Company from September 2007 to June 2010, and director and vice chairman of Lince Railway Co., Ltd. from June 2009 to October 2010. Mr. Bai has been a director and vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd since July 2008, and a director, secretary to the Communist Party Committee of CRECG and an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company since June 2010.

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, 56, senior economist, is the Vice Chairman, an Executive Director, Deputy Secretary to the Communist Party Committee and Chairman of the Labor Union of the Company. He is also vice chairman of the board, deputy secretary to the Communist Party Committee and chairman of the labor union of CRECG. He was deputy secretary to the Communist Party Committee of CRECG from December 2004 to September 2007, and chairman of China Railway No. 9 Engineering Group Co., Ltd. from April 2006 to March 2008. He was Vice President of the Company from September 2007 to June 2009. Since September 2007, Mr. Yao has been deputy secretary to the Communist Party Committee and chairman of the labor union of both CRECG and the Company. From June 2009 to August 2010, he was the Chairman of the Company's Supervisory Committee. Mr. Yao has been vice chairman of CRECG since June 2010 and Vice Chairman and an Executive Director of the Company since August 2010.

Biography of Directors, Supervisors and Senior Management (continued)

HAN Xiuguo
(Non-executive Director)

HAN Xiuguo, 65, engineer, is a Non-executive Director of the Company and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Mr. Han was chairman of the Supervisory Board under the State Council for Key Large State-owned Enterprises from September 2001 to March 2009. He has been a Non-executive Director of the Company since 27 January 2011.

HE Gong
(Independent Non-executive Director)

HE Gong, 67, professor level senior engineer, is an Independent Non-executive Director of the Company. Mr. He is also an external director of Dongfang Electric Corporation. Mr. He served as secretary to the Communist Party Committee and general manager of China Hua Dian Corporation from December 2002 to October 2006, chairman of Yunnan Jinsha River Midstream Hydropower Development Co., Ltd from October 2005 to March 2008, chairman of speciality committee of China Hua Dian Corporation from November 2006 to March 2008. He has been an Independent Non-executive Director of the Company since September 2007 and an external director of Dongfang Electric Corporation since April 2009.

GONG Huazhang
(Independent Non-executive Director)

GONG Huazhang, 65, professor level senior accountant, is an Independent Non-executive Director of the Company. Mr. Gong is also a member of Accounting Standards Committee and Valuation Standards Committee under the Ministry of Finance, vice director of the Accounting Society of China, advisor of the Price Association of China. Mr. Gong is a part-time professor of Tsinghua University, Nankai University, Xiamen University, China University of Petroleum (Beijing), China University of Petroleum (Huadong), Shanghai National Accounting Institute and Xiamen National Accounting Institute, and a professor of Beijing National Accounting Institute. From August 2000 to April 2007, Mr. Gong was a member of the Communist Party Committee and the chief accountant of China National Petroleum Corporation. From November 1999 to March 2008, he was a director of PetroChina Company Limited. He was the chairman of China Petroleum Finance Co., Ltd. from May 1999 to September 2009 and a director of China Yangtze Power Co., Ltd. from September 2002 to June 2010. He has been an independent director of China Southern Airlines Company Limited since June 2007, an Independent Non-executive Director of the Company since September 2007, an independent director of Nanyang Commercial Bank (China) Limited since December 2007, an external director of Dongfang Electric Corporation since April 2009, as well as an independent director of China Shenhua Energy Company Limited since June 2009.

WANG Taiwen
(Independent Non-executive Director)

WANG Taiwen, 64, senior political engineer, is an Independent Non-executive Director of the Company. Mr. Wang is also an external director of China National Foreign Trade Transportation Group Corporation and an independent non-executive director of China Automation Group Limited. Mr. Wang served as technician, engineer, deputy chief of workshop, deputy branch factory manager, branch factory manager, deputy factory manager, secretary to the Communist Party Committee and factory manager of Ziyang Combustion Motor Factory under the Ministry of Railways; deputy general manager, vice chairman, general manager, deputy secretary to the Communist Party Committee, chairman, general manager and secretary to the Communist Party Committee of China Railway Rolling Stock Industry Corporation; chairman and secretary to the Communist Party Committee of China Southern Locomotive Industrial Group Corporation. Mr. Wang served as an external director of CRECG from October 2006 to September 2007. He has been an external director of China National Foreign Trade Transportation Group Corporation since October 2006, an Independent Non-executive Director of the Company since September 2007 as well as an independent non-executive director of China Automation Group Limited since February 2008.

SUN Patrick
(Independent Non-executive Director)

SUN Patrick, 52, a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, United Kingdom and vice president of the Chamber of Hong Kong Listed Companies, is an Independent Non-executive Director of the Company. Mr. Sun is also an independent non-executive director and the chairman of Solomon Systech International Limited, an independent non-executive director of Trinity Limited and an independent non-executive director of Sihuan Pharmaceutical Holdings Group Limited. He was a member of Hong Kong Takeovers & Mergers Panel, deputy convener of the Listing Committee of the Stock Exchange of Hong Kong Limited, member of the Council of the Stock Exchange of Hong Kong Limited and the honorary chief executive officer of the Chamber of Hong Kong Listed Companies. He was President and Head of Investment Banking for Hong Kong of JPMorgan Chase. Mr. Sun also served as an executive director and chief executive officer of Value Convergence Holdings Limited, executive director of SW Kingsway Capital Holdings Limited, group executive director and co-head of Investment Banking of Jardine Fleming Holdings Limited, independent non-executive director of Link Management Limited, independent non-executive director of Everbright Pramerica Fund Management Co., Ltd.. He has been an independent non-executive director and the chairman of Solomon Systech International Limited since February 2004, an Independent Non-executive Director of the Company since September 2007, an independent non-executive director of Trinity Limited since October 2008 as well as an independent non-executive director of Sihuan Pharmaceutical Holdings Group Limited since October 2010.

2. Supervisors

WANG Qiuming
(Chairman of the Supervisory Committee)

WANG Qiuming, 58, senior economist, is Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee of the Company. Mr. Wang is also deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He served as deputy chief economist and concurrently director of Division of Cadre of CRECG from June 2004 to August 2006. In September 2006, Mr. Wang became deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He was chairman of China Railway NO. 3 Engineering Group Co., Ltd. from April 2007 to January 2008. From September 2007 to August 2010, Mr. Wang served as a Non-executive Director of the Company. Since August 2010, he has been an employee representative Supervisor and Chairman of the Supervisory Committee.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, 49, senior economist and senior political engineer, is an employee representative Supervisor, Vice-chairman of the Labour Union and Director of Female Staff Committee of the Company. From February 2005 to January 2008, Ms. Liu was deputy secretary to the Communist Party Committee, secretary to the disciplinary committee, chairman of the supervisory committee and a supervisor of China Railway NO.7 Engineering Group Co., Ltd.. She has been Vice-chairman of the Labour Union and Director of Female Staff Committee of our Company and member and standing member of Expense Inspection Commission under China National Railway Labour Union since January 2008 and an employee representative Supervisor of the Company since January 2011.

ZHANG Xixue
(Supervisor)

ZHANG Xixue, 58, engineer and senior political engineer, is an employee representative Supervisor of the Company and concurrently an employee supervisor of the State-owned Enterprise Supervisory Committee of the State Council. From September 1990 to September 2007, Mr. Zhang was secretary to the general office, director of the general office of Fujiu command department, deputy secretary to the Working Committee of the Communist Party of Neijiang-Kunming command department, director of the general office, the head of supervisory department of the disciplinary committee and head of case judgment promotion and education department of disciplinary committee of CRECG. He has been an employee representative Supervisor of the Company since September 2007. He was an employee supervisor of State-owned Enterprise Supervisory Committee of the State Council from 2001 to 2007 and has served the same position since February 2010.

LIN Longbiao
(Supervisor)

LIN Longbiao, 53, senior accountant, is an employee representative Supervisor and the Director of Audit Department of the Company. Mr. Lin is also an employee supervisor of State-owned Enterprise Supervisory Committee of the State Council. From July 2005 to September 2007, he was director of the audit department of CRECG. He has been an employee supervisor of State-owned Enterprise Supervisory Committee of the State Council since February 2007 and an employee representative Supervisor and the Director of Audit Department of the Company since September 2007.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, 47, senior economist, is a shareholder representative Supervisor of the Company. Mr. Chen was deputy director of audit and supervision division and deputy director of legal affair division of China Railway No. 10 Engineering Group Co., Ltd. from January 2004 to January 2008, supervisor of China Railway Engineering Deshang Expressway Development Co., Ltd. from December 2004 to April 2010. He has been a supervisor of China Railway South Investment & Development Co., Ltd. since December 2007. He was Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He has been a director of Lince Railway Co., Ltd. since December 2010 as well as a shareholder representative Supervisor of the Company since January 2011.

3. Senior Management

For biographical details of Mr. Bai Zhongren who is concurrently a Director and member of senior management of the Company, please refer to the section above.

LI Jiansheng
(Vice President, Chief Financial Officer and General Legal Advisor)

LI Jiansheng, 56, senior accountant, is a certified public accountant and corporate legal advisor, Vice President, Chief Financial Officer and General Legal Advisor of the Company. Ms. Li was the chief accountant and general legal advisor of CRECG from December 2002 to September 2007 and chairman of China Railway Trust Co., Ltd. from May 2005 to December 2009. She has been the Vice President, Chief Financial Officer and General Legal Advisor of the Company since September 2007.

Biography of Directors, Supervisors and Senior Management (continued)

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, 51, professor level senior engineer, is a state registered consulting engineer and state-registered grade one contractor, Vice President and Chief Engineer of the Company, as well as vice chairman of the Third Railway Survey and Design Institute Group Corporation. Mr. Liu was deputy general manager and chief engineer of CRECG from April 2001 to September 2007, and has been the vice chairman of the Third Railway Survey and Design Institute Group Corporation since January 2007 and the Vice President and Chief Engineer of the Company since September 2007.

MA Li
(Vice President)

MA Li, 53, senior engineer, is a Vice President of the Company. Mr. Ma was general manager and secretary to the Communist Party Committee of China National Overseas Engineering Corporation from March 2002 to March 2004, served as deputy general manager of CRECG from March 2004 to September 2007. He has been a Vice President of the Company since September 2007.

ZHOU Mengbo
(Vice President)

ZHOU Mengbo, 46, professor level senior engineer, is a Vice President of the Company. Mr. Zhou was chairman and general manager of China Railway Major Bridge Engineering Group Co., Ltd. from April 2001 to September 2006. Mr. Zhou served as deputy general manager of CRECG from September 2006 to September 2007. He has been a Vice President of the Company since September 2007.

Biography of Directors, Supervisors and Senior Management (continued)

DAI Hegen
(Vice President)

DAI Hegen, 45, senior economist, is a Vice President of the Company. Mr. Dai was general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway No. 4 Engineering Group Co., Ltd. from April 2004 to September 2006. He served as deputy general manager of CRECG from September 2006 to September 2007 and has been a Vice President of the Company since September 2007.

DUAN Xiubin
(Vice President)

DUAN Xiubin, 57, senior engineer, is a Vice President of the Company. From March 2004 to October 2006, Mr. Duan was chairman and secretary to the Communist Party Committee of China Railway Construction Group (CRCG) Co., Ltd.. Mr. Duan was deputy general manager of CRECG from October 2006 to September 2007. He was also chairman and secretary to the Communist Party Committee of China Railway Real Estate Group Co., Ltd. from February 2007 to July 2008. He has been a Vice President of the Company since September 2007.

ZHANG Xian
(Vice President)

ZHANG Xian, 50, professor level senior engineer, is a Vice President of the Company. Mr. Zhang was general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway NO. 6 Engineering Group Co., Ltd. from December 2003 to July 2010. He has been a Vice President of the Company since July 2010.

XU Tingwang
(Chief Economist)

XU Tingwang, 55, senior economist, is the Chief Economist of the Company. Mr. Xu was a deputy secretary to the disciplinary committee and head of supervisory department of CRECG from April 1997 to December 2006, deputy chief economist and director of Division of Cadre of CRECG from December 2006 to January 2008, Deputy Chief Economist and Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from January 2008 to July 2010, Chief Economist and also Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from July 2010 to November 2010. He has been Chief Economist of the Company since November 2010.

YU Tengqun
(Secretary to the Board of Directors and Joint Company Secretary)

YU Tengqun, 41, senior economist, lawyer and corporate legal advisor, is the Secretary to the Board of Directors of the Company. Mr. Yu is also a member of the All-China Youth Federation, member of the China Young Entrepreneurs Association, the deputy secretary of Association of State-owned Enterprise Youth, the deputy secretary of the Listed Companies Association of Beijing, vice director of Legal Committee of China Association of Communication Enterprise Management, standing director of China Law Society Securities Law Research Branch, tutor for graduates of Central University of Finance and Economics, arbitrator of China International Economic and Trade Arbitration Commission, arbitrator of Beijing Arbitration Commission, legal advisor to China's Enterprise Overseas Business Adjustment Center of the Ministry of Commerce, and member of Engineering Expert Panel of China International Contractors Association. Mr. Yu was vice director of enterprise management division, vice director of enterprise development and planning department and assistant general legal advisor and director of legal affair division of CRECG successively from March 2000 to November 2006. He was secretary to the board and director of legal affair division of CRECG from November 2006 to September 2007. Mr. Yu was a supervisor of China Railway Turnout & Bridge Co., Ltd., a director of China Railway NO. 1 Engineering Group Co., Ltd., and vice chairman of China Railway NO. 10 Engineering Group Co., Ltd. from 2001 to 2007. Mr. Yu has been the Secretary to the Board of Directors of the Company since September 2007.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, 38, is the Joint Company Secretary and Qualified Accountant of the Company and is also an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd.. Mr. Tam joined the Company in November 2007. Prior to joining the Company, Mr. Tam served as a qualified accountant and joint company secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. Tam worked for a major international accounting firm as an assistant manager. Mr. Tam has over 13 years of experience in the accounting and audit field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

Report of the Directors

Principal Businesses

We are one of the largest integrated construction group in the PRC and in Asia primarily engaged in the infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses.

Financial Statements

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 66 to 170.

Dividends

The Board of Directors recommend the payment of a final dividend in the amount of RMB0.055 per share (including tax), totalling approximately RMB1.1725 billion for the year ended 31 December 2010 (2009: RMB0.063 per share (including tax) totaling approximately RMB1.342 billion). The distribution plan will be implemented upon approval at the 2010 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB6.572 million (2009: RMB5.063 million).

Property, Plant and Equipment

Changes to the property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

Share Capital

Details of the Company's share capital are set out in note 34 to the financial statements.

Distributable Reserves

As at 31 December 2010, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB4.68 billion.

Use of Proceeds from the Initial Public Offering

Save as disclosed below, the proceeds raised from A share offering and H share offering of the Company, being RMB22.440 billion and HK$22.108 billion, respectively, are used in accordance with the purposes disclosed in the A share prospectus of the Company dated 30 November 2007 and the H share prospectus of the Company dated 23 November 2007, respectively.

In accordance with the disclosure in the A share prospectus of the Company in respect of the use of proceeds from the offering, an amount of RMB1.04 billion of the A share proceeds was to be used for a residential property development project of the Company referred to as "An Qing Xin Cheng Dong Yuan". Given the situation of the project, the Company changed the use of an amount of RMB540 million of the proceeds from the A share offering which had not been invested in the project to supplement the Company's working capital, which has been approved by the 2008 annual general meeting of the Company held on 25 June 2009.

In addition, given the substantial amount of proceeds from the H share offering designated for the purchase of equipment from abroad which remained unused, and that the development of the Company's businesses and equipment manufacturing technology would require a significant amount of working capital, the Company changed the use of the remaining balance of the proceeds from H share offering for the "purchase of equipment from abroad" of RMB3,035,989,900 as at 31 July 2010 to "additional working capital and others", which has been approved by the first extraordinary general meeting in 2011 of the Company held on 27 January 2011.

As at 31 December 2010, a total amount of HK$10 billion of the proceeds from the H share offering of the Company was remitted to the PRC, all of which was converted and used.

During the financial year, approximately RMB55.65 million raised from the A share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB25.65 million was used for the Siji Huacheng property development project in Shijiazhuang; and

- Approximately RMB30.00 million was used for the Xin Cheng Dong Yuan property development project in Anqing.

Approximately RMB85.29 million raised from the A share offering of the Company remains unused, which is deposited in the special bank account of the Company.

During the financial year, approximately RMB2.361 billion raised from the H share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB951 million was used for equipment purchase;

- Approximately RMB830 million was used for overseas mining projects; and

- Approximately RMB581 million was used for working capital and repayment of bank loans.

Approximately RMB3.337 billion raised from the H share offering of the Company remains unused, which is deposited in the special bank account of the Company.

Reserves

Changes to the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 69 to 70.

Major Customers and Suppliers

The Ministry of Railways of the PRC ("MOR") is the largest customer of the Group. For the year ended 31 December 2010, sales to the MOR accounted for approximately 49% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the MOR) in aggregate accounted for approximately 52% of the total revenue of the Group. At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2010, purchases from the five largest suppliers of the Group in aggregate accounted for less than 30% of the total purchases of the Group in 2010.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2010 are set out in note 46 and note 48, respectively, to the financial statements.

Directors, Supervisors and Senior Management of the Company

The Directors of the Company during the financial year were as follows:

Name	Position
LI Changjin (appointed as Chairman on 18 June 2010)	Chairman and Executive Director
BAI Zhongren	Executive Director
YAO Guiqing (appointed on 12 August 2010)	Vice Chairman and Executive Director
HE Gong	Independent Non-executive Director
GONG Huazhang	Independent Non-executive Director
WANG Taiwen	Independent Non-executive Director
SUN Patrick	Independent Non-executive Director
SHI Dahua (resigned on 18 June 2010)	Chairman and Executive Director
WANG Qiuming (resigned on 12 August 2010)	Non-executive Director
ZHANG Qinglin (passed away due to illness in February 2010)	Independent Non-executive Director

The Supervisors of the Company during the financial year were as follows:

Name	Position
WANG Qiuming (appointed on 12 August 2010)	Chairman of the Supervisory Committee
JI Zhihua	Supervisor
ZHANG Xixue	Supervisor
ZHOU Yuqing	Supervisor
LIN Longbiao	Supervisor
YAO Guiqing (resigned on 12 August 2010)	Chairman of the Supervisory Committee

The senior management of the Company during the financial year were as follows:

Name	Position
BAI Zhongren (appointed on 29 June 2010)	President
LI Jiansheng	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui	Vice President and Chief Engineer
MA Li	Vice President
ZHOU Mengbo	Vice President

Name	Position
DAI Hegen	Vice President
DUAN Xiubin	Vice President
ZHANG Xian (appointed in July 2010)	Vice President
XuTingwang (appointed in July 2010)	Chief Economist
YU Tengqun	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant
LI Changjin (resigned on 29 June 2010)	President

The term of directorship of all directors of the first session of the Board should have expired on 12 September 2010. But according to the relevant laws, they shall continue to serve as directors until members of the second session of the Board assume their office. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing were re-elected as Executive Directors, Mr. HE Gong, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were re-elected as Independent Non-executive Directors, Mr. HAN Xiuguo was elected as a Non-executive Director. These directors comprise the second session of the Board of the Company. Furthermore, at the first meeting of the second session of the Board of the Company held on the same date, Mr. LI Changjin was elected as Chairman of the Board and Mr. YAO Guiqing was elected as Vice Chairman of the Board. The term of office of all supervisors of the first session of the Supervisory Committee should have expired on 12 September 2010. According to the relevant laws, they shall continue to serve as supervisors until members of the second session of the Supervisory Committee assume their office. At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as employee representative Supervisors. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a shareholder representative Supervisor and Mr. CHEN Wenxin was elected as a shareholder representative Supervisor. Therefore, Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be supervisors of the Company from 22 January 2011. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.

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

The biographical details of the current directors, supervisors and senior management of the Company are set out in "Biography of Directors, Supervisors and Senior Management".

Directors' and Supervisors' Interests in Contracts

No contract of significance to which the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emoluments of the Directors and Supervisors and the Five Highest Paid Individuals of the Company

Details of the emoluments of the directors, supervisors and the five highest paid individuals of the Company in 2010 are set out in note 14 of the audited financial statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2010, none of the Company or the Company's subsidiary or holding company or a subsidiary of the company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Company has entered into a service contract with the Company or its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

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

Save as disclosed below, as at 31 December 2010, none of the directors and supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director/ Supervisor	Capacity	Number of A Shares held (long position) (Shares)	Approximate Percentage of Issued A Shares (%)	Approximate Percentage of Total Issued Shares (%)
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005
Supervisor				
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002

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

As at 31 December 2010, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of Substantial Shareholders	Capacity	Number of A Shares held (long position) (Shares)	Nature of Interest	Approximate Percentage of Issued A Shares (%)	Approximate Percentage of Total Issued Shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

Holders of H Shares

Name of Substantial Shareholders	Capacity	Number of H Shares held (long position) (Shares)	Nature of Interest	Approximate Percentage of Issued H Shares (%)	Approximate Percentage of Total Issued Shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman Brothers Holdings Inc.(note 1)	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
	Interest of controlled corporations	94,560,550	Short position	2.25	0.44
Blackrock, Inc.(note 2)	Interest of controlled corporations	320,968,801	Long position	7.63	1.51
	Interest of controlled corporations	13,559,993	Short position	0.32	0.06

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by Lehman Brothers Holdings Inc. with the Hong Kong Stock Exchange dated 18 September 2008, Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Holdings Plc which in turn wholly owns Lehman Brothers International (Europe) (which held 59,870,550 H Shares of the Company and 67,870,550 short position in H Shares of the Company) ; Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Inc (which held 26,551,000 H Shares of the Company and 26,551,000 short position in H Shares of the Company) and Lehman Brothers Finance S.A. (which held 123,652,010 H Shares of the Company and 60,000 short position in H Shares of the Company) as well. Lehman Brothers Holdings Inc. also controls LBCCA Holdings I LLC. and LBCCA Holdings II LLC, both of which in turn jointly wholly own Lehman Brothers Commercial Corporation Asia Limited (which held 113,000 H Shares of the Company and 79,000 short position in H Shares of the Company). Accordingly, Lehman Brothers Holdings Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.*

2 *According to the Corporate Substantial Shareholder Notice filed by Blackrock, Inc. with the Hong Kong Stock Exchange dated 17 December 2010, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC (which held 2,740,753 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 59,483,000 H Shares of the Company and 121,000 short position in H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Fund Advisor (which held 207,974,000 H Shares of the Company). Blackrock, Inc. also indirectly wholly owns BR Jersey International LP which in turn wholly owns Blackrock Asset Management Australia Limited (which held 73,000 H Shares of the Company), Blackrock Asset Management Canada Limited (which held 261,000 H Shares of the Company) and BlackRock Asset Management North Asia Limited (which held 11,623,308 H Shares of the Company and 10,024,308 short position in H Shares of the Company). BR Jersey International LP also indirectly wholly owns BlackRock Group Limited which in turn wholly owns Blackrock Asset Management Ireland Ltd (which held 28,801,000 H Shares of the Company), Blackrock Advisors UK Ltd (which held 6,930,145 H Shares of the Company and 3,414,145 short position in H Shares of the Company), BlackRock International Ltd. (which held 2,303,595 H Shares of the Company), BlackRock Fund Managers Ltd (which held 325,000 H Shares of the Company), as well as BlackRock Asset Management Deutschland AG (which held 454,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.*

Apart from the foregoing, as at 31 December 2010, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

None of the Company's directors held any interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Connected Transactions

One-off Connected Transactions Defined under the Listing Rules

CRECG is the Company's controlling shareholder and is therefore one of the Company's connected persons under the Listing Rules. Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

1. The Company entered into an equity transfer agreement with CRECG on 8 March 2010 and issued an announcement on the same date. Pursuant to the equity transfer agreement, the Company agreed to purchase and CRECG agreed to sell the 100% equity interest in China Railway Port and Waterway Engineering Bureau Limited for a consideration of RMB408,640,900, which would be satisfied in cash within 15 days of the effective date of the equity transfer agreement and would be funded using internal resources of the Company. By acquiring China Railway Port and Waterway Engineering Bureau Limited, the Company would enhance its ability to undertake hydraulic engineering work, further improve the industry chain and achieve synergy between businesses, thus becoming a leading enterprise in the engineering and infrastructure sector which is truly capable of providing comprehensive one-stop solutions and avoid competition between the businesses of the Company and that of CRECG. The acquisition has completed by 30 June 2010.

2. The Company entered into a subscription agreement with CRECG on 18 June 2010 pursuant to which CRECG will subscribe in cash for not more than 851,580,000 A shares (which may be adjusted) to be issued by the Company under the private placement of A shares, as part of the private placement of A shares with a total subscription price of not exceeding RMB3.50 billion. Relevant proposals on private placement of A shares have been approved at the 2010 first extraordinary general meeting of the Company, the 2010 first class meeting of holders of A shares of the Company and the 2010 first class meeting of holders of H shares of the Company held on 12 August 2010, and the Board and relevant persons were authorised to deal with all matters relating to the private placement of A shares. The private placement of A shares has not yet proceeded as of the date of this annual report.

3. The Company entered into an equity transfer agreement with CRECG on 28 December 2010 and issued an announcement on the same date. Pursuant to the equity transfer agreement, the Company agreed to purchase and CRECG agreed to sell the 100% equity interest in China Airport Construction Co., Ltd. for a consideration of RMB372,919,000 which would be satisfied in cash within 5 days of the effective date of the equity transfer agreement and would be funded using internal resources of the Company. The acquisition would enhance the Company's ability in the property development and airport runway engineering fields and would have a positive effect on the Company's efforts in strengthening its core businesses, also effectively reduce competition between the businesses of CRECG, the Company's controlling shareholder, and that of the Company, and avoid potential connected transactions with CRECG and its subsidiaries. The acquisition has completed by 31 December 2010.

4. Huatie Engineering Consultancy Co., Ltd, an indirect wholly-owned subsidiary of the Company, entered into an assets transfer agreement with CRECG and Hongda Assets Management Centre on 31 December 2010 and an announcement was issued on 3 January 2011. Pursuant to the assets transfer agreement, Huatie Engineering Consultancy Co., Ltd agreed to purchase and CRECG and Hongda Assets Management Centre agreed to sell a parcel of land and a number of buildings erected thereon situates at No.36 Fengbei Road, Fengtai District, Beijing for a consideration of RMB177,700,100 which would be satisfied in cash and payable to CRECG within 10 days of the effective date of the assets transfer agreement and would be funded using internal resources of Huatie Engineering Consultancy Co., Ltd. The acquisition would facilitate development of Huatie Engineering Consultancy Co., Ltd in the future, and would further reduce the connected transactions with CRECG and its subsidiaries. The acquisition has not yet completed as of the date of this annual report.

Material Connected Transactions as Defined by PRC Laws and Regulations

Details of the material connected transactions as defined by PRC laws and regulations are set out on pages 178 to 187 of this annual report.

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

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

Pre-emptive Rights and Share Option Arrangements

There are no provisions for pre-emptive rights pursuant to the Company's Articles of Association (the "Articles of Association") and the relevant laws and regulations of the PRC. Currently, the Company does not have any arrangement with respect to share options.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2010 are set out in note 36 to the financial statements.

Financial Summary

A summary of the audited results and of the audited statements of the assets and liabilities of the Group for the last five financial years is set out on page 3.

Emolument Policy

The Group emphasises the importance of recruiting, incentivising, developing and retaining its staff and paid close attention to the fairness of its remuneration structure. The Group implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employees' remuneration of the Company are set out in note 14 to the financial statements.

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

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

The annual remuneration of executive directors of the Company consists of a basic salary and a performance-linked bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the non-executive and independent non-executive directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 14 to the financial statements.

The personnel expenses of the Company for the year ended 31 December 2010 were RMB24.490 billion. As at 31 December 2010, the number of employees hired by the Group was 285,054. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2010:

Division	Number of employees as at 31 December 2010
Production	137,552
Sales and Marketing	21,070
Engineering and Technology	95,964
Finance	13,552
Administration	16,946
Total	285,054

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 39 to the financial statements.

Public Float

As at the date of this annual report, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 52 to 64 of this annual report.

Auditors

The 2010 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by Deloitte Touche Tohmatsu CPA Ltd..

A resolution for the reappointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. as the international and domestic auditors of the Company shall be proposed at the forthcoming annual general meeting.

By order of the Board

LI Changjin
Chairman

Beijing, the PRC
30 March 2011

Report of Supervisory Committee

1. Workings of Supervisory Committee

During the reporting period, the Supervisory Committee actively performed its duties pursuant to the terms of reference under the Articles of Association. During the year, the Supervisory Committee held 4 meetings and the convening and procedure of the meetings complied with the Articles of Association and Terms of Reference for the Supervisory Committee. Prior to August 2010, Mr. Yao Guiqing, the then shareholders representative supervisor was Chairman of the Supervisory Committee. In August 2010, at the 2010 first extraordinary general meeting of the Company, Mr. Yao Guiqing was elected as a director of the Company and ceased to be the Chairman of the Supervisory Committee and the supervisor. At the same time, Mr. Wang Qiuming was appointed as the shareholders representative supervisor and was elected as the Chairman of the Supervisory Committee on the Thirteenth Meeting of the First Session of Supervisory Committee of the Company. Workings of the Supervisory Committee of the Company are detailed as follows:

On 27 April 2010, the Twelfth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 9 resolutions, namely, Resolution on the Reviews of 2009 A Shares Annual Report and its Summary and 2009 H Shares Annual Report and Results Announcement, Resolution on the Audited Consolidated Financial Statements for 2009, Resolution on 2010 First Quarterly Report, Resolution on 2010 First Quarterly Financial Statements, Resolution on the Self-evaluation Report of the Board relating Internal Control, Resolution on the Engagement of Auditors for 2010, Resolution on the Profit Distribution for 2009, Resolution on the Connected Transactions entered into with the Head Company with a Term of Three Year (from 2010 to 2012) and Resolution on the Work Report of the Supervisory Committee for 2009. They also heard reports on the acquisition and disposal of assets and use of proceeds in 2009.

On 12 August 2010, the Thirteenth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed the Resolution on the Election of New Chairman of the Supervisory Committee.

On 27 August 2010, the Fourteenth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 3 resolutions, namely, Resolution on the Review of 2010 A Shares Half-year Report and its Summary and H Shares Interim Report and Results Announcement, Resolution on the Review of Financial Statements for the Accounting Period of Six Months Ended 30 June 2010 and Resolution on Change in Use of Part of Proceeds from H Share Offering.

On 28 October 2010, the Fifteenth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 3 resolutions, namely, Resolution on the Review of 2010 Third Quarterly Report of the Company, Resolution on 2010 Third Quarterly Financial Statements and Resolution on the Proposed Profit Distribution of Subsidiaries of the Company for the First Half of 2010.

In 2010, the Supervisory Committee attended the 2009 annual general meeting, the 2010 first extraordinary general meeting of the Company, the 2010 first class meeting of holders of A shares of the Company, the 2010 first class meeting of holders of H shares of the Company and all the Board meetings held during the year of the Company. The Supervisory Committee effectively supervised the convening and subjects of the Board meeting and was not aware of any Board meeting that was not in compliance with relevant laws or regulations.

2. Independent Opinions of Supervisory Committee on Legal Compliance of the Operations of the Company

During the reporting period, the Supervisory Committee supervised the Directors and senior management of Company, and was of the opinion that the Board of the Company had been in strict compliance with the provisions of the Company Law, the Securities Law, the Articles of Association and other relevant laws, regulations and rules, and the Company had operated in compliance with applicable laws. The major decisions for the operation of the Company were made in a reasonable, legitimate and effective way. In order to further standardize the operation, the Company established and improved the internal governance rules and internal control system. The Directors and senior management of the Company discharged their duties in accordance with laws and regulations of the PRC, the Articles of Association, and the resolutions of the general meeting and the Board, in a diligent, devoted and innovative manner. The Supervisory Committee was not aware of any acts of the Directors and senior management of the Company in the performing of their duties which may result in a breach of laws or regulations or the Articles of Association and which may damage the interests of the Company and its shareholders.

3. Independent Opinions of Supervisory Committee on Inspection of the Financial Position of the Company

The members of the Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the specific report from the financial officers of the Company, reviewing the financial statements of the Company, reviewing the regular report of the Company and the auditor’s report from accounting firms, and on-site investigation on major investment or financing projects approved by the Board. The Supervisory Committee was of opinion that the financial system was adequately prepared and all the expenses were provided properly. Deloitte Touche Tohmatsu CPA Ltd. has audited the financial report of the Company and issued an unqualified audit report confirming that the accounting report of the Company is in compliance with the related provisions of Enterprise Accounting Standards and Enterprise Accounting System and gives an objective, fair, true and accurate view of the financial position and operational results of the Company in 2010.

4. Independent Opinions of Supervisory Committee on the Actual Use of the Latest Listing Proceeds

During the reporting period, the Supervisory Committee supervised the use of the listing proceeds by the Company and was of the opinion that the Company had managed and used the listing proceeds according to the Use and Management System of the Listing Proceeds and that the use of listing proceeds were in compliance with the commitments of the Company. The usage of the listing proceeds complied with the relevant laws and regulations of the PRC and the requirements of Articles of Association and there were no acts which may damage the interests of the Company and shareholders. During the reporting period, there were no changes in the actual invested projects of the Company and procedures for the change in use of part of proceeds from H share offering of the Company were in compliance with the requirements. The Supervisory Committee will continue to supervise and inspect on the usage progress of the listing proceeds.

5. Independent Opinions of Supervisory Committee on Material Acquisition and Disposal of Assets by the Company

During the reporting period, the Supervisory Committee supervised the material acquisition and disposal of assets and mergers conducted by the Company and was of the opinion that the material acquisition and disposal of assets and mergers by the Company were valued on fair basis and the relevant procedure was in compliance with laws. The Supervisory Committee was not aware of any acts that would be detrimental to the interests of shareholders or cause loss of assets of the Company.

6. Independent Opinions of Supervisory Committee on the Connected Transactions of the Company

During the reporting period, the Supervisory Committee supervised the connected transactions of the Company and was of the opinion that all the connected transactions of the Company were entered into in accordance with applicable laws or regulations such as the Company Law, the Securities Law, the Listing Rules of Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the provisions of the Articles of Association and Rules Governing the Connected Transactions of the Company. The connected transactions were entered into under fully justified and cautious decision by the Board and the management of the Company. The value of the connected transactions were determined in accordance with the principle of exchange of equal values by reference to fair market value and thus did not go against the principles of fairness, openness and justice. No acts were noted which may be detrimental to the interests of the Company and its minority shareholders.

7. Independent Opinions of Supervisory Committee on Accounting Firm's Non-standard Opinion

Not applicable

8. Independent Opinions of Supervisory Committee on the Significant Difference Between the Realized Profit and Profit Forecast

During the reporting period, the Company did not disclose any profit forecast, therefore, there is no significant difference between realized profit and profit forecast.

9. Supervisory Committee's Review of Self-assessment Report on Internal Control

During reporting period, the Supervisory Committee of the Company reviewed the self assessment report on the internal control of the Company and was of the opinion that the Company, based on its actual circumstances, had established a sound internal control system covering all aspects of the management of the Company in accordance with relevant requirements of the Company Law, the China Securities Regulatory Commission and the Shanghai Stock Exchange and in compliance with basic principles of internal control, to ensure the orderly operations of the Company, and the Company also established complete internal control organizations to ensure effective supervision and implementation of its internal control system. In 2010, the Company's internal major controlling activities were conducted in a standard, lawful and effective way and did not violate the relevant requirements of state securities regulatory bodies and internal control rules of the Company. In conclusion, the Supervisory Committee is of the opinion that self-assessment report on internal control for the year of 2010 is comprehensive and objective and gives a true and accurate picture of how the Company actually established, optimized and implemented its internal control system and do not have objections against the report.

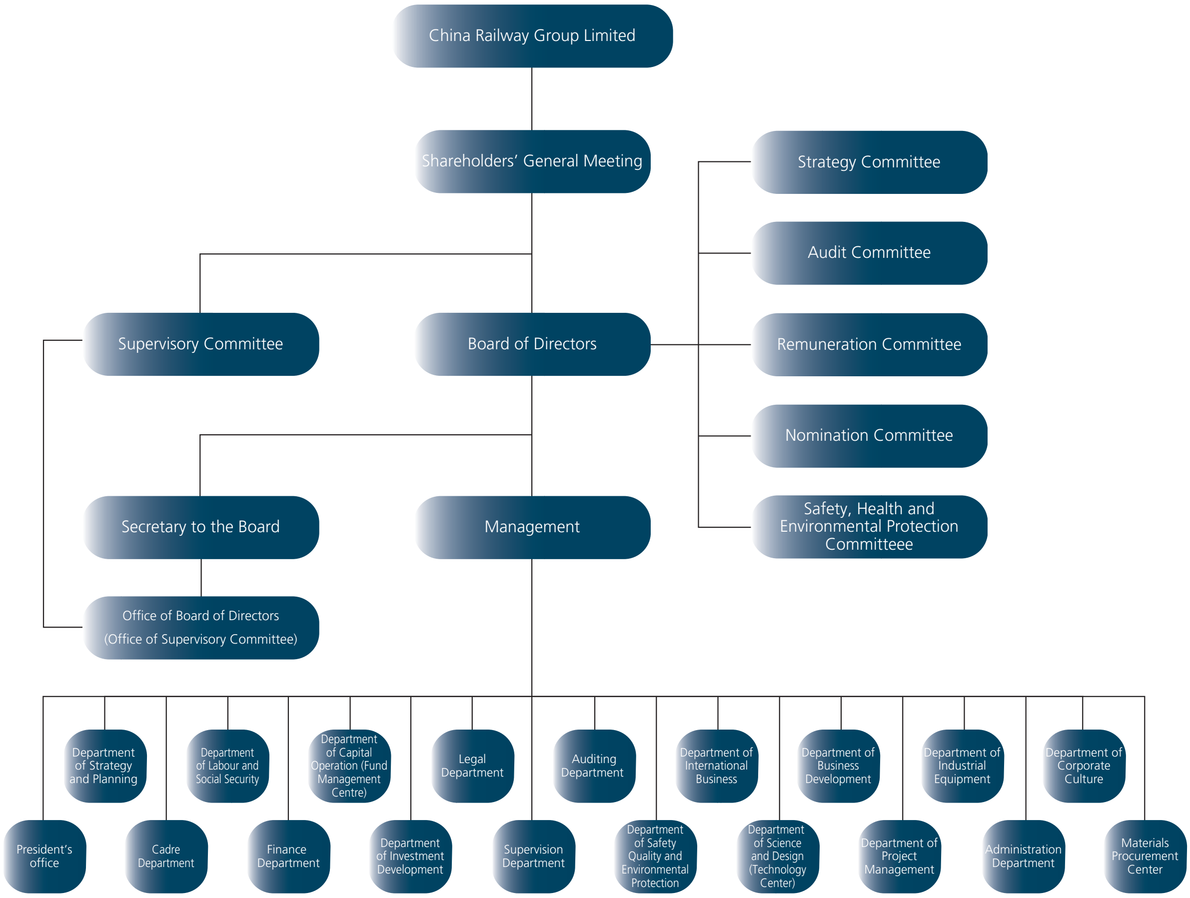
Report on Corporate Governance Practices

Overview

During the reporting period, the Company complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's goal is to ensure the sustainable long-term development of the Company and to generate greater returns for its shareholders. The Board of Directors believes that, in order to achieve this goal, the Company must maintain and implement corporate governance principles and structures that are credible, transparent, open and effective. For this reason, we have taken various measures to achieve an effective board of directors, including establishing five board committees, namely, the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. Moreover, the Company has set up 22 functional departments. We have adopted internal working procedures to ensure accurate and timely information disclosure in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as well as the requirements under the relevant PRC laws and regulations. The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance its corporate governance standards in light of the actual circumstances of the Company.

Corporate Governance framework

Pursuant to the requirements of the Company Law, the Securities Law, the Listing Rules and other relevant laws and regulations, the Company established its corporate governance structure which comprises the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and senior management.



Compliance with the Code Provisions of the Code on Corporate Governance Practices

As a company listed on the main board of the Hong Kong Stock Exchange, the Company is committed to uphold the principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Save for the requirements set out in each of the code provisions A.2.1, A.4.2 and A.4.4 of the Code on Corporate Governance Practices, the Company complied with all code provisions of the Code on Corporate Governance Practices during the reporting period.

Mr. SHI Dahua resigned from positions as executive director and chairman of the Board of the Company on 18 June 2010, and on the same date, Mr. LI Changjin, the then Executive Director and president of the Company was elected as Chairman of the Board. On 29 June 2010, Mr. BAI Zhongren, the then Executive Director, vice president and chief economist of the Company was re-designated as Executive Director and President of the Company, and Mr. LI Changjin ceased to be president of the Company but remained as Chairman and Executive Director of the Company. Accordingly, the Company failed to comply with the requirement that the role of chairman and president should be performed by separate persons as set out in the code provision A.2.1 of the Code on Corporate Governance Practices during the period from 18 June 2010 to 28 June 2010.

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

Mr. ZHANG Qinglin, Independent Non-executive Director of the Company, passed away due to illness in February 2010, and therefore, ceased to act as a member of the Nomination Committee. On 26 April 2010, Mr. GONG Huazhang was appointed as a member of the Nomination Committee. After Mr. ZHANG Qinglin's passing away, only half of the members of the Nomination Committee are Independent Non-Executive Directors. Accordingly, the Company failed to comply with the requirement that the majority of the members of the nomination committee shall be independent non-executive directors as set out in the code provision A.4.4 of the Code on Corporate Governance Practices during the period from the date when Mr. ZHANG Qinglin passed away to 25 April 2010. The Company has at all times complied with the requirement that there shall be at least three independent non-executive directors.

Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Company. In accordance with the requirements of the Company Law, the Securities Law and other relevant laws and regulations, the Company formulated the Articles of Association of the Company and the Terms of Reference for the Shareholders' General Meeting to regulate the convening and voting procedures for shareholders' general meetings.

During the reporting period, the Company convened and held two shareholders' general meetings and two class shareholders' meeting, being the 2009 annual general meeting held on 29 June 2010, the 2010 first extraordinary general meeting held on 12 August 2010, the 2010 first class meeting of holders of A shares and the 2010 first class meeting of holders of H shares held on the same date. A total of 7 ordinary resolutions, including approving the 2009 report of the Board of Directors of the Company, the 2009 report of the Supervisory Committee of the Company, the re-appointment of the external auditors of the Company and the 2009 profit distribution plan of the Company, were passed at the 2009 annual general meeting. In addition to 8 ordinary resolutions, including approving the proposal on fulfillment of the conditions for the private placement of A shares by the Company, the proposal regarding the conditional share subscription agreement between the Company and CRECG, the appointment of directors and the appointment of supervisors, 7 special resolutions, including the proposal on private placement of A shares, the issue of short term notes and relevant authorization matters, the amendments to the Articles of Association of the Company, the amendments to the Procedural Rules for the Shareholders' General Meeting of the Company and the amendments to the Procedural Rules for the Board of Directors of the Company, were passed at the 2010 first extraordinary general meeting. A total of 3 special resolutions, including approving the proposal regarding the conditional share subscription agreement between the Company and CRECG, the proposal on the private placement of A shares to target investors and the proposal on private placement of A shares of the Company were passed at the 2010 first class meeting of holders of A shares. A total of 3 special resolutions, including approving the proposal regarding the conditional share subscription agreement between the Company and CRECG, the proposal on the private placement of A shares to target investors and the proposal on private placement of A shares of the Company were passed at the 2010 first class meeting of holders of H shares. The meeting was convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The Board of Directors

(1) The Board of Directors

Mr. LI Changjin *(note 1)*	Chairman of the Board and Executive Director
Mr. BAI Zhongren *(note 1)*	Executive Director and President
Mr. YAO Guiqing *(note 2)*	Vice Chairman of the Board and Executive Director
Mr. HE Gong	Independent Non-executive Director
Mr. GONG Huazhang	Independent Non-executive Director
Mr. WANG Taiwen	Independent Non-executive Director
Mr. SUN Patrick	Independent Non-executive Director
Mr. SHI Dahua *(note 3)*	Chairman of the Board and Executive Director
Mr. WANG Qiuming *(note 2)*	Non-executive Director
Mr. ZHANG Qinglin *(note 4)*	Independent Non-executive Directors

Note1: Mr. LI Changjin was elected as Chairman of the Board on 18 June 2010 and ceased to be president of the Company on 29 June 2010. Mr. BAI Zhongren ceased to be vice president and chief economist of the Company and was appointed as president of the Company on 29 June 2010.

Note 2: Mr. YAO Guiqing was appointed as Executive Director and Vice Chairman of the Board on 12 August 2010 and ceased to be supervisor and chairman of the Supervisory Committee on the same date. Mr. WANG Qiuming was appointed as a shareholder representative Supervisor on 12 August 2010 and ceased to be non-executive director on the same date.

Note 3: Mr. SHI Dahua resigned from positions as executive Director and chairman of the Board of the Company on 18 June 2010.

Note 4: Mr. ZHANG Qinglin passed away due to illness in February 2010.

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

There were no material financial, business, family or other relationship among members of the Board of Directors.

The majority of the members of the Board are Independent Non-executive Directors. The Company has received confirmation of independence from the Independent Non-executive Directors and the Company considers each Independent Non- executive Director as independent.

Pursuant to the Articles of Association of the Company, the term of office of Directors (including Non-executive Director and Independent Non-executive Directors) is three years which is renewable upon re-election and each Independent Non- executive Director shall not serve for more than six years continuously in order to ensure his independence.

(2) Board Meetings

In 2010, the Company held 13 board meetings, 4 of which were convened by way of telephone meeting. A total of 134 proposals were considered at these board meetings, including proposals for the consideration of the Company's 2009 annual report, 2010 first quarterly report, interim report and third quarterly report, change of Chairman of the Board, the proposed private placement of A shares to target investors, the proposal on private placement of A shares of the Company, the conditional share subscription agreement between the Company and CRECG, the change in use of part of proceeds from H share offering, registration and issue of mid term notes of a principal amount of RMB12 billion, proposed issue of short term bonds of a principal amount not exceeding the equivalence of RMB19 billion and acquisition from CRECG of the 100% equity interests in China Airport Construction Co., Ltd..

The table below sets out the details of board meeting attendance of each Director during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	13	13	0
BAI Zhongren	13	13	0
YAO Guiqing *(note 1)*	5	5	0
HE Gong	13	13	0
GONG Huazhang	13	13	0
WANG Taiwen	13	13	0
SUN Patrick	13	12	1
SHI Dahua *(note 2)*	5	5	0
WANG Qiuming *(note 1)*	8	7	1
ZHANG Qinglin *(note 3)*	1	1	0

Note1: Mr. YAO Guiqing was appointed as Executive Director and Vice Chairman of the Board on 12 August 2010 and ceased to be supervisor and chairman of the Supervisory Committee on the same date. Mr. WANG Qiuming was appointed as a shareholder representative Supervisor on 12 August 2010 and ceased to be non-executive director on the same date.

Note 2: Mr. SHI Dahua resigned from positions as executive director and chairman of the Board of the Company on 18 June 2010.

Note 3: Mr. ZHANG Qinglin passed away due to illness in February 2010.

(3) Responsibilities and Operation of the Board of Directors

The responsibilities of the Board of Directors are, among other things, convening shareholders' general meetings and reporting its work to shareholders at such meetings, implementing resolutions of shareholders' general meetings, making decisions on business strategies, business plans and material investment plans, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and if applicable, plans for making up losses previously incurred, formulating plans relating to the increase or reduction of our Company's registered capital, the issuance of corporate bonds or other securities and where applicable, the listing of such securities, deciding on the organisation of the Company's internal management, and exercising any other powers conferred by shareholders' meetings or under the Articles of Association of the Company.

There are currently five committees established under the Board of Directors, being the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee, each of which has its terms of reference.

The roles of the Chairman of the Board and President of the Company are performed by separate persons and the division of power between the Board of Directors and senior management strictly complies with the Articles of Association of the Company and relevant regulations. The Board formulates overall strategy of the Company and monitors its financial performance. The management of the Company is responsible for implementing the strategy and direction as determined by the Board, and is delegated with daily operations and administration of the Company. The Chairman of the Board is responsible for leading the Board of Directors. Pursuant to the Articles of Association of the Company, the President is delegated with the authority to, among other things, oversee the operation and management of the Company, implement Board decisions, carry out investment plans, and formulate the management structure and policies of the Company.

(4) Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code during the reporting period.

(5) Committees under the board

During the reporting period, the composition of the committees under the Board changed as follows: Mr. ZHANG Qinglin passed away in February 2010 due to illness, and therefore, ceased to act as members of the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. On 26 April 2010, Mr. WANG Taiwen was appointed as a member of the Remuneration Committee, and Mr. HE Gong was elected as chairman of the Remuneration Committee; Mr. GONG Huazhang was appointed as a member of the Nomination Committee; Mr. SUN Patrick was appointed as a member of the Safety, Health and Environmental Protection Committee. On 18 June 2010, Mr. SHI Dahua resigned from positions as executive director and chairman of the Board, chairman of the Strategy Committee and chairman of the Remuneration Committee. On 12 August 2010, Mr. LI Changjin was elected as chairman of the Nomination Committee and chairman of the Strategy Committee, Mr. BAI Zhongren was elected as chairman of the Safety, Health and Environmental Protection Committee and was appointed as a member of the Nomination Committee and a member of the Strategy Committee, Mr. YAO Guiqing was appointed as a member of the Strategy Committee and a member of the Satefy, Health and Environmental Protection Committee and Mr. WANG Qiuming resigned from the position as a member of the Strategy Committee.

At the first meeting of the second session of the Board of the Company held on 27 January 2011, Mr. LI Changjin, Mr. BAI Zhongren, Mr. YAO Guiqing, Mr. HAN Xiuguo and Mr. GONG Huazhang were appointed as members and Mr. LI Changjin was appointed as chairman of the Strategy Committee of the Board, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were appointed as members and Mr. GONG Huazhang was appointed as chairman of the Audit Committee of the Board, Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick were appointed as members and Mr. HE Gong was appointed as chairman of the Remuneration Committee of the Board, Mr. LI Changjin, Mr. BAI Zhongren, Mr. HE Gong, Mr. GONG Huazhang and Mr. WANG Taiwen were appointed as members and Mr. LI Changjin was appointed as chairman of the Nomination Committee of the Board, and Mr. BAI Zhongren, Mr. YAO Guiqing, Mr. HAN Xiuguo, Mr. HE Gong and Mr. SUN Patrick were appointed as members and Mr. BAI Zhongren was appointed as chairman of the Safety, Health and Environmental Protection Committee of the Board.

(a) Strategy Committee

The primary responsibilities of the Strategy Committee include, among other things, reviewing proposals and making recommendations to the Board regarding the Company's strategic development plans, annual budgets, capital allocation plans, material mergers and acquisitions, major investments and financing plans, and significant internal reorganisations. The Strategy Committee currently comprises Mr. GONG Huazhang who is an Independent Non-executive Director, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors and Mr. HAN Xiuguo who is a Non-executive Director, and is chaired by Mr. LI Changjin.

During the reporting period, the Strategy Committee held 2 meetings and considered the proposals relating to report of development strategies for resource segment of the Company and the "Twelfth Five-year" development plan of the Company.

The table below sets out the details of meeting attendance of each member of the Strategy Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	2	2	0
BAI Zhongren (note 1)	1	1	0
YAO Guiqing (note 1)	1	1	0
GONG Huazhang	2	2	0
WANG Taiwen	2	2	0
SHI Dahua (note 2)	1	1	0
WANG Qiuming (note 1)	1	1	0

Note 1: On 12 August 2010, Mr. BAI Zhongren was appointed as a member of the Strategy Committee, Mr. YAO Guiqing was appointed as a member of the Strategy Committee and Mr. WANG Qiuming ceased to be a member of the Strategy Committee .

Note 2: On 18 June 2010, Mr. SHI Dahua ceased to be a member and chairman of the Strategy Committee.

(b) Audit Committee

The primary responsibilities of the Audit Committee are:

(1) making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(2) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and

(4) overseeing the Company's financial reporting system and internal control procedures, including but not limited to, review of financial control, internal control and risk management systems, consideration of actions to be taken in respect of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee currently comprises Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick who are Independent Non-executive Directors, and is chaired by Mr. GONG Huazhang.

During the reporting period, the Audit Committee held 5 meetings, at which a total of 20 proposals were considered, including the consideration of the 2009 annual report, 2010 first quarterly report, interim report and third quarterly report, company audit, construction of internal control system and risk management.

The table below sets out the details of meeting attendance of each member of the Audit Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GONG Huazhang	5	5	0
WANG Taiwen	5	5	0
SUN Patrick	5	5	0

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

(1) making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;

(2) to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board in relation to the remuneration of Non-executive Directors;

(3) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and

(4) ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee currently comprises Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick who are Independent Non-executive Directors, and is chaired by Mr. HE Gong.

During the reporting period, the Remuneration Committee held 5 meetings, at which a total of 6 proposals were considered, including proposals relating to amendments to the Interim Management Measures on Remuneration of Senior Management Personnel of the Company, Plan on Payment of Remuneration of Senior Management Personnel in 2009 and Draft Working Plan on Remuneration and Appraisal of Senior Management Personnel in 2010.

The table below sets out the details of meeting attendance of each member of Remuneration Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
HE Gong (note 1)	5	5	0
WANG Taiwen (note 1)	4	4	0
SUN Patrick	5	5	0
ZHANG Qinglin (note 2)	1	1	0

Note1: On 26 April 2010, Mr. HE Gong was appointed as chairman of the Remuneration Committee and Mr. WANG Taiwen was appointed as a member of the Remuneration Committee.

Note2: Mr. ZHANG Qinglin passed away due to illness in February 2010.

The emolument payable to directors, supervisors and senior management members will depend on their respective contractual terms under employment contracts. Details of the remuneration of directors and supervisors are set out in note 14 to the financial statements.

(d) Nomination Committee

The primary responsibilities of the Nomination Committee include, among other things, making recommendations to the Board on the appointment and removal of senior officers of the Company. The Nomination Committee currently comprises Mr. HE Gong, Mr. WANG Taiwen and Mr. GONG Huazhang who are Independent Non-executive Directors, Mr. LI Changjin and Mr. BAI Zhongren who are Executive Directors. The Nomination Committee is chaired by Mr. LI Changjin.

The Nomination Committee nominates candidates for director elections in accordance with the formalities and procedures stipulated in the Articles of Association of the Company and the terms of reference of the Nomination Committee, and considers candidates for directorship based on the qualification, ability and experience of the individual candidates.

During the reporting period, the Nomination Committee held 2 meetings and considered a total of 15 proposals, including proposals relating to appointment and removal of certain personnel of the Company and the composition for the second session of the Board of Directors of China Railway Group Limited.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	2	2	0
BAI Zhongren (note 1)	1	1	0
HE Gong	2	2	0
GONG Huazhang (note 2)	2	2	0
WANG Taiwen	2	2	0
SHI Dahua (note 3)	0	0	0
ZHANG Qinglin (note 4)	0	0	0

Note1: On 12 August 2010, Mr. BAI Zhongren was appointed as a member of the Nomination Committee.

Note2: On 26 April 2010, Mr. GONG Huazhang was appointed as a member of the Nomination Committee.

Note3: On 18 June 2010, Mr. SHI Dahua ceased to be a member and chairman of the Nomination Committee.

Note4: Mr. ZHANG Qinglin passed away due to illness in February 2010.

(e) Safety, Health and Environmental Protection Committee

The primary responsibilities of the Safety, Health and Environmental Protection Committee include, among other things, making recommendations to the Board regarding matters relating to safe construction, employees' health and environmental protection. The Safety, Health and Environmental Protection Committee currently comprises Mr. HE Gong and Mr. SUN Patrick who are Independent Non-executive Directors, Mr. HAN Xiuguo who is a Non-executive Director, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors, and is chaired by Mr. BAI Zhongren.

During the reporting period, the Safety, Health and Environmental Protection Committee did not hold any meeting.

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

- supervising the performance by Directors and senior management members of their duties, and proposing removal of Directors or senior management members who have violated laws and regulations, the Articles of Association of the Company or resolutions of shareholders' general meetings;
- requesting Directors and senior management members to rectify any actions damaging the Company's interests;
- examining the Company's financial matters;
- making proposals in relation to the convening of extraordinary shareholders' general meetings, and convening and presiding over shareholders' general meetings in case the Board of Directors fails to perform its duty of convening and presiding over shareholders' general meetings under the Company Law;
- making proposals for shareholders' general meetings; and
- making proposals in relation to the convening of interim meetings of the Board of Directors other than regular meetings.

During the reporting period, the members of the Supervisory Committee of the Company are as follows:

Mr. WANG Qiuming *(note)*	Chairman of the Supervisory Committee
Mr. JI Zhihua	Employee Representative Supervisor
Mr. ZHANG Xixue	Employee Representative Supervisor
Mr. ZHOU Yuqing	Employee Representative Supervisor
Mr. LIN Longbiao	Employee Representative Supervisor
Mr. YAO Guiqing *(note)*	Chairman of the Supervisory Committee

Note: On 12 August 2010, Mr. YAO Guiqing ceased to be chairman of the Supervisory Committee and Mr. WANG Qiuming was appointed as the Chairman of the Supervisory Committee.

The Supervisory Committee has detailed terms of reference that specifically define its responsibilities, ensuring that the Supervisory Committee operates in a compliant and efficient manner. The terms of office for the supervisors are three years which is renewable upon re-election.

During the reporting period, the Supervisory Committee held 4 meetings and considered a total of 16 proposals. These proposals include considering the 2009 report of Supervisory Committee of the Company, the 2009 annual report, the 2010 interim report of the Company, the change in use of part of proceeds from H share offering and the election of Mr. WANG Qiuming as the Chairman of the Supervisor Committee. During the reporting period, all members of the Supervisory Committee attended all the meetings. For more information of the Supervisory Committee, please refer to the Report of the Supervisory Committee.

The term of office of all supervisors of the first session of the Supervisory Committee should have expired on 12 September 2010. According to the provisions of the Company Law, where a company has not re-elected a supervisor upon the expiry of his/her term of office or the number of supervisors is less than the required quorum as a result of the resignation of a supervisor, the existing supervisor shall continue to serve as a supervisor until the newly elected supervisor commences his/her term of office. As such, these supervisors continued as supervisors until members of the second session of the Supervisory Committee assume their office. At the second meeting of the first session of the employee representatives general meeting of the Company held on 22 January 2011, Ms. LIU Jianyuan, Mr. ZHANG Xixue and Mr. LIN Longbiao were elected as employee representative Supervisors. At the first extraordinary general meeting in 2011 of the Company held on 27 January 2011, Mr. WANG Qiuming was re-elected as a shareholder representative Supervisor and Mr. CHEN Wenxin was elected as a shareholder representative Supervisor. Therefore, Mr. JI Zhihua and Mr. ZHOU Yuqing ceased to be supervisors of the Company on 22 January 2011. Furthermore, at the first meeting of the second session of the Supervisory Committee of the Company held on 27 January 2011, Mr. WANG Qiuming was elected as Chairman of the Supervisory Committee.

Relationship with the Controlling Shareholder

CRECG is the Company's controlling shareholder. The Company is independent from CRECG in respect of its staff, assets, finance, organisational structure and operation. Except for the Chairman and Executive Director of the Company, Mr. LI Changjin, who also serves as the chairman of CRECG, the Executive Director and President of the Company, Mr. BAI Zhongrn, who also serves as a director of CRECG, the Vice Chairman and Executive Director of the Company, Mr. YAO Guiqing, who also serves as the vice chariman of CRECG, none of the directors, supervisors or senior management of the Company hold any positions with CRECG or receive any salary from CRECG and/or its associates. Notwithstanding that all of Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing (collectively the "overlapping directors") act as directors of CRECG and the Company, they have the capacity to commit to the management of the Company on a full-time basis because of a few day-to-day management work of CRECG required. Moreover, the overlapping directors represent a minority in the Company's Board of Directors. During the reporting period, the Board also had four to five independent non-executive directors, which ensures that the interests of the Company and shareholders are protected. The Company also has its own financial management system and related personnel who are independent from CRECG.

The Company entered into an equity transfer agreement with CRECG on 8 March 2010 to acquire the 100% equity interest in China Railway Port and Waterway Engineering Bureau Limited from CRECG for a consideration of approximately RMB409 million. The Company entered into an equity transfer agreement with CRECG on 28 December 2010 to acquire the 100% equity interest in China Airport Construction Co., Ltd. from CRECG for a consideration of approximately RMB373 million. Huatie Engineering Consultancy Co., Ltd, an indirect wholly-owned subsidiary of the Company, entered into an assets transfer agreement with CRECG and Hongda Assets Management Centre on 31 December 2010 to purchase a parcel of land and a number of buildings erected thereon at No.36 Fengbei Road, Fengtai District, Beijing for a consideration of approximately RMB178 million.

In addition, the Company entered into a subscription agreement with CRECG on 18 June 2010 pursuant to which, CRECG will subscribe in cash for not more than 851,580,000 A shares (which may be adjusted) to be issued by the Company under the private placement of A shares, as part of the private placement of A shares with a total subscription price of not exceeding RMB3.50 billion. The private placement of A shares has not yet proceeded as of the date of this annual report.

Auditors' Remuneration

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. (collectively the "External Auditors") are appointed as the international and domestic auditors of the Company, respectively.

Fees for the audit of the financial statements of the Group for the year ended 31 December 2010 paid to the External Auditors are approximately RMB46.50 million.

The External Auditors did not provide any material non-audit services to the Group during the reporting period.

The Board of Directors proposes to re-appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. as the international and domestic auditors of the Company for the year 2011, which has been discussed and approved by the Audit Committee and is subject to shareholders' approval at the forthcoming annual general meeting.

Information Disclosure

The Secretary to the Board of Directors and Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company ensured accurate and timely information disclosure in both domestic and Hong Kong markets in accordance with the requirements under relevant management measures for information disclosure of the Company, the Listing Rules and the Stock Listing Rules of the Shanghai Stock Exchange, as well as the requirements under the relevant PRC laws and regulations.

Internal Control

The Company has established internal control systems with a view to improving the effectiveness of the operation of the Company's businesses. To protect its assets and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public, the Company made great efforts to refine its internal control systems. During the reporting period, the Company continuously enhanced its management standard by conducting activities such as extensively streamlining management rules and business processes, determining key controlling points and adopting measures accordingly, and identifying and assessing material risks, formulating and revising 32 pieces of management rules and setting up an internal control rules system in which the various management rules were organized under the guidance of the Internal Control Handbook, the Internal Control Process Compilation and the Measures on Internal Control and Operation Management.

During the reporting period, the Company also amended the procedures rules for the Board of Directors and formulated the Accountability Mechanism for Substantial Errors in Periodic Reports Information Disclosure so as to set down specific rules in relation to the accountability for information disclosures in period reports as well as clarify relevant liabilities. The Company will continue to endeavor to improve the corporate governance of the Company and enhance the transparency of the Company so as to further strengthen the awareness of regulatory operation.

Accountability of the Directors in Relation to Financial Statements

The Directors are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Group and of the results and cash flow for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 65.

Investor Relations

The management of investor relations is a strategic management effort to materialise the maximisation of the Company's value and the benefits for the shareholders. The Company attaches great importance to the maintenance of good investor relations, and formulated the Management Measures on Investor Relations, and set up a dedicated investor relations management division staffed with dedicated personnel. Much efforts had been made in the management of investor relations during the year, which were highly valued by the Chairman of the Board and President and such efforts were directly led by the Secretary of the Board. Through multiple communications channels, the Company established sound interactive relations with the capital market, promoted investors' knowledge and recognition of the Company, and the Company was well received by investors and by the capital market.

The Company's information exchange channels with investors include, among others, holding teleconferences, receiving visitors and analysts, attending institutional summits, organising results road shows, arranging project-related visits, establishing corporate websites, and participating in Sina's Board Secretary Online.

The Company received approximately 800 visits paid by investors during the reporting period, participated in numerous international investment forums and investment strategy conferences organised by investment institutions both at home and abroad and delivered speeches at such forums and conferences, and held talks with a number of fund managers and analysts. After releasing the annual and half-yearly reports, the Company organised several promotional road shows in Beijing and Hong Kong, respectively to publicise the Company's strategies and results. Fully recognising the importance of the protection of interests of minority shareholders, the Company set up investor hotlines with dedicated personnels to answer investors' enquiries. Approximately 1,400 phone calls were answered through the hotlines. The Company was invited to become one of the first two A-Share listed companies to set up a Board Secretary Online column at Sina.com where the Company's Secretary of the Board personally answered investors' questions raised online. The Company also thought highly of information feedback from the capital market. Issues over which investors expressed concerns were regularly compiled and reported to the management of the Company for reference in order to refine the Company's governance and enhance management standard.

The Company's diligence was fully recognised in the capital market, as illustrated by a few major honors, including "2010 Information Disclosure Awards for Listed Companies", "2010 Best Corporate Governance", "Board of Directors in Best Corporate Governance", "Top 100 Chinese Companies for Investor Relations" and "Best Investor Relations" in Asia Pacific and China Region according to the Investor Relations Global Ranking.

Continuous Evolvement of Corporate Governance

The Company will closely study the development of corporate governance practices among the world's leading corporations and the requirements of the investing community continuously. We will also review and strengthen our corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

Independent Auditor's Report

TO THE MEMBERS OF CHINA RAILWAY GROUP LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 170, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2011

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010

	NOTES	2010 RMB million	2009 RMB million (Restated)
Revenue	7 & 8	**456,102**	334,045
Cost of sales		**(428,987)**	(313,603)
Gross profit		**27,115**	20,442
Other income	9	**1,197**	911
Other expenses	9	**(2,088)**	(650)
Other gains and losses	10	**534**	1,341
Selling and marketing expenses		**(1,443)**	(1,150)
Administrative expenses		**(13,560)**	(10,666)
Interest income	11	**1,370**	1,059
Interest expenses	11	**(2,485)**	(2,328)
Share of profits of jointly controlled entities		**170**	39
Share of losses of associates		**(170)**	(316)
Profit before tax		**10,640**	8,682
Income tax expense	12	**(2,337)**	(1,286)
Profit for the year	13	**8,303**	7,396
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**(61)**	7
Fair value (loss) gain on available-for-sale financial assets		**(296)**	444
Share of other comprehensive (expense) income of associates		**(3)**	10
Income tax relating to fair value change on available-for-sale financial assets		**57**	(100)
Others		**–**	40
Other comprehensive (expense) income for the year (net of tax)		**(303)**	401
Total comprehensive income for the year		**8,000**	7,797
Profit for the year attributable to:			
Owners of the Company		**7,490**	6,875
Non-controlling interests		**813**	521
		8,303	7,396
Total comprehensive income attributable to:			
Owners of the Company		**7,236**	7,223
Non-controlling interests		**764**	574
		8,000	7,797
Earnings per share (Basic)	16	**RMB0.352**	RMB0.323

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	*17*	34,291	28,789	22,755
Deposits for acquisition of property, plant and equipment		935	955	1,328
Lease prepayments	*18*	7,058	6,269	6,314
Deposits for land use rights		192	129	66
Deposits for investment		157	46	130
Investment properties	*19*	1,971	1,666	1,384
Intangible assets	*20*	22,407	18,991	13,669
Mining assets	*21*	4,287	1,283	1,333
Interests in jointly controlled entities	*22*	751	784	741
Interests in associates	*23*	4,136	3,830	3,539
Goodwill	*24*	865	836	836
Available-for-sale financial assets	*25*	4,287	4,537	3,930
Other loans and receivables	*26*	4,243	2,080	914
Deferred income tax assets	*40*	2,736	2,819	2,557
Other prepayments		20	46	29
Trade and other receivables	*29*	2,146	1,313	79
		90,482	74,373	59,604
Current assets				
Lease prepayments	*18*	183	178	108
Properties held for sale	*27*	4,059	2,271	1,952
Properties under development for sale	*27*	38,411	25,204	17,996
Inventories	*28*	30,026	23,831	18,484
Trade and other receivables	*29*	121,137	101,690	78,698
Amounts due from customers for contract work	*30*	46,472	31,068	25,199
Other loans and receivables	*26*	1,062	1,928	892
Held-for-trading financial assets	*31*	153	81	141
Restricted cash	*32*	2,291	2,344	2,532
Cash and cash equivalents	*33*	54,860	49,432	47,135
		298,654	238,027	193,137
Total assets		389,136	312,400	252,741

Consolidated Statement of Financial Position (continued)

At 31 December 2010

	NOTES	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
EQUITY				
Share capital		**21,300**	21,300	21,300
Share premium and reserves		**45,281**	39,864	34,763
Equity attributable to owners of the Company		**66,581**	61,164	56,063
Non-controlling interests		**7,140**	5,420	4,929
Total equity		**73,721**	66,584	60,992
LIABILITIES				
Non-current liabilities				
Other payables	*35*	**630**	339	366
Borrowings	*36*	**42,915**	27,151	16,829
Obligations under finance lease	*37*	**66**	262	266
Financial guarantee contracts	*38*	**31**	33	35
Retirement and other supplemental benefit obligations	*39*	**6,111**	6,698	7,368
Provisions		**68**	50	47
Deferred income government grant		**573**	333	138
Deferred income tax liabilities	*40*	**621**	451	398
		51,015	35,317	25,447
Current liabilities				
Trade and other payables	*35*	**209,308**	161,002	111,662
Amounts due to customers for contract work	*30*	**12,054**	18,339	15,556
Current income tax liabilities		**1,325**	1,083	885
Borrowings	*36*	**40,444**	28,712	36,894
Obligations under finance lease	*37*	**259**	327	220
Financial guarantee contracts	*38*	**2**	2	2
Retirement and other supplemental benefit obligations	*39*	**915**	936	1,003
Held-for-trading financial liabilities	*31*	**93**	98	80
		264,400	210,499	166,302
Total liabilities		**315,415**	245,816	191,749
Total equity and liabilities		**389,136**	312,400	252,741
Net current assets		**34,254**	27,528	26,835
Total assets less current liabilities		**124,736**	101,901	86,439

The consolidated financial statements on pages 66 to 170 were approved and authorised for issue by the board of directors on 30 March 2011 and are signed on its behalf by:

LI Changjin
DIRECTOR

BAI Zhongren
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010

	Equity attributable to owners of the Company									
	Share capital RMB million (note 34)	Share premium RMB million	Capital reserve RMB million (note (b))	Statutory reserve RMB million (note (a))	Exchange translation reserve RMB million	Investment revaluation reserve RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2009 as originally stated	21,300	33,647	(3,371)	733	(11)	109	3,588	55,995	4,929	60,924
Effect of acquisition of a subsidiary accounted for as a combination of businesses under common control *(Note 2B)*	–	–	50	–	–	–	18	68	–	68
At 1 January 2009 as restated	21,300	33,647	(3,321)	733	(11)	109	3,606	56,063	4,929	60,992
Profit for the year as restated	–	–	–	–	–	–	6,875	6,875	521	7,396
Other comprehensive income for the year	–	–	50	–	7	291	–	348	53	401
Total comprehensive income for the year	–	–	50	–	7	291	6,875	7,223	574	7,797
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(315)	(315)
Acquisition of subsidiaries *(Note 41)*	–	–	–	–	–	–	–	–	68	68
Disposal of subsidiaries *(Note 42)*	–	–	(5)	–	–	–	–	(5)	(189)	(194)
Acquisition of additional interests in subsidiaries	–	–	(2)	–	–	–	(25)	(27)	(25)	(52)
Capital contribution	–	–	–	–	–	–	–	–	399	399
Consideration for the acquisition of subsidiaries under common control	–	–	300	–	–	–	–	300	–	300
Disposal of partial interests in a subsidiary to non-controlling shareholders	–	–	15	–	–	–	–	15	(13)	2
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	(8)	(8)
Transfer to reserves *(Note (a))*	–	–	–	1,938	–	–	(1,938)	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	(2,405)	(2,405)	–	(2,405)
At 31 December 2009 as restated	21,300	33,647	(2,963)	2,671	(4)	400	6,113	61,164	5,420	66,584
Profit for the year	–	–	–	–	–	–	7,490	7,490	813	8,303
Other comprehensive expense for the year	–	–	(3)	–	(64)	(187)	–	(254)	(49)	(303)
Total comprehensive income (expense) for the year	–	–	(3)	–	(64)	(187)	7,490	7,236	764	8,000
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(188)	(188)
Acquisition of subsidiaries *(Note 41)*	–	–	–	–	–	–	–	–	870	870
Disposal of subsidiaries *(Note 42)*	–	–	–	–	–	–	–	–	(37)	(37)
Acquisition of additional interests in subsidiaries	–	–	(54)	–	–	–	–	(54)	(135)	(189)
Capital contribution	–	–	–	–	–	–	–	–	446	446
Consideration for the acquisition of subsidiaries under common control	–	–	(423)	–	–	–	–	(423)	–	(423)
Transfer to reserves *(Note (a))*	–	–	–	1,347	–	–	(1,347)	–	–	–
Dividend recognised as distribution *(Note 15)*	–	–	–	–	–	–	(1,342)	(1,342)	–	(1,342)
At 31 December 2010	21,300	33,647	(3,443)	4,018	(68)	213	10,914	66,581	7,140	73,721

Consolidated Statement of Changes in Equity (continued)

For the Year Ended 31 December 2010

Notes:

(a) *The statutory reserves comprise:*

	Statutory surplus reserve RMB million	Trust compensation reserve RMB million	General risk reserve RMB million	Total RMB million
At 1 January 2009	*672*	*11*	*50*	*733*
Transfer from accumulated profits	*1,914*	*7*	*17*	*1,938*
At 31 December 2009	*2,586*	*18*	*67*	*2,671*
Transfer from accumulated profits	*1,321*	*13*	*13*	*1,347*
At 31 December 2010	*3,907*	*31*	*80*	*4,018*

According to relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010

	NOTES	**2010 RMB million**	2009 RMB million (Restated)
Operating activities			
Profit for the year		**8,303**	7,396
Adjustments for:			
Income tax		**2,337**	1,286
Interest income		**(1,370)**	(1,057)
Dividend income from unlisted investments		**(62)**	(33)
Gains on disposal and/or write-off of:			
Property, plant and equipment		**(2)**	(22)
Lease prepayments		**(54)**	(178)
Intangible assets		**(30)**	–
Available-for-sale financial assets		**(465)**	(100)
Bargain purchase gain on acquisition	*41*	**(3)**	–
Excess of fair value of the previous held interests	*41*	**(128)**	–
Interests in subsidiaries		**(55)**	(276)
Liquidation of subsidiary		**(36)**	–
Interests in associates		**(19)**	–
Interests in jointly controlled entities		**(31)**	–
Investment properties		**–**	(10)
Foreign exchange losses, net		**52**	(684)
Fair value increase on held-for-trading financial assets		**66**	(67)
Waiver of borrowings		**–**	(6)
Waiver of trade and other payables		**(82)**	(27)
Impairment losses recognised on:			
Property, plant and equipment		**9**	9
Available-for-sale financial assets		**2**	38
Trade and other receivables		**423**	336
Other loans and receivables		**166**	17
Allowance for foreseeable losses on construction contracts		**42**	71
Goodwill		**21**	–
Inventories		**–**	9
Amortisation of financial guarantee contracts		**(2)**	(2)
Interest expenses		**2,485**	2,328
Share of profits of jointly controlled entities		**(170)**	(39)
Share of losses of associates		**170**	316
Unrealised profit in interest in a jointly controlled entity		**–**	8
Charge to retirement benefit obligations		**432**	373
Government grants credited to income		**(136)**	(44)
Depreciation and amortisation		**5,091**	4,528
Operating cash flows before movements in working capital		**16,954**	14,170
Movements in working capital:			
Decrease (increase) in other prepayments		**26**	(18)
Increase in properties held for sale		**(1,778)**	(370)
Increase in properties under development for sale		**(12,366)**	(5,738)
Increase in inventories		**(5,587)**	(5,621)
Increase in trade and other receivables		**(18,246)**	(24,342)
Increase in amounts due from customers for contract work		**(15,446)**	(5,983)
Decrease in retirement and supplemental benefit obligations		**(1,040)**	(1,110)
Increase in trade and other payables		**46,573**	46,227
(Decrease) increase in amounts due to customers for contract work		**(6,285)**	2,783
Increase in government grants for operating expenses		**261**	205
(Increase) decrease in held-for-trading financial assets		**(143)**	145
Net cash inflows from operations		**2,923**	20,348
Income tax paid		**(1,960)**	(1,388)
Net cash from operating activities		**963**	18,960

Consolidated Statement of Cash Flows (continued)

For the Year Ended 31 December 2010

	NOTES	2010 RMB million	2009 RMB million (Restated)
Investing activities			
Purchase of property, plant and equipment		**(9,077)**	(9,280)
Deposits for acquisition of property, plant and equipment		**(1,383)**	(1,362)
Government grants received for acquisition of property, plant and equipment		**21**	34
Disposal of property, plant and equipment		**713**	1,309
Deposits paid for land use rights		**(144)**	(63)
Addition of lease prepayments		**(125)**	(125)
Disposal of lease prepayments		**229**	315
Purchase of investment properties		**(172)**	(252)
Disposal of investment properties		**22**	71
Purchase of intangible assets		**(3,714)**	(5,240)
Disposal of intangible assets		**110**	16
Purchase of mining assets		**(117)**	(25)
Acquisition of subsidiaries	*41*	**(1,550)**	(315)
Acquisition of a subsidiary under common control		**(306)**	–
Disposal of subsidiaries	*42*	**312**	297
Liquidation of a subsidiary		**39**	–
Investments in jointly controlled entities		**(81)**	(43)
Disposal of interests in jointly controlled entities		**39**	–
Investments in associates		**(275)**	(533)
Disposal of interests in associates		**198**	44
Deposits paid for investments		**(157)**	(46)
Purchase of available-for-sale financial assets		**(1,123)**	(629)
Disposal of available-for-sale financial assets		**1,417**	528
New other loans and receivables		**(4,043)**	(2,860)
Repayment of other loans and receivables		**1,694**	651
Interests received		**909**	722
Dividends received from jointly controlled entities and associates		**152**	16
Dividends received from other financial assets		**–**	19
Decrease in restricted cash		**53**	188
Net cash used in investing activities		**(16,359)**	(16,563)
Financing activities			
Share issue expenses paid		**(2)**	(36)
Acquisition of additional interest in subsidiaries		**(189)**	(52)
Disposal of partial interests in a subsidiary		**–**	2
Capital contributions from owner		**303**	–
Capital contributions from non-controlling shareholders of subsidiaries		**446**	276
New borrowings		**69,191**	56,992
Repayment of borrowings		**(41,855)**	(54,105)
Interests paid		**(3,043)**	(3,547)
Dividends paid to non-controlling shareholders of subsidiaries		**(228)**	(323)
Dividends paid		**(3,747)**	–
Net cash used in financing activities		**20,876**	(793)
Net increase in cash and cash equivalents		**5,480**	1,604
Effect of foreign exchange rate changes		**(52)**	693
Cash and cash equivalents at the beginning of the year	*33*	**49,432**	47,135
Cash and cash equivalents at the end of the year	*33*	**54,860**	49,432

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2010

1. General Information

The Company was established in the People's Republic of China (the "PRC") on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of China Railway Engineering Corporation ("CRECG") in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). The address of the Company's registered office is No. 1 Xinghuo Road, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is CRECG, incorporated in the PRC.

The consolidated financial statements are presented in Renminbi, the functional currency of the Company and most of its subsidiaries.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, and property development.

2A. Basis of Preparation of the Consolidated Financial Statements

In accordance with the Equity Transfer agreements entered into between the Company and CRECG on 8 March 2010, the Company acquired 100% equity interest of China Railway Port Channel Engineering Co., Ltd. ("CRPCE") from CRECG for a consideration of RMB409 million. The acquisition of CRPCE was completed by the end of June 2010 and has been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests since the directors of the Company (the "Directors") consider that the Company and CRPCE are under the common control of CRECG. As a result, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results and cash flows of CRPCE. The consolidated statements of financial position as at 31 December 2009 and at 1 January 2009 have been restated to include the assets and liabilities of CRPCE. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out below.

In accordance with the Equity Transfer agreements entered into between the Company and CRECG on 27 December 2010, the Company acquired a 100% equity interest of China Airport Construction Co., Ltd. ("CACCL") from CRECG for a consideration of RMB372.92 million. The acquisition of CACCL was completed by the end of December 2010 and has been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests since the Directors consider that the Company and CACCL are under the common control of CRECG. CRECG acquired CACCL in January 2010 from State-owned Assets Supervision and Administration Commission of the State Council with no consideration. Therefore it had no effect on the Group's financial position as at 31 December 2009 and 1 January 2009 and results for the year ended 31 December 2009. The detail of the acquisition of CACCL is set out in note 41(c).

2B. Restatements

The effect of restatements arising from acquisition of CRPCE accounted for as a combination of businesses under common control ("Adjustment") for the year ended 31 December 2009 by line items presented according to their function is as follows:

	2009 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	2009 (restated) RMB million
Revenue	333,486	559	334,045
Cost of sales	(313,084)	(519)	(313,603)
Gross profit	20,402	40	20,442
Other income	903	8	911
Other expense	(650)	–	(650)
Other gains and losses	1,348	(7)	1,341
Selling and marketing expenses	(1,150)	–	(1,150)
Administrative expenses	(10,610)	(56)	(10,666)
Interest income	1,057	2	1,059
Interest expenses	(2,324)	(4)	(2,328)
Share of profits of jointly controlled entities	39	–	39
Share of losses of associates	(316)	–	(316)
Profit before tax	8,699	(17)	8,682
Income tax expense	(1,291)	5	(1,286)
Profit (loss) for the year	7,408	(12)	7,396

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

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

2B. Restatements (continued)

	As at 31/12/2009 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 31/12/2009 (restated) RMB million
EQUITY			
Equity attributable to owners of the Company	60,768	396	61,164
Non-controlling interests	5,420	–	5,420
Total equity	66,188	396	66,584
LIABILITIES			
Non-current liabilities	35,317	–	35,317
Current liabilities			
Trade and other payables	160,663	339	161,002
Amounts due to customers for contract work	18,289	50	18,339
Current income tax liabilities	1,077	6	1,083
Other current liabilities	30,075	–	30,075
	210,104	395	210,499
Total liabilities	245,421	395	245,816
Total equity and liabilities	311,609	791	312,400
Net current assets	27,305	223	27,528
Total assets less current liabilities	101,505	396	101,901

The effect of Adjustment as at 1 January 2009 by line items is summarised below:

	As at 1/1/2009 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 1/1/2009 (restated) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	22,685	70	22,755
Investment properties	1,372	12	1,384
Available-for-sale financial assets	3,929	1	3,930
Deferred income tax assets	2,554	3	2,557
Other prepayments	26	3	29
Other non-current assets	28,949	–	28,949
	59,515	89	59,604
Current assets			
Inventories	18,482	2	18,484
Trade and other receivables	78,260	438	78,698
Amounts due from customers for contract work	25,197	2	25,199
Restricted cash	2,530	2	2,532
Cash and cash equivalents	46,846	289	47,135
Other current assets	21,089	–	21,089
	192,404	733	193,137
Total assets	251,919	822	252,741

2B. Restatements (continued)

The effect of Adjustment as at 1 January 2009 by line items is summarised below – continued

	As at 1/1/2009 (originally stated) RMB million	Adjustment *(Note 2A)* RMB million	As at 1/1/2009 (restated) RMB million
EQUITY			
Equity attributable to owners of the Company	55,995	68	56,063
Non-controlling interests	4,929	–	4,929
Total equity	60,924	68	60,992
LIABILITIES			
Non-current liabilities	25,447	–	25,447
Current liabilities			
Trade and other payables	111,270	392	111,662
Amounts due to customers for contract work	15,509	47	15,556
Current income tax liabilities	870	15	885
Borrowings	36,594	300	36,894
Other current liabilities	1,305	–	1,305
	165,548	754	166,302
Total liabilities	190,995	754	191,749
Total equity and liabilities	251,919	822	252,741
Net current assets (liabilities)	26,856	(21)	26,835
Total assets less current liabilities	86,371	68	86,439

The effect of Adjustment and changes in accounting policies *(see note 3)* on the Group's basic earnings per share for the current and prior years:

Impact on basic earnings per share

	2010 RMB	2009 RMB
Reported figures before adjustment	**0.346**	0.323
Adjustments arising from acquisition of CRPCE	**–**	–
Adjustment arising from change in accounting policies *(see note 3)*	**0.006**	–
Restated	**0.352**	0.323

3. Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2010.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 28 (as revised in 2008)	Investment in Associates
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

IFRS 3 (as revised in 2008) *Business Combinations*

IFRS 3(as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- It requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- It requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of IFRS 3 (as revised in 2008) has affected the accounting for the Group's acquisition of business/subsidiaries set out in note 41(a). The change in policy has resulted in remeasuring their previously held equity interests in the acquirees at its acquisition-date fair value and recognising the resulting gain or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year of RMB128 million.

3. Application of New and Revised International Financial Reporting Standards (continued)

IAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*

The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interest in subsidiaries in the current year with the difference between the consideration and the carrying amount of non-controlling interests amounting to RMB54 million being debited to capital reserve.

In addition, under IAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures, except for the partial exemption in paragraphs 25 – 27 for government-related entities[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
2 *Effective for annual periods beginning on or after 1 July 2010*
3 *Effective for annual periods beginning on or after 1 July 2011*
4 *Effective for annual periods beginning on or after 1 January 2013*
5 *Effective for annual periods beginning on or after 1 January 2012*
6 *Effective for annual periods beginning on or after 1 January 2011*
7 *Effective for annual periods beginning on or after 1 February 2010*

3. Application of New and Revised International Financial Reporting Standards (continued)

IAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements* (continued)

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

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending December 31, 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

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

4. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. Principal Accounting Policies (continued)

Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations involving entities under common control

Business combinations under common control are accounted for using pooling-of-interests method. In applying pooling-of-interests method, financial statement items of the combining entities or business are included in the consolidated financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements when they first came under common control.

The comparative amounts in the consolidated financial statements are prepared as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. Principal Accounting Policies (continued)

Business combinations other than involving entities under common control

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

4. Principal Accounting Policies (continued)

Business combinations other than involving entities under common control (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. Principal Accounting Policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control nor joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

4. Principal Accounting Policies (continued)

Jointly controlled entities (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Owner-occupied property is transferred to investment property when there is a change in use evidenced by end of owner occupation.

Property held for sale is transferred to investment property when there is a change in use evidenced by the commencement of an operating lease.

4. Principal Accounting Policies (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

Non-patented technologies, patents, computer software and other intangible assets purchased with finite useful lives are recorded at cost on initial acquisition and subsequently stated at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Mining assets

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights are obtained, any previously recognised exploration and evaluation assets are reclassified as mining rights. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised before reclassification.

4. Principal Accounting Policies (continued)

Mining assets (continued)

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Construction contract

Where the outcome of a fixed price construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out, weighted average or specific identification method for inventories with a different nature or use.

Properties held for sale/properties under development for sale

Properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

4. Principal Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Held-for-trading financial assets

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial assets (including derivatives that are not designated and effective as a hedging instrument) are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other loans and receivables, restricted cash and cash and cash equivalents as shown in the consolidated statement of financial position) are carried at amortised cost, using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter into bankruptcy or financial reorganisation. The carrying amount of loans and receivables is reduced through the use of an allowance account. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the above categories. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be an objective evidence of impairment. The carrying amount of available-for-sale financial assets is reduced by impairment loss directly. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The Group's financial liabilities are generally classified into held-for-trading financial liabilities and other financial liabilities.

Held-for-trading financial liabilities

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial liabilities are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

4. Principal Accounting Policies (continued)

Financial assets

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables as shown in the consolidated statement of financial position are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount determined in accordance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognises collateral borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the Directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. Principal Accounting Policies (continued)

Impairment losses (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Employee compensation and benefits

Pension obligations

The full time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by various government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group also sets up supplementary retirement plans. The Group's contributions to these plans are charged as an expense when employees have rendered service entitling them to the contribution. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

The Group also provided supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period after adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions which exceed 10% of the present value of the defined benefit obligation are recognised in profit or loss over the employees' expected average remaining working lives. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. The Group's contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

Other post-employment obligations

Some group entities in Mainland China provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of 10% of the defined benefit obligation, are recognised in profit or loss over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

4. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Termination and early retirement benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. The termination benefits were recognised on an accrual basis. The early termination benefits were determined based on actuarial valuations performed by an independent firm of actuaries.

Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. Principal Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts, sale of properties, sale of other goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of business tax, returns, rebates and discounts. Revenue is recognised as follows:

Revenue from design and consultation contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date bear to estimated total contract costs; (b) the amount of work certified by customers; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

Revenue for services rendered including survey, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, and operating service provided under service concession arrangements, is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from sale of properties in the ordinary course of business is recognised when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Sale of goods is recognised when goods are delivered and title has passed.

Rental income under operating leases in respect of investment properties is recognised on a straight-line basis over the lease term.

Dividend income from investments is recognised when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. Principal Accounting Policies (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. Principal Accounting Policies (continued)

Leases (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

5. Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

(b) Amortisation of service concession arrangements

Amortisation of the toll roads infrastructures are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Appropriate adjustment will be made should there be any material change.

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2010, the carrying amount of goodwill is RMB865 million (2009: RMB836 million). Details of the recoverable amount calculation are disclosed in Note 24.

(d) Deferred income tax asset

As at 31 December 2010, deferred income tax assets of RMB2,736 million in relation to the excess of accounting depreciation over tax depreciation on property, plant and equipment, unused tax losses, impairment loss on trade and other receivables and other loans and receivables, allowance for foreseeable losses on construction contracts and inventories, change in retirement and other supplemental benefit obligations for income tax purposes and excess of tax base of lease prepayments over the respective carrying amounts have been recognised in the consolidated statement of financial position (see Note 40). The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

5. Key Sources of Estimation Uncertainty (continued)

(e) Construction and design contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction and design work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction and design businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised.

(f) Estimated impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The movements of the impairment recognised during the year are set out in Note 29.

(g) Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in Note 39. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations.

6. Capital Risk Management and Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the group entities and to maximise the return to the owners of the Company through optimisation of debt and equity balances. The capital structure of the Group consists of the borrowings disclosed in Notes 36 and 37, net of cash and cash equivalents, and total equity of the Group.

The Directors review the capital structure on a quarterly basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, issue of new debts as well as redemption of existing debts.

The management of the Group regularly monitors and considers that the Company and its subsidiaries engaged in infrastructure construction satisfy the regulatory requirements of the minimum registered capital of an entity in this industry.

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading financial assets, other loans and receivables, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, trade and other payables, held-for-trading financial liabilities, obligations under finance lease and financial guarantee contracts. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall financial risk management objectives and policies remain unchanged from prior year.

Currency risk

The functional currency of the group entities is RMB in which most of the transactions are denominated. Foreign currencies are used to collect the Group's revenue from overseas operations, settle purchases of machinery and equipment suppliers and certain expenses. Certain bank balances and borrowings which are denominated in foreign currencies and foreign exchange forward contracts expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
USD	**2,070**	1,708	**6,129**	8,092
EURO	**392**	507	**405**	148
HKD	**1**	–	**130**	83
AUD	**–**	–	**32**	3,008
Others	**2,067**	1,517	**2,712**	2,309

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a reasonably possible change of 3% (2009: 1%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 3% (2009: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 3% (2009: 1%) change in foreign currency rates.

The management adjusted the sensitivity rate from 1% to 3% for assessing foreign currency risk after considering the financial market conditions during the current year.

	2010	2009
	RMB million	RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**139**	76
if RMB strengthens against foreign currencies	**(139)**	(76)

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, fixed-rate bank fixed deposits, and other loans and receivables, and interest rate swaps. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowing and obligations under finance lease, interest rate swaps and available-for-sale financial assets of unlisted entrusted products, measured at fair value. The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate financial liabilities at the end of the reporting period were outstanding and the amount of available-for-sale financial assets of unlisted debt related entrusted products at the end of the reporting period retained for the whole year. A 50 (2009: 27) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The management adjusted the sensitivity rate from 27 basis points to 50 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2010	2009
Reasonably possible change in interest rate	**50 basis points**	27 basis points

	2010 **RMB million**	2009 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(118)**	(74)
as a result of decrease in interest rate	**118**	74
Increase (decrease) in other components of equity		
as a result of increase in interest rate	**3**	1
as a result of decrease in interest rate	**(3)**	(1)

Other price risk

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets and held-for-trading financial assets are measured by reference to quoted prices. Details of the available-for-sale financial assets and held-for-trading financial assets are set out in Notes 25 and 31 respectively.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

For sensitivity analysis purpose, the sensitivity rate is decreased to 4% (2009: 6%) in the current year due to change in market conditions.

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Other price risk (continued)

The Group's sensitivity to equity price risk on the held-for-trading financial assets and available-for-sale financial assets at the end of the reporting period while all other variables were held constant is as follows:

	2010	2009
Reasonably possible change in equity price	4%	6%

	2010 RMB million	2009 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	5	3
as a result of decrease in equity price	(5)	(3)
Increase (decrease) in other components of equity		
as a result of increase in equity price	16	41
as a result of decrease in equity price	(16)	(41)

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees, is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities as disclosed in Note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each material individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. One major customer (including its controlled entities), which is a government body, contributes a significant portion of the revenue and trade receivables of the Group. The management considers that the credit risk in respect of this customer is minimal. Other than this customer, the Group does not have concentration of credit risk as no single customer accounted for more than 10% of the Group's total revenue during the year. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The Directors do not expect any counterparty would fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, where the Group's operations are located.

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables amounted to RMB 25,234 million (2009: RMB19,053 million) and RMB 28,780 million (2009: RMB22,212 million) and represent 31% (2009: 28%) and 36% (2009: 34%) of the total trade receivables respectively.

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The Group relies on bank borrowings as a significant source of liquidity. At 31 December 2010, the Group has available unutilised short-term bank loan facilities of RMB231,574 million (2009: RMB144,641 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2010								
Trade and other payables *(note)*	158,118	1,909	927	114	39	263	161,370	161,108
Borrowings	44,386	7,353	7,248	3,337	7,163	35,278	104,765	83,359
Obligations under finance lease	263	55	23	–	–	–	341	325
Financial guarantee contracts	11,588	–	–	–	–	–	11,588	33
	214,355	9,317	8,198	3,451	7,202	35,541	278,064	244,825
At 31 December 2009 (Restated)								
Trade and other payables *(note)*	116,515	1,026	469	152	40	165	118,367	118,195
Borrowings	30,915	11,495	3,426	1,503	1,836	17,898	67,073	55,863
Obligations under finance lease	342	252	34	1	–	–	629	589
Financial guarantee contracts	10,515	–	–	–	–	–	10,515	35
	158,287	12,773	3,929	1,656	1,876	18,063	196,584	174,682

Note: *The difference between total undiscounted cash flows and the carrying amount of trade and other payables represents the imputed interest expenses on interest-free retention payables.*

As at 31 December 2010 and 31 December 2009, there are no bank loans that contain a repayment on demand clause.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's expected maturity for its non-derivative financial assets other than those classified as available-for-sale and held-for-trading financial assets. The table has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2010								
Trade and other receivables *(note)*	**73,041**	**11,642**	**8,069**	**4,399**	**1,557**	**1,799**	**100,507**	**98,867**
Other loans and receivables	**1,481**	**1,230**	**1,878**	**85**	**85**	**2,090**	**6,849**	**5,305**
Restricted cash	**2,291**	**–**	**–**	**–**	**–**	**–**	**2,291**	**2,291**
Cash and cash equivalents	**54,860**	**–**	**–**	**–**	**–**	**–**	**54,860**	**54,860**
	131,673	**12,872**	**9,947**	**4,484**	**1,642**	**3,889**	**164,507**	**161,323**
At 31 December 2009 (Restated)								
Trade and other receivables *(note)*	64,455	7,222	5,273	3,134	1,537	1,673	83,294	82,298
Other loans and receivables	2,348	816	88	188	30	1,211	4,681	4,008
Restricted cash	2,344	–	–	–	–	–	2,344	2,344
Cash and cash equivalents	49,432	–	–	–	–	–	49,432	49,432
	118,579	8,038	5,361	3,322	1,567	2,884	139,751	138,082

Note: *The difference between total undiscounted cash flows and the carrying amounts of trade and other receivables represents the imputed interest income on interest-free retention receivables.*

6. Capital Risk Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments, interest rate swaps and foreign exchange forward contracts. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the interest rate swaps that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. Since the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2010								
Net cash outflows of interest rate swaps	**(17)**	**(16)**	**(15)**	**(15)**	**(15)**	**(21)**	**(99)**	**(89)**
At 31 December 2009								
Net cash outflows of interest rate swaps	(2)	(17)	(17)	(16)	(15)	(36)	(103)	(92)

The following table details the Group's liquidity analysis is for its derivatives that are settled on a gross basis.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2009								
Foreign exchange forward contract								
– inflow	417	–	–	–	–	–	417	417
– outflow	(401)	–	–	–	–	–	(401)	(401)

The foreign exchange forward contract matured and was settled in January 2010.

6. Capital Risk Management and Financial Instruments (continued)

Categories and fair value of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Financial assets at fair value through profit and loss:			
Held-for-trading financial assets	153	81	141
Loans and receivables:			
Other loans and receivables	5,305	4,008	1,806
Trade and other receivables	98,867	82,298	78,777
Restricted cash	2,291	2,344	2,532
Cash and cash equivalents	54,860	49,432	47,135
	161,323	138,082	130,250
Available-for-sale financial assets	4,287	4,537	3,930
Financial liabilities at fair value through profit and loss:			
Held-for-trading financial liabilities	93	98	80
Other Financial liabilities:			
Trade and other payables	161,108	118,195	111,662
Borrowings	83,359	55,863	53,723
Financial guarantee contracts	33	35	37
	244,500	174,093	165,422

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities traded on active liquid markets is determined with reference to quoted market bid prices and ask prices respectively;

- The fair value of non-optional derivative instrument (including interest rate swaps and foreign exchange forward contracts) is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments; and

- The fair value of financial guarantee contracts is determined using option pricing models where the major assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default;

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

Included in available-for-sale financial assets at 31 December 2010, unlisted equity investments amounting to RMB3,082 million (2009: RMB3,080 million) are stated at cost less impairment. As the ranges of reasonable fair value estimates are significant, the Directors are of the opinion that their fair values cannot be measured reliably.

6. Capital Risk Management and Financial Instruments (continued)

Categories and fair value of financial instruments (continued)

Except as detailed in the following table and certain available-for-sale financial assets as described above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	2010		2009	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Other loans and receivables	**5,305**	**5,216**	4,008	4,008
Fixed-rate bank borrowings	**701**	**732**	958	1,021
Fixed-rate other borrowings	**11,933**	**11,481**	228	225

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2010			
	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
Financial assets at fair value through profit and loss				
Derivative financial instruments – interest rate swaps	**–**	**4**	**–**	**4**
Non-derivative financial assets held-for-trading	**149**	**–**	**–**	**149**
Available-for-sale financial assets				
Unlisted open-end equity funds, at market prices	**30**	**–**	**–**	**30**
Unlisted entrusted products, at fair value	**–**	**712**	**–**	**712**
Listed equity investments in the PRC, at market prices	**424**	**39**	**–**	**463**
Total	**603**	**755**	**–**	**1,358**
Financial liabilities at fair value through profit and loss				
Derivative financial instruments – interest rate swaps	**–**	**(93)**	**–**	**(93)**
Total	**–**	**(93)**	**–**	**(93)**

6. Capital Risk Management and Financial Instruments (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	31/12/2009			
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets at fair value through profit and loss				
Derivative financial instruments				
– interest rate swaps	–	6	–	6
Derivative financial instruments				
– foreign exchange forward contract	–	16	–	16
Non-derivative financial assets				
held-for-trading	59	–	–	59
Available-for-sale financial assets				
Unlisted open-end equity funds,				
at market prices	35	–	–	35
Unlisted entrusted products,				
at fair value	–	625	–	625
Listed equity investments in the PRC,				
at market prices	797	–	–	797
Total	891	647	–	1,538
Financial liabilities at fair value through profit and loss				
Derivative financial instruments				
– interest rate swaps	–	(98)	–	(98)
Total	–	(98)	–	(98)

There were no transfers between Level 1 and 2 in the current and prior years.

7. Revenue

An analysis of the Group's revenue for the year is as follows:

	2010 **RMB million**	2009 RMB million (Restated)
Revenue from:		
Rendering of services		
– Construction contracts	**398,150**	299,649
– Other services	**12,656**	10,351
Sale of properties	**11,328**	5,278
Sale of goods	**33,968**	18,767
	456,102	334,045

8. Segment Information

Information reported to the Board of Directors of the Group, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, is prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"), which resulted in the difference in the basis of measurement of segment results, segment assets and segment liabilities.

Specifically, the Group's operating segments under IFRS 8 are as follows:

(i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works ("Infrastructure construction");

(ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects ("Survey, design and consulting services");

(iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery ("Engineering equipment and component manufacturing");

(iv) Development, sale and management of residential and commercial properties ("Property development"); and

(v) Railway and road investment and operation projects, mining, merchandise trading and other ancillary business ("Other businesses").

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

The segment information regarding the Group's operating segments is presented below. Segment information of infrastructure construction and other businesses for the year ended 31 December 2009 has been restated to include the results, assets and liabilities of CRPCE.

8. Segment Information (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
Year ended 31 December 2010						
External revenue	411,716	8,330	10,397	11,715	28,634	470,792
Inter-segment revenue	3,379	931	1,427	–	1,496	7,233
Other operating income	1,418	18	386	230	818	2,870
Inter-segment other operating income	–	–	–	–	1,524	1,524
Segment revenue	416,513	9,279	12,210	11,945	32,472	482,419
Segment results						
Profit before tax	8,290	809	641	1,368	1,407	12,515
Segment results included:						
Share of profits (losses) of jointly controlled entities	110	(4)	64	–	–	170
Share of (losses) profits of associates	(182)	5	9	–	(2)	(170)
Interest income	1,271	13	17	120	114	1,535
Interest expenses	(1,468)	(61)	(52)	(244)	(796)	(2,621)

	Infrastructure construction RMB million (Restated)	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million (Restated)	Total segments RMB million (Restated)
Year ended 31 December 2009 (restated)						
External revenue	309,844	6,797	7,618	5,458	15,305	345,022
Inter-segment revenue	2,986	184	1,151	21	2,204	6,546
Other operating income	1,276	26	467	56	103	1,928
Inter-segment other operating income	–	–	–	–	64	64
Segment revenue	314,106	7,007	9,236	5,535	17,676	353,560
Segment results						
Profit before tax	8,112	603	490	706	333	10,244
Segment results included:						
Share of profits (losses) of jointly controlled entities	11	(2)	30	–	–	39
Share of (losses) profits of associates	(286)	2	4	–	(36)	(316)
Interest income	974	15	8	8	31	1,036
Interest expenses	(1,685)	(110)	(30)	(43)	(503)	(2,371)

8. Segment Information (continued)

Segment revenues and results (continued)

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

	2010 RMB million	2009 RMB million (Restated)
Segment revenue	482,419	353,560
Inter-segment elimination	(8,757)	(6,611)
Reconciling items:		
Reclassification of sales tax *(note (a))*	(14,690)	(10,976)
Reclassification of other operating income *(note (b))*	(2,870)	(1,928)
Total consolidated revenue, as reported	456,102	334,045
Segment results	12,515	10,244
Inter-segment elimination	(1,999)	(1,617)
Reconciling items:		
Land appreciation tax *(note (c))*	124	55
Total consolidated profit before tax, as reported	10,640	8,682

Notes:

(a) *Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the consolidated statement of comprehensive income.*

(b) *Other operating income is included in revenue under segment reporting and classified as other income in the consolidated statement of comprehensive income.*

(c) *Land appreciation tax is included in operating expenses under segment reporting and classified as income tax expense in the consolidated statement of comprehensive income.*

8. Segment Information (continued)

Segment assets and liabilities

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

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
At 31 December 2010						
ASSETS						
Segment assets	277,288	7,750	16,757	55,433	58,438	415,666
Segment assets included:						
Interests in jointly controlled entities	501	52	197	–	1	751
Interests in associates	3,699	16	41	26	354	4,136
LIABILITIES						
Segment liabilities	236,077	5,163	11,596	37,116	42,132	332,084

	Infrastructure construction RMB million (Restated)	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million (Restated)	Total segments RMB million (Restated)
At 31 December 2009 (restated)						
ASSETS						
Segment assets	218,382	6,412	13,112	36,551	46,704	321,161
Segment assets included:						
Interests in jointly controlled entities	406	42	146	–	190	784
Interests in associates	3,337	6	78	–	409	3,830
LIABILITIES						
Segment liabilities	178,877	4,506	9,162	27,094	32,913	252,552

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

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

8. Segment Information (continued)

Segment assets and liabilities (continued)

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

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)
Segment assets	**415,666**	321,161
Inter-segment elimination	**(29,095)**	(11,409)
Reconciling items:		
Deferred income tax assets	**2,736**	2,819
Shares conversion scheme of subsidiaries *(note (d))*	**(171)**	(171)
Total consolidated assets, as reported	**389,136**	312,400
Segment liabilities	**332,084**	252,552
Inter-segment elimination	**(18,620)**	(8,247)
Reconciling items:		
Deferred income tax liabilities	**621**	451
Current income tax liabilities	**1,325**	1,083
Prepaid land appreciation tax (land appreciation tax payable) included in current income tax liabilities	**5**	(23)
Total consolidated liabilities, as reported	**315,415**	245,816

Note:

(d) Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and is adjusted to other gains and losses in the consolidated statement of comprehensive income in prior years.

8. Segment Information (continued)

Other segment information

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2010						
Capital expenditure:						
Property, plant and equipment	7,283	491	992	136	553	9,455
Lease prepayments	113	29	33	56	805	1,036
Investment properties	–	–	–	–	104	104
Intangible assets	1,755	7	10	1	1,960	3,733
Mining assets	–	–	–	–	117	117
Acquisition of subsidiaries	258	34	–	–	4,487	4,779
Total	9,409	561	1,035	193	8,026	19,224
Depreciation and amortisation:						
Property, plant and equipment	3,894	159	235	46	247	4,581
Lease prepayments	148	5	14	6	10	183
Investment properties	12	1	1	6	62	82
Intangible assets	52	5	8	2	171	238
Mining assets	–	–	–	–	7	7
	4,106	170	258	60	497	5,091
Profit on disposal and/or write-off of property, plant and equipment	(2)	–	–	–	–	(2)
Profit on disposal and write-off of lease prepayments	(54)	–	–	–	–	(54)
Impairment loss on property, plant and equipment	–	–	–	–	9	9
Allowance for foreseeable loss on construction contracts	42	–	–	–	–	42
Impairment loss on trade and other receivables	369	6	18	8	22	423
Impairment loss on other loans and receivables	166	–	–	–	–	166

8. Segment Information (continued)

Other segment information (continued)

	Infrastructure construction RMB million (Restated)	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million (Restated)	Consolidated RMB million (Restated)
Year ended 31 December 2009 (Restated)						
Capital expenditure:						
Property, plant and equipment	10,133	355	834	485	781	12,588
Lease prepayments	47	2	33	15	28	125
Investment properties	–	–	–	–	252	252
Intangible assets	7	4	31	–	5,492	5,534
Mining assets	–	–	–	–	25	25
Acquisition of subsidiaries	1	–	–	–	4	5
Total	10,188	361	898	500	6,582	18,529
Depreciation and amortisation:						
Property, plant and equipment	3,633	126	175	41	146	4,121
Lease prepayments	108	3	9	–	37	157
Investment properties	5	–	–	6	38	49
Intangible assets	19	3	6	1	167	196
Mining assets	–	–	–	–	5	5
	3,765	132	190	48	393	4,528
(Profit) loss on disposal and/or write-off of property, plant and equipment	(10)	1	1	1	(15)	(22)
Profit on disposal and write-off of lease prepayments	(178)	–	–	–	–	(178)
Impairment loss on property, plant and equipment	2	–	–	–	7	9
Allowance for foreseeable loss on construction contracts	70	–	1	–	–	71
Impairment loss on trade and other receivables	271	3	17	4	41	336
Impairment loss on other loans and receivables	9	–	–	–	8	17
Impairment loss on inventories	2	–	4	3	–	9

Majority of the Group's revenue and non-current assets were derived from and located in Mainland China and, therefore, no geographical information is presented.

Revenue from major customers

Revenue from the Ministry of Railways of the PRC arising from infrastructure construction is approximately RMB222,334 million (2009: RMB172,531 million), which contributed over 49% (2009: 50%) of the total sales of the Group.

9. Other Income and Expenses

	2010 **RMB million**	2009 RMB million (Restated)
Other income from:		
Dividend income	**62**	33
Government subsidies *(note (a))*	**136**	229
Compensation income *(note (b))*	**41**	103
Relocation compensation from government	**34**	5
Amortisation of financial guarantee contracts	**2**	2
Income from sundry operations *(note (c))*	**643**	384
Waiver of trade and other payables	**82**	29
Bargain purchase gain on acquisition	**3**	–
Others	**194**	126
	1,197	911
Other expenses on:		
Research and development expenditure	**2,088**	650

Notes:

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

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

(b) *The amounts mainly represent compensation received from counter-parties who have breached respective agreements in 2010.*

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

10. Other Gains and Losses

	2010 RMB million	2009 RMB million (Restated)
Gains on disposal and/or write-off:		
Property, plant and equipment	**2**	22
Interests in associates	**19**	–
Lease prepayments	**54**	178
Intangible assets	**30**	–
Interests in jointly controlled entities	**31**	–
Investment properties	**–**	10
Available-for-sale financial assets	**465**	100
Impairment loss recognised on:		
Property, plant and equipment	**(9)**	(9)
Goodwill	**(21)**	–
Available-for-sale financial assets	**(2)**	(38)
Trade and other receivables	**(423)**	(336)
Other loans and receivables	**(166)**	(17)
(Loss) gain from changes in fair value of financial assets classified as held for trading	**(38)**	67
Gain on disposal of subsidiaries *(Note 42)*	**55**	276
Excess of fair value of the previously-held interests *(Note 41(a))*	**128**	–
Foreign exchange gains (losses), net	**373**	1,088
Gain on liquidation of a subsidiary *(note)*	**36**	–
	534	1,341

Note:

The amount represented the gain on liquidating 中鐵程誠源財務服務有限責任公司. At the date of liquidation, the assets of the subsidiary were transferred back to the Company, which mainly included bank balances and cash of RMB39 million and available-for-sale financial assets of RMB1 million.

11. Interest Income and Expenses

	2010 RMB million	2009 RMB million (Restated)
Interest income from:		
Cash and cash equivalents and restricted cash	822	611
Imputed interest income on retention receivables	448	325
Other loans and receivables	100	123
Total interest income	1,370	1,059
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	1,637	2,130
Not wholly repayable within five years	642	735
Short-term debentures	90	53
Long-term debentures	324	–
Other long-term loans	233	181
Other short-term loans	145	243
Finance leases	29	49
	3,100	3,391
Imputed interest expenses on retention payables	110	85
Bank charges	271	107
Total borrowing costs	3,481	3,583
Less: Amount capitalised	(996)	(1,255)
Total interest expenses	2,485	2,328

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying the following capitalisation rates to expenditure on qualifying assets:

	2010	2009
Capitalisation rate	3.89% to 9.25%	4.00% to 9.25%

12. Income Tax Expense

	2010 RMB million	2009 RMB million (Restated)
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	**2,026**	1,501
Land Appreciation Tax ("LAT")	**124**	55
Underprovision in prior years	**51**	39
Deferred tax *(Note 40)*	**136**	(309)
	2,337	1,286

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

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The Company has been identified as "high-tech enterprise" and was entitled to preferential EIT rate of 15% from 2010 to 2012. Subsidiaries which are either exempt from EIT or entitled to different preferential tax rates due to their status as involvement in projects that are supported by the government and development projects in the western part of Mainland China enjoy the preferential tax rate of 15% which is subject to the approval of the relevant local tax authorities.

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (2009: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 15% or 22% (2009:15% or 20%) during the year.

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

12. Income Tax Expense (continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 RMB million	2009 RMB million (Restated)
Profit before taxation	10,640	8,682
Tax at domestic income tax rate of 25% (2009: 25%)	2,660	2,171
Tax effect of:		
Non-deductible expenses	242	140
Non-taxable income	(125)	(13)
Tax losses not recognised as deferred tax assets	196	219
Utilisation of tax losses not previously recognised as deferred tax assets	(144)	(654)
Other deductible temporary differences not recognised as deferred tax assets	78	12
Utilisation of other deductible temporary differences	(41)	(46)
Preferential tax rates on income of group entities	(546)	(329)
Share of profits of jointly controlled entities	(43)	(10)
Share of losses of associates	43	80
Deferred tax changes resulting from changes in applicable tax rates	107	(135)
LAT	124	55
Tax effect of LAT	(31)	(14)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment	–	(39)
Income tax credits on certain research and development expenditure	(244)	(193)
Underprovision in respect of prior years	51	39
Others	10	3
	2,337	1,286

13. Profit for the Year

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

	2010 RMB million	2009 RMB million (Restated)
Depreciation and amortisation of:		
Property, plant and equipment	**4,581**	4,121
Lease prepayments	**183**	157
Investment properties	**82**	49
Intangible assets (included in administrative expenses)	**19**	18
Intangible assets (included in cost of sales)	**219**	178
Mining assets (included in cost of sales)	**7**	5
Total depreciation and amortisation	**5,091**	4,528
Auditor's remuneration	**62**	54
Impairment loss recognised on:		
Property, plant and equipment (included in other losses)	**9**	9
Goodwill (included in other losses)	**21**	–
Inventories (included in cost of sales)	**–**	9
Trade and other receivables	**423**	336
Other loans and receivables	**166**	17
Allowance for foreseeable loss on construction contracts	**42**	71
Operating lease rentals in respect of		
Rented premises	**337**	298
Plant and machinery	**29,887**	21,073
Rental income from investment properties		
Gross rental	**(219)**	(155)
Direct operating expenses (including depreciation of investment properties)	**147**	69
Net rental	**(72)**	(86)
Research and development expenditure (included in other expenses)	**2,088**	650
Cost of raw materials and consumables	**222,128**	148,001

14. Emoluments of Directors, Supervisors and Employees

Directors' and Supervisors' Emoluments

Name of director or supervisor	Fees RMB '000	Salaries and other benefits–in-kind RMB '000	Contribution to retirement benefit scheme RMB '000	Discretionary bonus *(note)* RMB '000	Total RMB '000
Year ended 31 December 2010					
Director					
Shi Dahua (Resigned on 18 June 2010)	–	204	64	649	917
Li Changjin	–	350	84	651	1,085
Bai Zhongren	–	328	81	639	1,048
Wang Qiuming (Resigned on 12 August 2010)	–	173	47	647	867
Yao Guiqing (Appointed on 12 August 2010)	–	124	34	647	805
He Gong	150	–	–	–	150
Zhang Qing Lin (Passed away in February 2010)	34	–	–	–	34
Gong Huazhang	155	–	–	–	155
Wang Taiwen	145	–	–	–	145
Sun Patrick	143	–	–	–	143
Directors' remunerations	627	1,179	310	3,233	5,349
Supervisor					
Wang Qiuming (Appointed on 12 August 2010)	–	124	34	–	158
Yao Guiqing (Resigned on 12 August 2010)	–	173	47	–	220
Ji Zhihua	–	124	75	206	405
Zhou Yuqing	–	74	48	108	230
Lin Longbiao	–	110	74	199	383
Zhang Xixue	–	125	75	201	401
Total	627	1,909	663	3,947	7,146

14. Emoluments of Directors, Supervisors and Employees (continued)

Directors' and Supervisors' Emoluments (continued)

Name of director or supervisor	Fees	Salaries and other benefits–in-kind	Contribution to retirement benefit scheme	Discretionary bonus *(note)*	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Year ended 31 December 2009					
Director					
Shi Dahua	–	205	88	458	751
Li Changjin	–	205	80	314	599
Bai Zhongren	–	174	78	239	491
Wang Qiuming	–	174	75	242	491
He Gong	177	–	–	–	177
Zhang Qinglin	184	–	–	–	184
Wang Taiwen	177	–	–	–	177
Gong Huazhang	180	–	–	–	180
Sun Patrick	177	–	–	–	177
Directors' remuneration	895	758	321	1,253	3,227
Supervisor					
Yao Guiqing (Appointed on 25 June 2009)	–	87	39	121	247
Gao Shutang (Resigned on 24 June 2009)	–	87	39	238	364
Zhang Xixue	–	69	69	209	347
Zhou Yuqing	–	69	68	210	347
Lin Longbiao	–	65	69	207	341
Ji Zhihua	–	73	69	214	356
Total	895	1,208	674	2,452	5,229

During both years, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Emoluments of Directors, Supervisors and Employees (continued)

Five Highest Paid Individuals

None of the directors was the five highest paid individuals during both years.

The emoluments of the five highest paid individuals were as follows:

	2010 RMB '000	2009 RMB '000
Salaries and other benefits-in-kind	2,642	3,881
Contribution to retirement benefit scheme	259	215
Discretionary bonus *(note)*	10,940	15,514
	13,841	19,610

Their emoluments were within the following band:

	2010	2009
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	2
HK$2,000,001 to HK$2,500,000	2	–
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	1
HK$6,000,001 to HK$6,500,000	–	1
HK$6,500,001 to HK$7,000,000	1	–

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

14. Emoluments of Directors, Supervisors and Employees (continued)

EMPLOYEE COMPENSATION AND BENEFITS

	2010 RMB million	2009 RMB million (Restated)
Salaries, wages and bonuses	**17,209**	13,617
Contribution to pension plans *(Note 39)*	**2,537**	1,984
Retirement and supplemental pension benefit obligations *(Note 39)*		
– interest cost	**332**	283
– actuarial losses recognised in the year	**99**	64
– termination and early retirement benefits	**–**	26
Housing benefits *(note)*	**1,190**	848
Welfare, medical and other benefits-in-kind	**3,123**	2,504
Compensation for termination of employment	**–**	5
	24,490	19,331

Note: These represent contributions to the government-sponsored housing funds (at rates ranging from 8% to 20% of the employee's basic salary) in Mainland China.

15. Dividend

The final dividend of RMB0.055 in respect of the year ended 31 December 2010 per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 26 April 2010, a dividend of RMB0.063 per share for 2009, amounting to RMB1,342 million (2009: RMB2,405 million) in aggregate, was declared and was subsequently paid in July and August 2010.

16. Earnings Per Share

Basic earnings per share for the year ended 31 December 2010 is calculated by dividing the profit attributable to owners of the Company of RMB7,490 million (2009: RMB6,875 million) by 21,299,900,000 shares (2009: 21,299,900,000 shares) in issue during the year.

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

17. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2010 as originally stated	8,582	20,895	6,150	2,874	1,291	2,684	2,902	45,378
Effect of acquisition of CRPCE	51	49	15	–	–	9	30	154
At 1 January 2010 as restated	8,633	20,944	6,165	2,874	1,291	2,693	2,932	45,532
Exchange adjustments	(8)	(108)	(13)	(11)	–	(11)	–	(151)
Additions	680	4,428	1,462	359	524	565	1,437	9,455
Transfer within property, plant and equipment	1,885	174	34	388	5	114	(2,600)	–
Transfer from investment properties	6	–	–	–	–	–	–	6
Acquisition of subsidiaries *(Note 41)*	136	7	71	7	1	8	1,529	1,759
Disposal of subsidiaries *(Note 42)*	(14)	(15)	(1)	(3)	–	(9)	–	(42)
Write-offs/other disposals	(138)	(666)	(275)	(107)	(56)	(349)	(220)	(1,811)
Transfer to investment properties	(317)	–	–	–	–	–	–	(317)
Transfer to properties held for sale	–	–	–	–	–	–	(22)	(22)
At 31 December 2010	10,863	24,764	7,443	3,507	1,765	3,011	3,056	54,409
DEPRECIATION AND IMPAIRMENT								
At 1 January 2010 as originally stated	2,216	8,302	2,985	1,291	546	1,379	12	16,731
Effect of acquisition of CRPCE	3	7	1	–	–	1	–	12
At 1 January 2010 as restated	2,219	8,309	2,986	1,291	546	1,380	12	16,743
Exchange adjustments	(6)	(53)	(12)	(8)	–	(10)	–	(89)
Provided for the year	352	2,697	732	303	229	268	–	4,581
Transfer from investment properties	4	–	–	–	–	–	–	4
Impairment loss recognised in profit or loss	–	–	–	–	3	6	–	9
Disposal of subsidiaries *(Note 42)*	(5)	(12)	–	(1)	–	(4)	–	(22)
Eliminated on write-offs/other disposals	(55)	(507)	(231)	(94)	(47)	(160)	(6)	(1,100)
Transfer to investment properties	(8)	–	–	–	–	–	–	(8)
At 31 December 2010	2,501	10,434	3,475	1,491	731	1,480	6	20,118
CARRYING VALUES								
At 31 December 2010	8,362	14,330	3,968	2,016	1,034	1,531	3,050	34,291

17. Property, Plant and Equipment (continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans–portation equipment RMB million	Manu–facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2009 as originally stated	7,776	15,126	5,182	2,349	1,024	2,370	2,630	36,457
Effect of acquisition of CRPCE	34	59	14	–	–	3	–	110
At 1 January 2009 as restated	7,810	15,185	5,196	2,349	1,024	2,373	2,630	36,567
Exchange adjustments	3	(9)	(3)	3	–	1	–	(5)
Additions	445	6,253	1,328	527	321	725	2,989	12,588
Transfer from properties held for sale/properties under development	18	–	–	–	–	–	–	18
Transfer within property, plant and equipment	701	97	29	166	3	29	(1,025)	–
Transfer from investment properties	17	–	–	–	–	–	–	17
Acquisition of subsidiaries	–	–	2	–	3	–	–	5
Disposal of subsidiaries	(26)	(7)	(67)	(51)	(1)	(14)	(769)	(935)
Write-offs/other disposals	(217)	(575)	(320)	(120)	(59)	(421)	(698)	(2,410)
Transfer to investment properties	(118)	–	–	–	–	–	–	(118)
Transfer to lease prepayments	–	–	–	–	–	–	(195)	(195)
At 31 December 2009	8,633	20,944	6,165	2,874	1,291	2,693	2,932	45,532
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009 as originally stated	2,020	6,311	2,636	1,149	478	1,166	12	13,772
Effect of acquisition of CRPCE	13	14	11	–	–	2	–	40
At 1 January 2009 as restated	2,033	6,325	2,647	1,149	478	1,168	12	13,812
Exchange adjustments	1	(3)	(2)	2	–	–	–	(2)
Provided for the year	291	2,462	633	235	122	378	–	4,121
Transfer from investment properties	4	–	–	–	–	–	–	4
Impairment loss recognised in profit or loss	–	2	–	1	–	6	–	9
Disposal of subsidiaries	(8)	(2)	(21)	(7)	–	(1)	–	(39)
Eliminated on write-offs/other disposals	(96)	(475)	(271)	(89)	(54)	(171)	–	(1,156)
Transfer to investment properties	(6)	–	–	–	–	–	–	(6)
At 31 December 2009	2,219	8,309	2,986	1,291	546	1,380	12	16,743
CARRYING VALUES								
At 31 December 2009 (Restated)	6,414	12,635	3,179	1,583	745	1,313	2,920	28,789
At 1 January 2009 (Restated)	5,777	8,860	2,549	1,200	546	1,205	2,618	22,755

17. Property, Plant and Equipment (continued)

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

During the year, the Directors conducted a review of the property, plant and equipment and determined that an impairment loss of RMB9 million (2009: RMB9 million) be recognised for items physically damaged or obsolete in the profit or loss as disclosed in Note 13.

The carrying values of infrastructure construction equipment include amounts of RMB516 million (2009: RMB874 million) in respect of assets held under finance leases.

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of RMB182 million (2009: RMB338 million).

Buildings are located on land in Mainland China under the following lease term:

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)
Under long lease	**379**	164
Under medium-term lease	**7,983**	6,250
	8,362	6,414

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB963 million (2009: RMB602 million) at 31 December 2010. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

18. Lease Prepayments

Movements in the lease prepayments, which represent land use rights in Mainland China, during the year are analysed as follows:

	2010 RMB million	2009 RMB million
At beginning of the year	**6,447**	6,422
Acquisition of subsidiaries *(Note 41)*	**124**	–
Additions	**1,036**	125
Transfer from property, plant and equipment	**–**	195
Transfer from properties held for sale/ properties under development for sale	**–**	3
Transfer to properties held for sale	**(6)**	–
Disposals	**(175)**	(137)
Disposal of subsidiaries *(Note 42)*	**(2)**	(4)
Released to profit or loss as expenses	**(183)**	(157)
At end of the year	**7,241**	6,447
Analysed for reporting purpose as:		
– Non-current	**7,058**	6,269
– Current	**183**	178
	7,241	6,447

	31/12/2010 RMB million	31/12/2009 RMB million
Analysis of periods of land use rights in Mainland China:		
Under long lease	**942**	391
Under medium-term lease	**6,299**	6,056
	7,241	6,447

The underlying land use rights of lease prepayments with carrying amounts of RMB8 million (2009: RMB323 million) were pledged against bank borrowings of the Group.

The Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of RMB868 million (2009: RMB880 million) at 31 December 2010. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

19. Investment Properties

	2010 RMB million	2009 RMB million (Restated)
COST		
At beginning of the year	**1,835**	1,518
Additions	**104**	252
Transfer from property, plant and equipment	**317**	118
Transfer from properties held for sale	**2**	48
Transfer to property, plant and equipment	**(6)**	(17)
Transfer to properties held for sale	**(5)**	–
Disposals	**(23)**	(84)
At end of the year	**2,224**	1,835
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**169**	134
Provided for the year	**82**	49
Transfer from property, plant and equipment	**8**	6
Transfer to property, plant and equipment	**(4)**	(4)
Transfer to properties held for sale	**(1)**	–
Eliminated on disposals	**(1)**	(16)
At end of the year	**253**	169
CARRYING VALUES		
At end of the year	**1,971**	1,666
At 1 January 2009		1,384

The fair value of the investment properties with carrying amount of RMB1,971 million (2009: RMB1,666 million) is RMB2,377 million (2009: RMB1,997 million). The fair value disclosed is based on the valuation performed by Jones Lang LaSalle Sallmanns Limited, an independent firm of professionally qualified valuers, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties.

The investment properties are depreciated on a straight-line basis at the annual rates from 25 to 50 years.

Bank borrowings are secured by certain investment properties with an aggregate carrying value of RMB112 million (2009: RMB922 million).

Investment properties are located on land in Mainland China under medium-term lease.

20. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2010	**19,101**	**66**	**6**	**92**	**53**	**19,318**
Additions	**3,686**	**9**	**–**	**28**	**10**	**3,733**
Acquisition of subsidiaries *(note 41)*	**–**	**–**	**–**	**1**	**1**	**2**
Disposal of subsidiaries *(note 42)*	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Write-offs/other disposals	**(80)**	**–**	**–**	**(1)**	**–**	**(81)**
At 31 December 2010	**22,707**	**75**	**6**	**119**	**64**	**22,971**
AMORTISATION AND IMPAIRMENT						
At 1 January 2010	**195**	**55**	**4**	**29**	**44**	**327**
Provided for the year	**217**	**2**	**1**	**17**	**1**	**238**
Eliminated on write-offs/other disposals	**–**	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2010	**412**	**57**	**5**	**45**	**45**	**564**
CARRYING VALUES						
At 31 December 2010	**22,295**	**18**	**1**	**74**	**19**	**22,407**
COST						
At 1 January 2009	13,615	62	4	73	52	13,806
Additions	5,494	5	2	25	8	5,534
Write-offs/other disposals	(8)	(1)	–	(6)	(7)	(22)
At 31 December 2009	19,101	66	6	92	53	19,318
AMORTISATION AND IMPAIRMENT						
At 1 January 2009	20	53	3	25	36	137
Provided for the year	175	3	1	9	8	196
Eliminated on write-offs/other disposals	–	(1)	–	(5)	–	(6)
At 31 December 2009	195	55	4	29	44	327
CARRYING VALUES						
At 31 December 2009	18,906	11	2	63	9	18,991
At 1 January 2009	13,595	9	1	48	16	13,669

Pursuant to the service concession arrangement contracts, the Group is responsible for the construction of toll roads and entitled to operate the toll roads upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads upon expiration of concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

20. Intangible Assets (continued)

The rights in respect of toll road income under four (2009: four) concession agreements with an aggregate carrying amount of RMB11,749 million (2009: RMB11,938 million) are pledged against certain banking facilities of the Group.

The intangible assets is stated at cost less impairment and service concession arrangements which are amortised on a units-of-usage basis, are amortised on a straight-line basis based on the estimated useful lives as follows:

Category	Estimated useful lives
Non-patented technologies	5 to 10 years
Patents	2 to 10 years
Computer software	2 to 10 years
Others	3 to 50 years

21. Mining Assets

	Mining rights RMB million	Exploration and Evaluation assets RMB million	Total RMB million
Costs			
At 1 January 2010	77	1,218	1,295
Additions	23	94	117
Acquisition of subsidiaries *(Note 41)*	2,741	153	2,894
Less: accumulated amortisation	(19)	–	(19)
At 31 December 2010	2,822	1,465	4,287
Costs			
At 1 January 2009	67	1,273	1,340
Additions	10	15	25
Disposal of subsidiaries *(Note 42)*	–	(70)	(70)
Less: accumulated amortisation	(12)	–	(12)
At 31 December 2009	65	1,218	1,283

The amounts represent the expenditure on exploration and evaluation of gold and mine projects at Inner Mongolia, Heilongjiang, Fujian, Australia and The Democratic Republic of the Congo. The Group did not have any attributable liabilities, income and expenses for both years. The investing cash outflows used in the exploration for and evaluation of mineral resources during the year are as follows:

	2010 RMB million	2009 RMB million
Investing cash outflows	**(117)**	(25)

22. Interests in Jointly Controlled Entities

	31/12/2010 RMB million	31/12/2009 RMB million
Cost of unlisted investments	686	637
Share of post-acquisition profits (losses), net of dividends received	73	(39)
Accumulated impairment loss recognised	(8)	(8)
	751	590
Additional investments in jointly controlled entities	–	194
	751	784

Details of Group's principal jointly controlled entities at 31 December 2010 are set out in Note 47.

The summarised unaudited financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	31/12/2010 RMB million	31/12/2009 RMB million
Assets and liabilities		
Total assets	3,472	3,875
Total liabilities	1,946	3,052
Net assets	1,526	823
Group's share of net assets of jointly controlled entities	759	598

	2010 RMB million	2009 RMB million
Results		
Revenue	1,866	1,164
Profit before tax	392	120
Income tax expense	(66)	(19)
Profit for the year	326	101
Group's share:		
Profit before tax	203	48
Income tax expense	(33)	(9)
Profit for the year	170	39

23. Interests in Associates

	31/12/2010 RMB million	31/12/2009 RMB million
Cost of unlisted investments	**4,656**	4,105
Share of post-acquisition (losses) profits and other comprehensive (expense) income, net of dividends received	**(517)**	(272)
Accumulated impairment loss recognised	**(3)**	(3)
	4,136	3,830

Details of Group's principal associates at 31 December 2010 and 2009 are set out in Note 48.

The summarised unaudited financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

	31/12/2010 RMB million	31/12/2009 RMB million
Assets and liabilities		
Total assets	**34,020**	34,279
Total liabilities	**24,817**	24,690
Net assets	**9,203**	9,589
Group's share of net assets of associates	**4,139**	3,883

	2010 RMB million	2009 RMB million
Results		
Revenue	**10,593**	6,636
Loss before tax	**(113)**	(168)
Income tax expense	**(93)**	(74)
Loss for the year	**(206)**	(242)
Other comprehensive (expense) income	**(5)**	29
Group's share:		
Loss before tax	**(136)**	(248)
Income tax expense	**(34)**	(68)
Loss for the year	**(170)**	(316)
Other comprehensive (expense) income	**(3)**	10

24. Goodwill

	2010 RMB million	2009 RMB million
At beginning of the year	**836**	836
Acquisition of subsidiaries *(Note 41)*	**50**	2
Disposal of subsidiaries	**–**	(2)
Impairment loss recognised during the year	**(21)**	–
At end of the year	**865**	836
At 1 January 2009		836

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 46) and sub-groups headed by these subsidiaries:

	2010 RMB million	2009 RMB million
China Railway NO.1 Engineering Group Co., Ltd.	**64**	64
China Railway NO.3 Engineering Group Co., Ltd.	**51**	51
China Railway NO.4 Engineering Group Co., Ltd.	**95**	95
China Railway NO.5 Engineering (Group) Co., Ltd.	**82**	82
China Railway NO.8 Engineering Group Co., Ltd.	**48**	48
China Railway NO.9 Engineering Group Co., Ltd.	**61**	61
China Railway NO.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**41**	41
China Railway Construction Group (CRCG) Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**48**	19
China Railway Trust Co., Ltd.	**206**	206
Other subsidiaries	**27**	27
	865	836

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust Co., Ltd is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2009: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

The recoverable amounts in respect of subsidiaries other than China Railway Trust Co., Ltd. have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budgets for the following five years, and a discount rate of 11% (2009: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each subsidiary to exceed its recoverable amount.

25. Available-For-Sale Financial Assets

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Unlisted PRC government bonds, at market prices	**–**	–	3
Unlisted open-end equity funds, at market prices	**30**	35	27
Unlisted entrusted products	**712**	625	454
Listed equity investments in the PRC, at market prices	**463**	797	480
Unlisted equity investments, at cost less impairment	**3,082**	3,080	2,966
	4,287	4,537	3,930

The unlisted entrusted products are investment products relating to property development projects and energy projects in Mainland China and are debt instruments. The fair value of the entrusted products is determined based on discounted cash flow analysis.

The unlisted equity investments are equity securities issued by private entities established in Mainland China. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted entrusted products, listed equity investments and unlisted equity investments with carrying amount of RMB1,332 million. A gain on disposal of RMB465 million (2009: RMB100 million) has been recognised in profit or loss for the current year.

26. Other Loans and Receivables

	31/12/2010 RMB million	31/12/2009 RMB million
Short-term loans and receivables	**1,237**	1,940
Long-term loans and receivables	**4,253**	2,095
	5,490	4,035
Less: Impairment on receivables	**(185)**	(27)
Total other loans and receivables	**5,305**	4,008
Less: Amount due within one year included in current assets	**(1,062)**	(1,928)
Amount due after one year	**4,243**	2,080

At 31 December 2010, other loans and receivables amounting to RMB104 million (2009: nil) do not carry interest, the remaining other loans and receivables carry fixed-rate interests within a range of 4.86% to 39% (2009: 4.86% to 36%) per annum.

At 31 December 2010, other loans and receivables amounting to RMB189 million (2009: RMB156 million) are secured by equity investments, RMB163 million (2009: RMB153 million) are secured by property, plant and equipment, RMB47 million (2009: RMB2 million) are secured by lease prepayments and RMB52 million (2009: RMB160 million) are guaranteed by a third party. The remaining balances are unsecured.

26. Other Loans and Receivables (continued)

Movements in impairment on receivables are as follows:

	2010 RMB million	2009 RMB million
At beginning of the year	**27**	20
Impairment loss recognised during the year	**166**	17
Written-off	**(8)**	(10)
At end of the year	**185**	27

27. Properties Held for Sale/Properties Under Development for Sale

Properties held for sale amounting to nil (2009: RMB72 million) have been pledged to secure banking facilities granted to the Group.

Properties under development for sale amounting to RMB9,556 million (2009: RMB3,524 million) have been pledged to secure banking facilities granted to the Group.

Properties under development for sale amounting to RMB6,480 million (2009: RMB4,886 million) are expected to be recovered beyond 12 months.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at cost.

28. Inventories

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Raw materials and consumables	**25,660**	19,596	14,850
Work in progress	**1,664**	1,579	1,300
Finished goods	**2,702**	2,656	2,334
	30,026	23,831	18,484

Finished goods amounting to RMB24 million (2009: nil) have been pledged to secure banking facilities granted to the Group.

29. Trade and Other Receivables

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

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Trade and bills receivables	**84,530**	69,532	51,903
Less: impairment	**(1,332)**	(1,124)	(911)
	83,198	68,408	50,992
Other receivables (net of impairment)	**19,316**	16,886	13,480
Advance to suppliers	**20,769**	17,709	14,305
	123,283	103,003	78,777
Less: Amount due after one year included in non-current assets	**(2,146)**	(1,313)	(79)
Amount due within one year included in current assets	**121,137**	101,690	78,698

Most of the Group's customers are from central and local government or state-owned enterprises, which have good credit standing and strong economic background. More than 90% of the trade receivables that are neither past due nor impaired are from customers with good payment history.

Included in trade and bills receivables are retention receivables of RMB34,917 million (2009: RMB24,181 million). Retention receivables are interest-free and recoverable at end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)
Less than six months	**43,449**	38,673
Six months to one year	**18,386**	15,387
One year to two years	**13,415**	9,801
Two years to three years	**5,833**	3,194
More than three years	**2,115**	1,353
	83,198	68,408

The Group's major customers are PRC government agencies and other state-owned enterprises. Trade receivables due from PRC state-owned enterprises are disclosed in Note 45.

29. Trade and Other Receivables (continued)

Aged analysis of trade and other receivables which are past due but not impaired

	31/12/2010 RMB million	31/12/2009 RMB million
Six months to one year	12	27
One year to two years	20	3
	32	30

The Directors consider that there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of individually impaired trade and bills receivables and other receivables during the year are as follows:

	2010 RMB million	2009 RMB million (Restated)
At beginning of the year	1,646	1,348
Impairment loss recognised during the year	423	336
Written-off	(53)	(35)
Decrease through disposal of subsidiaries	(2)	(3)
At end of the year	2,014	1,646
Attributable to:		
Trade and bills receivables	1,332	1,124
Other receivables	682	522
	2,014	1,646

Included in trade and bills receivables are bills discounted with recourse amounting to RMB396 million (2009: RMB375 million). The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received as secured bank loans (see Note 36).

Trade receivables of RMB676 million (2009: nil) were discounted to the bank for collateral loans.

30. Amounts Due From (to) Customers for Contract Work

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Contract costs incurred plus recognised profits less recognised losses	**1,352,743**	966,725	681,263
Less: Progress billings	**(1,318,325)**	(953,996)	(671,620)
	34,418	12,729	9,643
Analysed for reporting purpose as:			
Amounts due from customers for contract work	**46,472**	31,068	25,199
Amounts due to customers for contract work	**(12,054)**	(18,339)	(15,556)
	34,418	12,729	9,643

31. Held-For-Trading Financial Assets (Liabilities)

Held-for-trading financial assets

	31/12/2010 RMB million	31/12/2009 RMB million
Equity securities listed in Mainland China, at quoted prices	**113**	13
Equity securities listed in Hong Kong, at quoted prices	**36**	46
Derivative financial instruments – interest rate swaps *(note (a))*	**4**	6
Derivative financial instruments – foreign exchange forward contract *(note (b))*	**–**	16
	153	81

Held-for-trading financial liabilities

	31/12/2010 RMB million	31/12/2009 RMB million
Derivative financial instruments – interest rate swaps *(note (a))*	**93**	98
	93	98

Notes:

(a) The Group entered into five interest rate swap contracts. One Euro interest rate swap will mature in 2011, another Euro interest rate swap will mature in 2021 and three RMB interest rate swaps will mature in 2017.

Under the Euro contracts, the Group will receive interest at fixed rates and pay interest at floating rates.

Under the RMB contracts, the Group will receive interest at fixed rates up to certain dates between June 2009 to November 2009 and then at floating rates thereafter, and pay interest at fixed rates.

(b) In December 2009, the Group entered into a foreign exchange forward contract to sell USD and buy South African Rand. The contract matured and was settled in January 2010.

32. Restricted Cash

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Restricted cash denominated in:			
RMB	**2,142**	2,267	2,502
USD	**124**	17	6
Other currencies	**25**	60	24
	2,291	2,344	2,532

The restricted cash held in dedicated bank accounts under the names of the group entities are for the issue of performance bonds to customers and therefore classified as current assets. The restricted cash held in dedicated bank accounts carry interest at prevailing market interest rates.

33. Cash and Cash Equivalents

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Bank balances and cash denominated in:			
RMB	**52,235**	41,721	30,645
USD	**1,251**	3,946	12,094
Other currencies	**1,374**	3,765	4,396
	54,860	49,432	47,135

Bank balances carry interest at market rates which range from 0.86% to 4.1% (2009: 0.36% to 3.6%) per annum. The bank balances denominated in RMB are deposited with banks in Mainland China and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

34. Share Capital of the Company

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

The A Shares and H Shares in issue are the ordinary shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. A Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, or qualified foreign institutional investors and must be traded in Renminbi. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

There were no changes in the Company's registered, and issued and fully paid capital in both years.

35. Trade and Other Payables

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Trade and bills payables	**136,716**	94,790	67,329
Advance from customers	**41,100**	38,487	24,133
Accrued payroll and welfare	**1,895**	1,738	1,950
Other taxes	**6,621**	4,419	3,555
Deposit received in advance	**110**	115	120
Dividend payables	**117**	2,562	165
Other payables	**23,379**	19,230	14,776
	209,938	161,341	112,028
Analysed for reporting purposes as:			
Non-current	**630**	339	366
Current	**209,308**	161,002	111,662
	209,938	161,341	112,028

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,331 million (2009: RMB3,499 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

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

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)
Less than one year	**122,630**	84,578
One year to two years	**10,144**	7,200
Two years to three years	**2,475**	2,197
More than three years	**1,467**	815
	136,716	94,790

36. Borrowings

	31/12/2010 RMB million	31/12/2009 RMB million	1/1/2009 RMB million (Restated)
Bank loans:			
Secured	**14,666**	11,327	11,165
Unsecured	**42,114**	27,114	38,224
	56,780	38,441	49,389
Short-term debentures, unsecured	**6,702**	3,800	600
Long-term debentures, secured	**11,933**	–	–
Other short-term loans, secured	**–**	–	42
Other short-term loans, unsecured	**6,136**	6,150	2,286
Other long-term loans, unsecured	**1,808**	7,472	1,406
	83,359	55,863	53,723
Analysed for reporting purposes:			
Non-current	**42,915**	27,151	16,829
Current	**40,444**	28,712	36,894
	83,359	55,863	53,723

The exposure of the fixed-rate and floating-rate bank loans and the contractual maturity dates are as follows:

	31/12/2010 RMB million	31/12/2009 RMB million
Fixed-rate bank loans repayable		
Within one year	**139**	213
More than one year but within two years	**116**	156
More than two years but within three years	**113**	116
More than three years but within four years	**128**	116
More than four years but within five years	**90**	128
More than five years	**115**	229
	701	958

	31/12/2010 RMB million	31/12/2009 RMB million
Floating-rate bank loans repayable		
Within one year	**27,467**	18,549
More than one year but within two years	**3,281**	3,313
More than two years but within three years	**5,157**	2,397
More than three years but within four years	**1,519**	505
More than four years but within five years	**4,404**	971
More than five years	**14,251**	11,748
	56,079	37,483

36. Borrowings (continued)

The exposure of the fixed-rate and floating-rate other long-term loans and the contractual maturity dates are as follows:

	31/12/2010 RMB million	31/12/2009 RMB million
Floating-rate other long-term loans repayable		
More than one year but within two years	1,723	7,323
More than two years but within three years	23	–
More than three years but within four years	–	23
More than four years but within five years	62	–
More than five years	–	126
	1,808	7,472

Bank loans carry interest at rates which range from 3.86% to 10.0% (2009: 0.75% to 9.5%) per annum during the year.

Short-term debentures were issued at fixed rates ranging from 1.65% to 4.06% (2009: 1.65% to 7.1%) per annum.

Other short-term loans carry interest at rates which range from 3.82% to 6.98% (2009: 3.72% to 14.4%) per annum.

Long-term debentures were issued at fixed rates ranging from 4.34% to 4.88%.

Other long-term loans carry interest at rates which range from 3.89% to 13.0% (2009: 2.2% to 13.0%) per annum.

The borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	In USD RMB million	In EURO RMB million	In other currencies RMB million
At 31 December 2010	740	349	42
At 31 December 2009	877	447	34

37. Obligations Under Finance Lease

It is the Group's policy to lease certain of its equipment under finance leases. The average lease term is 3 years (2009: 3 years). Interest rates underlying all obligations under finance lease are set as the interest rate at respective contract dates. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	RMB million	RMB million	**RMB million**	RMB million
Amounts payable under finance lease				
Within one year	**263**	342	**259**	327
In more than one year but not more than two years	**55**	252	**49**	232
In more than two years but not more than five years	**23**	35	**17**	30
	341	629	**325**	589
Less: future finance charges	**(16)**	(40)	**–**	–
Present value of lease obligations	**325**	589	**325**	589
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(259)**	(327)
Amount due for settlement after twelve months			**66**	262

The Group's obligations under finance lease are secured by the lessors' charge over the leased assets.

38. Financial Guarantee Contracts

	2010	2009
	RMB million	RMB million
At beginning of the year	**35**	37
Amortisation for the year	**(2)**	(2)
At end of the year	**33**	35
Analysed for reporting purpose as:		
Non-current	**31**	33
Current	**2**	2
	33	35

The balances represent the unamortised fair value of financial guarantees, details of which are disclosed in Note 43.

39. Retirement and Other Supplemental Benefit Obligations

State-managed retirement plans

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute 20% of payroll costs, depending on the applicable local regulations, to the state-managed retirement plans. The only obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to profit or loss during the year is RMB2,537 million (2009: RMB1,984 million).

At 31 December 2010, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and included in trade and other payables are RMB200 million (2009: RMB185 million).

Retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	31/12/2010 RMB million	31/12/2009 RMB million
Present value of unfunded defined benefit obligations	**8,718**	9,322
Net actuarial losses not recognised	**(1,692)**	(1,688)
Net liability arising from defined benefit obligations	**7,026**	7,634
Less: Amount due within one year	**(915)**	(936)
Amount due after one year	**6,111**	6,698

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2010 RMB million	2009 RMB million
At beginning of the year	**9,322**	9,940
Interest cost	**332**	283
Actuarial losses recognised in the year	**99**	64
Additions *(note)*	**–**	26
Benefits paid	**(1,039)**	(1,110)
Actuarial losses not recognised	**4**	119
At end of the year	**8,718**	9,322

Note: Additions were resulted from employees who had joined the early retirement plans in 2009.

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers Perrin, Hong Kong, using the projected unit credit method.

39. Retirement and Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010	2009
Discount rate	3.75%	3.75%
Early-retiree's salary and supplemental benefit inflation rate	4.50%	4.50%
Medical cost trend rates	8.00%	8.00%

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

The effect of an increase of one percentage point in the assumed medical cost trend rates on:

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs amounted to RMB1 million (2009: RMB1 million).

(ii) the accumulated post-employment benefit obligation for medical costs amounted to RMB27 million (2009: RMB27 million).

40. Deferred Taxation

The following are the major deferred income tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Tax losses RMB million	Impairment of assets RMB million	Excess of accounting depreciation over tax depreciation RMB million	Retirement and other supplemental benefit obligations RMB million	Fair value changes of available-for-sale financial assets RMB million	Excess of tax base of lease prepayments over carrying amount RMB million	Mining assets RMB million	Others RMB million	Total RMB million
At 1 January 2009 as originally stated	279	292	18	1,658	(27)	29	(253)	160	2,156
Effect of acquisition of CRPCE accounted for as a combination of businesses under common control	–	1	–	2	–	–	–	–	3
At 1 January 2009 as restated	279	293	18	1,660	(27)	29	(253)	160	2,159
Credit (charge) to profit or loss	50	49	1	(151)	–	–	–	225	174
Charge to other comprehensive income	–	–	–	–	(100)	–	–	–	(100)
Effect of change in tax rate charged to profit or loss	120	4	–	4	–	–	–	7	135
At 31 December 2009 as restated	449	346	19	1,513	(127)	29	(253)	392	2,368
Credit (charge) to profit or loss	(88)	77	(3)	(130)	–	(2)	–	117	(29)
Charge to other comprehensive income	–	–	–	–	57	–	–	–	57
Acquisition of subsidiaries	–	–	–	–	–	–	(170)	(5)	(175)
Disposal of subsidiaries	–	(1)	–	(12)	–	–	–	14	1
Effect of change in tax rate charged to profit or loss	(152)	7	2	26	–	–	–	10	(107)
At 31 December 2010	209	429	18	1,397	(70)	27	(423)	528	2,115

Note: Impairment of assets is mainly attributable to impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, and inventories.

40. Deferred Taxation (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Deferred income tax assets	**2,736**	2,819	2,557
Deferred income tax liabilities	**(621)**	(451)	(398)
	2,115	2,368	2,159

Details of the Group's unused tax losses and other deductible temporary differences are as follows:

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)
Tax losses recognised as deferred income tax assets	**1,145**	1,803
Tax losses not recognised as deferred income tax assets	**1,790**	1,719
Total tax losses	**2,935**	3,522
Other deductible temporary differences not recognised as deferred income tax assets	**814**	646
Tax losses unrecognised for deferred income tax assets that will expire in		
2010	**–**	53
2011	**30**	48
2012	**76**	107
2013	**218**	634
2014	**635**	877
2015	**831**	–
Total	**1,790**	1,719

No deferred income tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

41. Acquisition of Subsidiaries

(a) Acquisition of businesses

During the year, with the objective of the expansion of the Group's design activities, the Group acquired a 100% interest in 合肥市建築設計研究院有限公司 for a consideration of RMB51 million, a 70% interest in 中鐵蕪湖規劃設計研究院有限公司 for a consideration of RMB22 million and a 70% interest in 中鐵蕪湖建築設計研究院有限公司 for a consideration of RMB21 million.

During 2010, in order to continue the expansion of the mining activities, the Group performed the following acquisitions:

- The Group acquired a 53% interest in RMA Energy Ltd, a listed company on the Australian Securities Exchange, which is principally engaged in mining exploration.

- 內蒙古郭白鐵路有限責任公司 ("Inner Mongolia Guobai") was an associate, which was held as to 35% by the Group in 2009. In 2010, one of the three shareholders of Inner Mongolia Guobai entrusted the Group its 30% interest in Inner Mongolia Guobai, which made the Group to obtain the control of Inner Mongolia Guobai.

- The Group obtained control of 綠紗礦業有限責任公司 (Luisha Ming Co., Ltd.), MKM礦業有限責任公司 (MKM Ming Co., Ltd.) and 剛果(金)國際礦業公司 (Congo International Mining Corporation) by modifying the contractual agreements with other shareholders to hold majority voting rights. The above three companies were previously jointly controlled entities of the Group and were held as to 71%, 72% and 51%, respectively, by the Group.

- The Group acquired a 94% interest in 巴彥淖爾市鑫峰煤炭有限公司 for a consideration of RMB5 million.

- The Group acquired a 100% interest in 北京翼諾捷投資管理有限公司 for a consideration of RMB1 million.

During 2010, in order to expand the real estate business, the Group acquired additional 50% interest in 葫蘆島濱海新區投資有限公司 for a consideration of RMB36 million, which previously an associate of the Group and was held as to 38% by the Group, a 70% interest in 成都華信天宇實業有限公司 for a consideration of RMB140 million and a 100% interest in 貴州長源房地產開發有限責任公司 for a consideration of RMB3 million.

41. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred

	合肥市建築設計研究院有限公司 RMB million	中鐵蕪湖規劃設計研究院有限公司 RMB million	中鐵蕪湖建築設計研究院有限公司 RMB million	RMA Energy Ltd RMB million	內蒙古郭白鐵路有限責任公司 RMB million	MKM礦業有限責任公司 RMB million	剛果(金)國際礦業公司 RMB million	綠紗礦業有限責任公司 RMB million	葫蘆島濱海新區投資有限公司 RMB million	成都華信天宇實業有限公司 RMB million	北京翼諾捷投資管理有限公司 RMB million	巴彥淖爾市鑫峰煤炭有限公司 RMB million	貴州長源房地產開發有限責任公司 RMB million	Total RMB million
Cash	51	–	–	–	–	–	–	–	30	140	1	5	3	230
Carrying amounts of														
– previously-held investment in jointly controlled entities	–	–	–	–	–	59	3	87	–	–	–	–	–	149
– previously-held investment in associates	–	–	–	–	118	–	–	–	11	–	–	–	–	129
Payment made in prior year	–	22	21	67	–	–	–	–	–	–	–	–	–	110
Excess of fair value of the previously-held interests (note)	–	–	–	–	16	103	7	7	(5)	–	–	–	–	128
Total	51	22	21	67	134	162	10	94	36	140	1	5	3	746

Note: *According to IFRS 3 (as revised in 2008), an equity interest previously held in the acquiree which qualified as an associate under IAS 28 or a jointly controlled entity under IAS 31 is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount under IAS 28 or IAS 31 is recognised in profit or loss.*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	合肥市建築設計研究院有限公司 RMB million	中鐵蕪湖規劃設計研究院有限公司 RMB million	中鐵蕪湖建築設計研究院有限公司 RMB million	RMA Energy Ltd RMB million	內蒙古郭白鐵路有限責任公司 RMB million	MKM礦業有限責任公司 RMB million	剛果(金)國際礦業公司 RMB million	綠紗礦業有限責任公司 RMB million	葫蘆島濱海新區投資有限公司 RMB million	成都華信天宇實業有限公司 RMB million	北京翼諾捷投資管理有限公司 RMB million	巴彥淖爾市鑫峰煤炭有限公司 RMB million	貴州長源房地產開發有限責任公司 RMB million	Total RMB million
Property, plant and equipment	22	7	6	–	977	8	522	68	92	–	–	–	–	1,702
Lease prepayments	–	13	6	–	–	–	–	–	24	–	–	–	–	43
Mining assets	–	–	–	140	–	364	–	229	–	–	–	–	–	733
Inventories	–	–	–	–	–	–	30	–	–	–	–	–	–	30
Properties under development for sale	–	–	–	–	–	–	–	–	47	460	–	–	13	520
Trade and other receivables	4	8	26	–	22	2	4	11	8	32	–	5	12	134
Cash and cash equivalents	5	10	1	8	23	–	7	5	4	–	1	–	1	65
Trade and other payables	(6)	(6)	(9)	–	(107)	(51)	(543)	(128)	(164)	(288)	–	–	(23)	(1,325)
Deferred income tax liabilities	(3)	–	–	(22)	–	(95)	–	(55)	–	–	–	–	–	(175)
Long term loan	–	–	–	–	(533)	–	–	–	–	–	–	–	–	(533)
Net assets acquired	22	32	30	126	382	228	20	130	11	204	1	5	3	1,194

41. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred (continued)

Goodwill/bargain purchase gain arising on acquisition:

	2010 RMB million
Consideration transferred	**746**
Plus: non-controlling interests	**495**
Less: net assets acquired	**(1,194)**
	47
Comprising:	
Goodwill arising on acquisition	**50**
Bargain purchase gain arising on acquisition	**(3)**
	47

The goodwill was arised on the acquisitions of 葫蘆島濱海新區投資有限公司 and 合肥市建築設計研究院有限公司, which was amounting to RMB21 million and RMB29 million, respectively. RMB21 million of goodwill was fully impaired according to the estimation of recoverable amount.

In 2009, the Group acquired a 100% interest in 自貢漢昌房地產開發有限公司 for a consideration of RMB8 million, a 100% interest in 廊坊中鐵物探勘察有限公司 for a consideration of RMB2 million and an additional 12% interest in an associate, 四川創宇投資有限公司, for a consideration of RMB3 million and it becomes a subsidiary of the Company.

	2009 Acquirees' fair value RMB million
Fair value of net assets acquired:	
Property, plant and equipment	5
Properties under development for sale	98
Trade and other receivables	2
Cash and cash equivalents	3
Trade and other payables	(82)
Net assets acquired	26
Non-controlling interests	(8)
Goodwill	2
Total consideration	20
Satisfied by:	
Cash	6
Other receivables	4
Consideration payable (included in other payables)	3
Interest in an associate	7
	20

41. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred (continued)

Net cash outflows on acquisition:

	2010 RMB million	2009 RMB million
Cash consideration paid	(230)	(6)
Less: cash and cash equivalents acquired	65	3
	(165)	(3)

Impact of acquisition on the results of the Group

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

	2010 RMB million	2009 RMB million
Revenue	204	8
Loss for the year	(48)	(7)

Had the acquisitions been completed at the beginning of the respective years of the acquisitions, total group revenue and profit for the year would have been as follows:

	2010 RMB million	2009 RMB million
Revenue	456,112	334,051
Profit for the year	8,283	7,389

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

41. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 83% interest in 伊春鹿鳴礦業有限公司 for a consideration of RMB1.8 billion, a 60% interest in 青島京西置業有限公司 for a consideration of RMB6 million, a 75% interest in 成都華豐應用地質開發有限公司 for a consideration of RMB1 million, a 100% interest in 四川新鋭實業投資有限公司 for a consideration of RMB30 million, a 70% interest in 湖南百鑫達投資置業有限公司 for a consideration of RMB6 million, a 100% interest in 武漢萬佳房地產開發有限公司 for a consideration of RMB10 million, and a 100% interest in 宜昌鴻銘置業有限公司 for a consideration of RMB10 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

The carrying amounts of net assets acquired are as follows:

	2010 RMB million
Fair value of net assets acquired:	
Property, plant and equipment	18
Intangible assets	2
Mining assets	2,161
Properties under development for sale	651
Trade and other receivables	70
Cash and cash equivalents	22
Trade and other payables	(686)
Net assets acquired	2,238
Non-controlling interests	(375)
Total consideration	1,863
Satisfied by:	
Cash	1,407
Consideration payable (included in other payables)	456
	1,863
Net cash outflows arising from acquisition:	
Cash consideration paid	(1,407)
Cash and cash equivalents acquired	22
	(1,385)

41. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

In 2009, the Group acquired certain assets through acquisition of a 80% interest in 中鐵金橋世紀山水置業有限公司 for a consideration of RMB240 million and a 99% interest in 陝西千層浪房地產開發有限公司 for a consideration of RMB205 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

The carrying amounts of net assets acquired are as follows:

	2009 RMB million
Fair value of net assets acquired:	
Properties under development for sale	488
Trade and other receivables	33
Cash and cash equivalents	3
Trade and other payables	(19)
Net assets acquired	505
Non-controlling interests	(60)
Total consideration	445
Satisfied by:	
Cash	315
Deposit for investment	130
	445
Net cash outflows arising from acquisition:	
Cash consideration paid	(315)
Cash and cash equivalents acquired	3
	(312)

41. Acquisition of Subsidiaries (continued)

(c) Acquisition of a subsidiary under common control

The effect of acquisition of CACCL at the date when CRECG acquired CACCL by line items presented as follows:

	Acquisition date by CRECG RMB million
Assets	
Property, plant and equipment	39
Lease prepayments	81
Inventories	107
Trade and other receivables	1,234
Cash and cash equivalents	475
	1,936
Liabilities	
Borrowings	83
Trade and other payables	1,797
	1,880
Net assets acquired	56

Included in the loss for the year is RMB129 million attributable to CACCL. The revenue for the year includes RMB5,217 million generated from CACCL.

42. Disposal of Subsidiaries

During the year, the Group disposed of a 100% interest in 中鐵二局集團房地產開發自貢有限公司 for a consideration of RMB44 million, a 50% interest in 廣廈重慶一建房地產開發有限公司 for a consideration of RMB11 million, a 100% interest in 青島建青混凝土工程有限公司 for a consideration of RMB10 million, a 100% interest in 北京虎躍混凝土有限公司 for a consideration of RMB8 million, a 100% interest in 天津金馭立交建設投資有限公司 for a consideration of RMB189 million, a 100% interest in 貴陽明珠飯店有限公司 for a consideration of RMB35 million and a 51.07% interest in 四川星慧投資有限公司 for a consideration of RMB120 million.

The net assets of these subsidiaries at the date of disposal were as follows:

	2010 RMB million
Consideration:	
Cash received	415
Consideration receivable	2
Total consideration received	417
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	20
Lease prepayments	2
Intangible assets	1
Deferred income tax assets	1
Inventories	701
Trade and other receivables	268
Cash and cash equivalents	103
Trade and other payables	(236)
Borrowings	(461)
Net assets disposed of	399
Gain on disposal of subsidiaries:	
Consideration received and receivable	417
Net assets disposed of	(399)
Non-controlling interests	37
Gain on disposal	55
Net cash inflows arising on disposals:	
Cash consideration	415
Less: bank balance and cash disposal of	(103)
	312

42. Disposal of Subsidiaries (continued)

In 2009, the non-controlling interests made additional capital contribution to 內蒙古郭白鐵路有限責任公司 and 北京鐵信通科技發展有限公司, the Group's interests therein have been diluted from 51% to 35% and 52% to 9% respectively, which resulted in loss of control over the entities.

Further, the Group disposed of 100% interest in 山東中鐵城鎮建設有限公司 for a consideration of RMB168 million, 30% interest in 貴陽同興物業管理有限公司 and 59.8% interest in 德陽三益物業管理有限公司 for a consideration of RMB1 million, 100% interest in 自貢漢昌房地產開發有限公司 for a consideration of RMB22 million, 70% interest in 西部冶金貿易有限公司 for a consideration of RMB1 million, 100% interest in 山西合眾瑞通投資有限公司 for a consideration of RMB67 million, 100% interest in 赤峰中鐵資源有限公司 for a consideration of RMB226 million and 26% interest in 北京豐懷軌枕有限公司 for a consideration of RMB9 million.

The net assets of these subsidiaries at the date of disposal were as follows:

	2009 RMB million
Net assets disposed of:	
Property, plant and equipment	896
Lease prepayments	4
Mining assets	70
Interest in an associate	60
Inventories	249
Trade and other receivables	126
Cash and cash equivalents	197
Trade and other payables	(610)
Borrowings	(441)
	551
Non-controlling interests	(189)
Transfer to interest in an associate	(133)
Transfer to interest in a jointly controlled entity	(8)
Goodwill	2
Capital reserve	(5)
Gain on disposal of subsidiaries	276
Total consideration	494
Satisfied by:	
Cash	494
Net cash inflows arising on disposal:	
Cash received	494
Cash and cash equivalents disposed of	(197)
	297

43. Contingent Liabilities

	2010 RMB million	2009 RMB million
Pending lawsuits *(note)*	**237**	351

Note: The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets" and (ii) the unamortised fair value of these financial guarantees. The financial impact of the financial guarantees is disclosed in Note 38. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2010 RMB million	**2010 Expiry period**	31/12/2010 RMB million	2009 Expiry period
Guarantees given to banks in respect of banking facilities to:				
Jointly controlled entity and associate	**5,283**	**2011-2027**	5,713	2010-2027
Other state-owned enterprises	**659**	**2011-2012**	790	2010-2011
Property purchasers	**5,250**	**2011-2012**	3,836	2010-2011
Investees of the Group	**43**	**2011-2016**	176	2010-2016
Other independent parties	**50**	**2011-2011**	–	
	11,285		10,515	

In addition to the above, as at 31 December 2010, 宜昌鴻銘置業有限公司, a subsidiary acquired by the Group in the current year, undertook to settle certain liabilities of 宜昌三峽鴻銘旅遊地產開發有限公司(「宜昌三峽」) to the extent of RMB303 million (being the amount of liabilities of 宜昌三峽 on the date it was spun off from 宜昌鴻銘置業有限公司) if 宜昌三峽 failed to repay those liabilities in future.

44. Commitments

Capital expenditure

	31/12/2010 RMB million	31/12/2009 RMB million
Acquisition of property, plant and equipment contracted but not provided for	**2,585**	4,454
Acquisition of land use rights contracted but not provided for	**–**	93

44. Commitments (continued)

Investment commitment

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

	31/12/2010 RMB million	31/12/2009 RMB million
Loan commitment to an associate	19,397	19,807
Capital contributions to associates	24	175
Available-for-sale financial assets	4	467
Jointly controlled entities	–	6
	19,425	20,455

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 13. The investment properties held for rental purposes are expected to generate rental yields of 8.56% to 9.34% (2009: 6% to 8.56%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2010 RMB million	31/12/2009 RMB million
Within one year	119	128
In the second to fifth year inclusive	345	368
After five years	287	330
	751	826

The Group as lessee

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are as follows:

	31/12/2010 RMB million	31/12/2009 RMB million
Within one year	850	298
In the second to fifth year inclusive	75	200
Over five years	42	36
	967	534

45. Related Party Transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

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

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

Significant related party transactions

The Group had the following significant transactions with related parties:

	2010 **RMB million**	2009 RMB million (Restated)
Transactions with the CRECG Group		
Revenue from construction contracts	**13**	267
Revenue from design and other services	**–**	1
Revenue from sales of goods	**36**	–
Service expenses paid	**83**	88
Rental expense	**28**	46
Purchases	**14**	–
Transactions with jointly controlled entities		
Revenue from construction contracts	**46**	80
Revenue from sales of property, plant and equipment	**–**	87
Revenue from sale of goods	**10**	8
Interest income	**6**	8
Purchases	**2**	–
Transactions with associates		
Revenue from construction contracts	**355**	533
Revenue from sales of goods	**7**	–
Interest income	**16**	7
Service expenses paid	**–**	51
Purchases	**6**	16
Transactions with other state-owned enterprises		
Revenue from construction contracts	**165,666**	120,551
Revenue from design and other services	**15,752**	9,995
Purchases	**39,700**	21,201
Interest income on bank balances	**198**	131
Interest expenses on bank borrowings	**1,146**	607

In addition, one of the subsidiaries, 成都華信天宇實業有限公司, acquired by the Group during the year was from an associate of the Group. The detail information is disclosed in Note 41(a).

45. Related Party Transactions (continued)

Balances with related parties

	31/12/2010 RMB million	31/12/2009 RMB million (Restated)	1/1/2009 RMB million (Restated)
Balances with the CRECG Group			
Trade receivables	15	26	50
Trade payables	7	4	9
Other payables	61	38	164
Advance from customers	–	63	–
Other borrowings	–	–	320
Dividends payable	–	2,405	–
Advance to suppliers	8	–	–
Balances with jointly controlled entities			
Trade receivables	64	175	116
Other receivables	42	464	364
Advance from customers	–	–	35
Loans receivables	89	102	–
Dividend receivables	29	16	5
Balances with associates			
Trade receivables	278	490	438
Other receivables	757	265	133
Advance to suppliers	17	134	118
Trade payables	–	6	23
Other payables	72	69	64
Advance from customers	43	11	125
Loans receivable	1,197	828	–
Dividends receivable	4	–	–
Balances with other state-owned enterprises			
Trade receivables	46,426	27,883	29,781
Other receivables	18,846	13,613	8,112
Bank balances	29,562	22,556	29,769
Trade payables	24,297	13,719	9,695
Other payables	38,856	19,287	5,714
Bank borrowings	25,865	22,631	19,400
Other borrowings	26,580	15,636	464

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by a jointly controlled entity, an associate and other state-owned enterprises, the maximum exposure of which are disclosed in Note 43.

45. Related Party Transactions (continued)

Compensation of key management personnel

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

	2010 RMB '000	2009 RMB '000
Basic salaries, allowances and other benefits-in-kind	3,780	2,033
Contributions to pension plans	1,000	884
Discretionary bonus	7,370	2,852
	12,150	5,769

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Guarantees and security

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

	31/12/2010 RMB million	31/12/2009 RMB million
CRECG	12,421	–

46. Particulars of Principal Subsidiaries

As at 31 December 2010 and 2009, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital	Class of capital	Attributable equity interests held by the Group 2010	2009	Principal activities
		'000		%	%	
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB978,537	Registered	100	100	Infrastructure construction
中鐵一局集團有限公司 China Railway NO.1 Engineering Group Co., Ltd.	PRC	RMB2,463,223	Registered	100	100	Infrastructure construction
中鐵二局集團有限公司 China Railway NO.2 Engineering Group Co., Ltd.	PRC	RMB1,643,820	Registered	100	100	Infrastructure construction
中鐵三局集團有限公司 China Railway NO.3 Engineering Group Co., Ltd.	PRC	RMB2,210,690	Registered	100	100	Infrastructure construction
中鐵四局集團有限公司 China Railway NO.4 Engineering Group Co., Ltd.	PRC	RMB1,727,586	Registered	100	100	Infrastructure construction
中鐵五局(集團)有限公司 China Railway NO.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	100	100	Infrastructure construction
中鐵六局集團有限公司 China Railway NO.6 Engineering Group Co., Ltd.	PRC	RMB1,387,500	Registered	100	100	Infrastructure construction
中鐵七局集團有限公司 China Railway NO.7 Engineering Group Co., Ltd.	PRC	RMB1,442,542	Registered	100	100	Infrastructure construction
中鐵八局集團有限公司 China Railway NO.8 Engineering Group Co., Ltd.	PRC	RMB1,564,285	Registered	100	100	Infrastructure construction
中鐵九局集團有限公司 China Railway NO.9 Engineering Group Co., Ltd.	PRC	RMB1,582,797	Registered	100	100	Infrastructure construction
中鐵十局集團有限公司 China Railway NO.10 Engineering Group Co., Ltd.	PRC	RMB1,333,943	Registered	100	100	Infrastructure construction

46. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2010 %	2009 %	Principal activities
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB1,668,906	Registered	100	100	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB1,584,932	Registered	100	100	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group (CRCG) Co., Ltd.	PRC	RMB1,753,613	Registered	100	100	Infrastructure construction
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB1,648,347	Registered	100	100	Infrastructure construction
中鐵國際經濟合作有限公司 China Railway International Economic Cooperation Co., Ltd.	PRC	RMB900,000	Registered	100	100	Infrastructure construction
中鐵港航局集團有限公司 China Railway Port Channel *(note 1)* Engineering Group Co., Ltd. *(note 3)*	PRC	RMB800,000	Registered	100	–	Port construction
中鐵上海工程局有限公司 Shanghai Civil Engineering Corporation Limited of China Railway Engineering Corporation Limited Construction Co., Ltd.	PRC	RMB500,000	Registered	100	–	Infrastructure construction
中國中鐵航空港建設集團有限公司 China Railway Airport Construction Group Co., Ltd. *(note 2)*	PRC	RMB360,000	Registered	100	–	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd. (formerly known as 鐵道第二勘察院)	PRC	RMB554,208	Registered	100	100	Survey and design
中鐵工程設計諮詢集團有限公司 China Railway Engineering Consulting Group Co., Ltd.	PRC	RMB329,860	Registered	100	100	Engineering consulting

46. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital	Class of capital	Attributable equity interests held by the Group 2010	2009	Principal activities
		'000		%	%	
中鐵大橋勘察設計院有限公司 China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd.	PRC	RMB112,138	Registered	100	100	Survey and design
中鐵西北科學研究院有限公司 China Railway Northwest Research Institute Co., Ltd.	PRC	RMB60,790	Registered	100	100	Construction and survey supervision
中鐵西南科學研究院有限公司 China Railway Southwest Research Institute Co., Ltd.	PRC	RMB84,318	Registered	100	100	Construction and survey supervision
華鐵工程咨詢有限責任公司 Huatie Engineering Consulting Co., Ltd. (formerly known as 華鐵工程咨詢公司)	PRC	RMB197,700	Registered	100	100	Construction management
中鐵山橋集團有限公司 China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB612,103	Registered	100	100	Bridge steel structure manufacturing
中鐵寶橋集團有限公司 China Railway Turnout & Bridge Group Co., Ltd.	PRC	RMB853,000	Registered	100	100	Railway specialised equipment manufacturing
中鐵科工集團有限公司 China Railway Science and Technology Engineering Group Co., Ltd.	PRC	RMB550,000	Registered	100	100	Railway specialised equipment manufacturing
中鐵隧道裝備製造有限公司 China Railway Tunnel Equipment Manufacturing Co., Ltd.	PRC	RMB100,000	Registered	100	100	Tunnel equipment manufacturing
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB2,100,000	Registered	100	100	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB1,500,000	Registered	100	100	Mining
中鐵荷澤德商高速公路建設發展有限公司 China Railway Heze Deshang Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	100	100	Investment and management
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	100	85	Investment and management

46. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2010 %	2009 %	Principal activities
廣西全興高速公路發展有限公司 Guangxi Quanxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	100	75	Investment and management
中鐵西南投資管理有限公司 China Railway Xi Nan Investment & Management Co., Ltd.	PRC	RMB400,000	Registered	100	100	Investment and management
中鐵佛山投資發展有限公司 China Railway Foshan Investment Development Co., Ltd.	PRC	RMB150,000	Registered	100	100	Investment and management
中鐵南方投資發展有限公司 China Railway South Investment Development Co., Ltd.	PRC	RMB400,000	Registered	100	100	Investment and management
中鐵信託有限責任公司 China Railway Trust Co., Ltd. (formerly known as 衡平信託有限責任公司)	PRC	RMB1,200,000	Registered	93	93	Financial trust management
中鐵海西投資發展有限公司 China Railway Haixi Investment Development Co., Ltd.	PRC	RMB200,000	Registered	100	100	Investment and management
中鐵南通投資建設管理有限公司 China Railway Nantong Investment Construction Management Co., Ltd	PRC	RMB200,000	Registered	100	–	Investment and management
中鐵中原投資發展有限公司 China Railway Zhongyuan Investment and Development Co., Ltd	PRC	RMB100,000	Registered	100	–	Investment and management
中鐵物貿有限責任公司 China Railway Materials Trading Co., Ltd	PRC	RMB180,000	Registered	100	–	Material trading

46. Particulars of Principal Subsidiaries (continued)

Note 1: This subsidiary was acquired in 2010. The acquisition was accounted for as a combination of businesses under common control. Details of these are set out in Note 2A.

Note 2: The subsidiary, formerly known as China Airport Construction Co., Ltd. completed registration of name change in January 2011.

Note 3: The subsidiary, formerly known as China Railway Port Channel Engineering Co., Ltd. completed registration of name change in January 2011.

All the above subsidiaries were incorporated as limited liability companies in the PRC which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At 31 December 2010 and 2009, the Group had outstanding issued debt securities:

Name	Face value of debt securities RMB million	Maturity date
China Railway Group Limited	1,700	16/07/2011
	3,000	04/11/2011
	2,000	21/12/2011
	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025

At 31 December 2009, the Group had outstanding issued debt securities:

Name	Face value of debt securities RMB million	Maturity date
China Railway Group Limited	700	24/05/2010
	1,000	16/06/2010
China Railway NO.2 Engineering Group Co., Ltd.	800	15/03/2010
	700	15/09/2010
China Railway NO.8 Engineering Group Co., Ltd.	200	03/11/2010
China Railway Electrification Engineering Group Co., Ltd.	400	23/03/2010

47. Particulars of Principal Jointly Controlled Entities

At 31 December 2010 and 2009, particulars of the Group's principal jointly controlled entities, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/registered capital held by the Group 2010 %	2009 %	Principal activities
重慶渝鄰高速公路有限公司 Chongqing Yuling Expressway Co., Ltd.	PRC	50	50	Build-operate-transfer service concession arrangement
新鐵德奧道岔有限公司 Chinese New Turnout Technologies Co., Ltd.	PRC	50	50	High-speed turnout manufacturing

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

48. Particulars of Principal Associates

At 31 December 2010 and 2009, particulars of the Group's principal associates, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/registered capital held by the Group 2010 %	2009 %	Principal activities
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co., Ltd.	PRC	**90** *(note)*	90 *(note)*	Build-operate-transfer service concession arrangement
臨策鐵路有限責任公司 Lince Railway. Co., Ltd.	PRC	**29**	29	Railway construction, operations and maintenance
鐵道第三勘察設計院集團有限公司 The Third Railway Survey And Design Institute Group Corporation	PRC	**30**	30	Engineering survey and design
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** *(note)*	80 *(note)*	Build-operate-transfer service concession arrangement

Note: Pursuant to contractual agreements between the shareholders, the Group does not have control of 雲南富硯高速公路有限公司 and 重慶墊忠高速公路有限公司 but still retain significant influences in these entities.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

49. Events After the Reporting Period

Subsequent to 31 December 2010, the following significant events took place:

(a) The first tranche of the medium-term notes of principal amount of RMB8,000 million were issued by the Company on 23 February 2011, at a fixed rate at 5.23% per annum, with 10 years period (attached with issuer's interest rate option and investors' sale back right in the fifth year).

(b) The final dividend of RMB0.055 per share in respect of the year ended 31 December 2010 has been approved at the meeting of board of directors held on 30 March 2011, which is subject to approval by the shareholders in general meeting.

50. The Company's Statement of Financial Position

At 31 December 2010

	2010 RMB million	2009 RMB million
ASSETS		
Non-current assets		
Property, plant and equipment	299	268
Lease prepayments	895	775
Investment properties	31	–
Intangible assets	33	40
Interests in jointly controlled entities	287	42
Interests in associates	2,079	2,189
Investments in subsidiaries	56,459	47,362
Available-for-sale financial assets	2,000	2,000
Other loans and receivables	14,847	1,778
Deferred income tax assets	168	415
	77,098	54,869
Current assets		
Lease prepayments	21	18
Inventories	4	5
Trade and other receivables	20,222	20,355
Amounts due from customers for contract work	1,084	740
Other loans and receivables	394	172
Held-for-trading financial assets	40	51
Cash and cash equivalents	6,669	12,601
	28,434	33,942
Total assets	105,532	88,811

50. The Company's Statement of Financial Position (continued)

At 31 December 2010 (continued)

	2010 RMB million	2009 RMB million
EQUITY		
Share capital	21,300	21,300
Reserves and shareholders' equity	46,997	44,822
Total equity	68,297	66,122
LIABILITIES		
Non-current liabilities		
Borrowings	13,280	67
Retirement and other supplemental benefit obligations	24	29
Deferred income government grant	5	4
	13,309	100
Current liabilities		
Trade and other payables	15,677	18,431
Amounts due to customers for contract work	1,092	608
Borrowings	7,155	3,548
Retirement and other supplemental benefit obligations	2	2
	23,926	22,589
Total liabilities	37,235	22,689
Total equity and liabilities	105,532	88,811
Net current assets	4,508	11,353
Total assets less current liabilities	81,606	66,222

Significant Events

1. Material litigation and arbitration

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

2. Events regarding bankruptcy and restructuring and suspension of listing or delisting

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

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

(1) Securities investments

No.	Types of securities	Stock code	Simplified stock name	Amount of initial investment (RMB)	Number of securities held (share)	Carrying value at the end of the period (RMB)	Percentage of securities investment at the end of the period (%)	Gain/loss in the reporting period (RMB)
1	Stock investment	HK0368	Sinotrans Ship	111,334,495.32	14,535,000.00	36,361,424.61	71.11	-9,711,618.39
2	Stock investment	600739	LiaoNing ChengDa	12,453,853.20	297,228.00	8,952,507.36	17.51	-3,501,345.84
3	Stock investment	600062	DCPC	1,060,260.76	46,852.00	1,334,813.48	2.61	274,552.72
4	Stock investment	000959	Beijing Shougang Company Ltd.	1,245,000.00	300,000.00	1,326,000.00	2.59	81,000.00
5	Stock investment	002049	Tangshan Jingyuan Yufeng Electronics Co., Ltd.	199,089.00	22,500.00	609,750.00	1.19	355,725.00
6	Stock investment	601186	CRCC	653,760.00	72,000.00	488,160.00	0.95	-169,920.00
7	Stock investment	601601	CPIC	420,000.00	14,000.00	320,600.00	0.63	-38,080.00
8	Stock investment	601398	ICBC	267,992.01	50,000.00	212,000.00	0.41	-60,000.00
9	Stock investment	600202	Harbin Air Conditioning	129,399.74	15,600.00	189,384.00	0.37	-104,520.00
10	Stock investment	601099	Pacific Securities	628,800.00	15,000.00	187,250.00	0.37	-109,950.00
Other securities investments held at the end of the period				767,632.70	/	1,154,560.40	2.26	61,738.90
Gains/losses on disposal of securities investments in the reporting period				/	/	/	/	2,876,220.00
Total				129,160,282.73		51,136,449.85	100.00	-10,046,197.61

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

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

Stock code	Simplified stock name	Cost of initial investment (RMB)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
601328	Bank of Communications	80,206,925.40	0.07340	226,469,948.84	7,726,283.60	-133,790,484.21	Available-for-sale financial assets	Purchase from market
000518	Sihuan Bioengineering	5,000,000.00	0.83000	60,020,625.00	–	24,522,712.50	Available-for-sale financial assets	Purchase from market
601601	CPIC	7,457,602.56	0.09000	134,471,731.20	1,761,638.40	-15,972,188.16	Available-for-sale financial assets	Purchase from market
601169	Bank of Beijing	2,000.00	0.00085	2,000.00	8,868.45	–	Long-term equity investment	Purchase from market
600999	China Merchants Securities	4,233,267.00	0.00004	4,233,267.00	-1,644,146.28	219,856.77	Available-for-sale financial assets	Purchase from market
RMT (Australian Stock Exchange)	RMA Energy Ltd.	63,259,502.93	53.32000	73,725,520.20	-10,733,333.69	–	Long-term equity investment	Subscription placement and tender offer
HK0061	North Asia Resources	76,240,948.49	6.519	39,250,230.11	–	-35,370,026.76	Available-for-sale financial assets	Obtained from China Railway Mongolia by implementing the conversion premium
Total		236,400,246.38	/	538,173,322.35	-2,880,689.52	-160,390,129.86	/	/

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

Name of investee	Cost of initial investment (RMB)	Number of shares held (share)	Percentage of interests in the investee company (%)	Carrying value at the end of the period (RMB)	Gain/loss in the reporting period (RMB)	Changes in equity of owners in the reporting period (RMB)	Accounting item	Source of shares
China Railway Trust Co., Ltd.	1,349,071,597.12	/	92.70	1,348,195,587.85	96,670,318.71	7,716,236.77	Long-term equity investment	Capital injection/ establishment
China Railway Hezhong Pawnbroking Co., Ltd. (Chengdu)	58,000,000.00	/	58.00	58,000,000.00	2,643,650.00	2,643,650.00	Long-term equity investment	Establishment
Hubei Pengcheng Insurance Brokers Co., Ltd.	200,000.00	/	4.00	200,000.00	–	–	Long-term equity investment	Purchase
China Golden Valley International Trust & Investment Co., Ltd.	17,500,000.00	/	1.46	16,850,500.00	–	-	Long-term equity investment	Establishment
Western Trust Co., Ltd.	9,094,630.00	/	1.39	9,094,630.00	516,747.48	–	Long-term equity investment	Purchase
Western Securities Co., Ltd.	10,000,000.00	10,000,000.00	1.00	10,000,000.00	3,573,629.38	–	Long-term equity investment	Purchase
Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000.00	0.82	96,457,687.47	5,610,000.00	–	Long-term equity investment	Purchase
Sichuan Trust Investment Co. Ltd.	5,452,204.94	/	0.42	5,452,204.94	–	–	Long-term equity investment	Transfer debt to equity
Bank of Chengdu Company Limited	3,002,000.00	3,731,600.00	0.13	3,002,000.00	447,792.00	447,792.00	Long-term equity investment	Purchase
Total	1,554,320,432.06	/	/	1,547,252,610.26	109,462,137.57	10,807,678.77	/	/

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

(4) Details of dealings in shares of other listed companies

Purchase/disposal	Stock name	Number of shares held at the beginning of the period (share)	Number of shares purchased/ sold in the reporting period (share)	Number of shares held at the end of the period (share)	Total amount of funds tilized (RMB)	Gain on investment (RMB)
Purchase/disposal	INVT	–	500	–	24,000.00	8,458.98
Purchase/disposal	Renrenle	–	500	–	13,490.00	3,382.96
Purchase/disposal	TYDIC	–	500	–	15,000.00	2,472.00
Purchase/disposal	HICONICS	–	500	–	17,080.00	4,325.70
Purchase/disposal	JULI SLING	–	500	–	12,000.00	1,233.79
Purchase/disposal	OBT	–	500	–	8,500.00	1,758.55
Purchase/disposal	ZQGAME	–	500	–	15,000.00	3,135.93
Purchase/disposal	CFHI	–	500	–	131,100.00	-4,366.14
Purchase/disposal	Wan Shun Stock	–	500	–	9,190.00	1,298.19
Purchase/disposal	Savings	–	500	–	10,795.00	6,677.00
Purchase/disposal	WBD	–	500	–	98,535.00	28,775.97
Purchase/disposal	Hanvon Technology	–	500	–	20,950.00	17,987.60
Purchase/disposal	Wei Xing Pipeling	–	500	–	8,985.00	2,596.44
Purchase/disposal	SANCHUAN	–	500	–	24,500.00	13,089.76
Purchase/disposal	Sky Dragon	–	500	–	14,400.00	5,068.80
Purchase/disposal	CBMB	–	500	–	9,900.00	3,179.04
Purchase/disposal	YASHA	–	500	–	15,930.00	3,049.58
Purchase/disposal	TIANYUAN GROUP	–	500	–	7,680.00	5,089.54
Purchase/disposal	DSBJ	–	500	–	13,000.00	15,953.60
Purchase/disposal	CHANGQING	–	500	–	25,500.00	12,069.78
Purchase/disposal	OriginWater	–	500	–	34,500.00	37,884.00
Purchase/disposal	Lisheng Pharma	–	500	–	22,500.00	7,951.20
Purchase/disposal	LIER	–	500	–	21,000.00	5,547.46
Purchase/disposal	Jiangsu Lianfa	–	500	–	22,500.00	8,425.43
Purchase/disposal	Sanju Environmental Protection	–	500	–	16,000.00	9,259.52
Purchase/disposal	Jiangsu Yoke Technology	–	500	–	15,000.00	255.55
Purchase/disposal	DXM	–	500	–	21,700.00	19.20
Purchase/disposal	Industrial Securities	–	500	–	50,000.00	25,823.46
Purchase/disposal	SINOER	–	500	–	13,300.00	168.42
Purchase/disposal	CHALLENGE	–	500	–	5,450.00	2,192.34
Purchase/disposal	YOTRIO	–	500	–	38,000.00	2,285.44
Purchase/disposal	Shandong Molong	–	500	–	18,000.00	2,976.38
Purchase/disposal	Tongding Optic-Electronic	–	500	–	7,250.00	3,233.20

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

(4) Details of dealings in shares of other listed companies (continued)

Purchase/disposal	Stock name	Number of shares held at the beginning of the period (share)	Number of shares purchased/ sold in the reporting period (share)	Number of shares held at the end of the period (share)	Total amount of funds tilized (RMB)	Gain on investment (RMB)
Purchase/disposal	GREEN PINE	–	500	–	11,500.00	4,224.80
Purchase/disposal	Tat Fook Technology	–	500	–	49,500.00	4,313.76
Purchase/disposal	ZNHI	–	500	–	31,980.00	9,380.71
Purchase/disposal	RONGSHENG PETROCHEMICAL	–	500	–	26,900.00	3,546.20
Purchase/disposal	JIALONG FOOD	–	500	–	16,000.00	1,282.30
Purchase/disposal	SAILHERO	–	500	–	11,000.00	5,899.90
Purchase/disposal	Chen Guang Biotech	–	500	–	15,000.00	3,909.70
Purchase/disposal	HUIFENG	–	500	–	24,345.00	6,260.95
Purchase/disposal	HanHe Cable	–	500	–	46,905.00	-3,993.77
Purchase/disposal	Heshun Electric	–	500	–	15,840.00	15,909.12
Purchase/disposal	WALVAX	–	500	–	47,500.00	22,437.92
Purchase/disposal	SHANXI SECURITIES	–	500	–	15,600.00	10,897.54
Purchase/disposal	Liyuan Aluminium	–	500	–	17,500.00	5,013.92
Purchase/disposal	Chaori Solar	–	500	–	18,000.00	5,961.60
Purchase/disposal	Fuling Zhacai	–	500	–	6,995.00	6,882.76
Purchase/disposal	ROBAM	–	500	–	12,000.00	13,009.92
Purchase/disposal	LIFAN	–	500	–	14,500.00	3,270.52
Purchase/disposal	C&S	–	500	–	19,000.00	4,961.60
Purchase/disposal	Tatwah Smartech	–	500	–	13,000.00	8,994.75
Purchase/disposal	JIANGSU KUANGDA	–	500	–	10,050.00	1,915.82
Purchase/disposal	QIFENG	–	500	–	20,750.00	820.43
Purchase/disposal	YONGHUI SUPERSTORE	–	500	–	23,980.00	7,971.79
Purchase/disposal	SONG CHENG LTD	–	500	–	26,500.00	5,348.96
Purchase/disposal	New Era	–	500	–	8,000.00	4,055.67
Purchase/disposal	RILAND	–	500	–	19,250.00	1,217.20
Purchase/disposal	SHIMGE	–	500	–	16,440.00	2,045.37
Purchase/disposal	Goldcup Electric Apparatus	–	500	–	16,900.00	422.24
Purchase/disposal	DELICIOUS	–	1,000	–	13,180.00	8,063.28
Purchase/disposal	MeTeno	–	1,000	–	26,000.00	11,254.63
Purchase/disposal	CAPCHEM	–	500	–	14,495.00	3,951.11
Purchase/disposal	WANTONG TECHNOLGY	–	500	–	13,500.00	6,967.20
Purchase	ANJUBAO	–	500	500	24,500.00	–

3. Shares issued by other listed companies and financial institutions held by the Company (continued)

(4) Details of dealings in shares of other listed companies (continued)

Purchase/disposal	Stock name	Number of shares held at the beginning of the period (share)	Number of shares purchased/ sold in the reporting period (share)	Number of shares held at the end of the period (share)	Total amount of funds tilized (RMB)	Gain on investment (RMB)
Purchase	TANLI GROUP	–	500	500	29,000.00	–
Purchase	Zhendong Pharmaceutical	–	500	500	19,400.00	–
Purchase	HSF	–	5,000	5,000	29,950.00	–
Purchase	Bank of Communication (allotment of shares)	35,936,203	5,390,430	41,326,633	24,256,935.00	–
Disposal	TSINGHUA TONGFANG	4,580,000	4,580,000	–	104,882,000.00	74,723,403.06
Disposal	TIANMA	27,710,000	27,710,000	–	413,410,000.00	276,141,484.08
Disposal	CSIC	1,054,884	1,054,884	–	7,785,043.92	7,552.98

The total investment gain from disposal of the above shares disposed during the reporting period amounted to RMB427,456.57.

Explanation for dealing in shares of other listed companies: 1. the funds utilized for purchase and disposal of new shares by the Company during the reporting period refer to the total amount of the frozen funds; 2. implementation of purchase/disposal of new shares by the Company during the reporting period was mainly carried out by China Railway Trust Co., Ltd and Baoying Fund Management Co., Ltd, which are subsidiaries of the Company.

4. Asset transactions

(1) Acquisition of assets

Unit: Thousand Currency: Renminbi

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Related party transaction? (if yes, specify pricing principle)	Pricing principle of assets acquired	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
CRECG	China Railway Port and Waterway Engineering Bureau Limited	1 January 2010	408,641	N/A	2,849	Yes	Asset valuation	Yes	Yes	Less than 1	Controlling Shareholders
CRECG	China Airport Construction Co., Ltd.	28 December 2010	372,919	N/A	-106,601	Yes	At the fair value	Yes	Yes	Less than 1	Controlling Shareholders
RMA Energy Ltd	RMA Energy Ltd	1 January 2010	67,307	-10,798	N/A	No	At the fair value	Yes	Yes	Less than 1	N/A
North Mining Group Co., Ltd., Heilongjiang No.5 Geological Exploration Institute	Yichun Luming Mining Co., Ltd.	30 April 2010	1,800,000	0	N/A	No	Asset valuation	Yes	Yes	0	N/A
Hefei Construction Investment Group	Hefei City Construction and Design Research Co., Ltd.	6 January 2010	50,687	2,018	N/A	No	Market price	Yes	Yes	Less than 1	N/A
Qingdao Real Estate Property Co., Ltd.	Qingdao Jingxi Property Co., Ltd.	3 January 2010	6,000	14	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Huang Xin Bing	Chengdu Huafeng Applied Geological Development Co., Ltd.	6 January 2010	9,000	-167	N/A	No	Asset valuation	Yes	Yes	Less than 1	N/A
Anhui Yuanhu SASAC	China Railway Yuanhu Planning and Designing Research Co., Ltd.	1 January 2010	22,386	0	N/A	No	Market value	Yes	Yes	0	N/A
Anhui Yuanhu SASAC	China Railway Yuanhu Planning and Designing Research Co., Ltd	1 January 2010	21,289	0	N/A	No	Market value	Yes	Yes	0	N/A
Chengdu Huaxindazu Property Development Co., Ltd.	Chengdu Huaxintianyu Industrial Co., Ltd.	13 December 2010	140,000	-36	N/A	Yes	Asset valuation	Yes	Yes	0	Associate

4. Asset transactions (continued)

(2) Disposal of assets

Unit: Thousand Currency: Renminbi

Counterparty	Asset sold	Date of sale	Selling price	Contribution to the net profit of the listed company from the beginning of the year to the date of sale	Gains and losses arising from the sales	Related party transaction? (if yes, specify pricing principle)	Pricing principle of assets sold	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
Chongqing Jiakai Real Estate Development Co., Ltd., Guangsha Chongqing First Construction (Group) Co., Ltd.	Guangsha Chongqing First Construction (Group) Co., Ltd.	8 January 2010	11,100	0	-1,217	No	Asset valuation	Yes	Yes	0	N/A
Song Lei	Qingdao Jianqing Cement Engineering Co., Ltd.	4 March 2010	9,260	0	492	No	Asset valuation	Yes	Yes	0	N/A
Tianjin Urban Infrastructure Construction Investment Group	Tianjin Jinyu Construction Investment Co., Ltd.	3 June 2010	189,000	0	0	No	Asset valuation	Yes	Yes	0	N/A
Zigong Yuanda Real Estate Development Co., Ltd.	China Railway Erju Group Zigong Real Estate Development Co., Ltd.	10 May 2010	44,267	-713	32,696	No	Asset valuation	Yes	Yes	Less than 1	N/A
Guizhou You Lian Hang Property Consultants Ltd.	Guiyang Pearl Hotel Co., Ltd	6 July 2010	35,000	-838	17,797	No	Asset valuation	Yes	Yes	Less than 1	N/A
Tangshan Jidong Cement Co., Ltd.	Tiger Leap Cement Co., Ltd.	25 September 2010	8,442	0	5,492	No	Asset valuation	Yes	Yes	0	N/A
Chengdu Xing Tian Hao Industrial Co., Ltd.	Sichuan Xing Hui Investment Co., Ltd.	2 November 2010	119,504	19,747	0	No	Asset valuation	Yes	Yes	Less than 1	N/A

(3) Asset swap

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

(4) Merger and acquisition

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

5. Implementation of share incentive scheme of the Company and its effects

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

6. Significant related party transactions of the Company during the reporting period

(1) Parent company of the Group

Unit: Thousand Currency: Renminbi

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

(2) Subsidiaries of the Group

Please refer to Note 46 to the financial statements for particulars of the subsidiaries of the Group.

(3) Joint ventures and associates of the Group

Name of related parties	Relationship with the Company	Institution code
Joint venture of Paul Y. and China Railway – Garbage Processing Project	Joint venture	N/A
Qiantian China Railway Sali Joint Venture Tsuen Wan Tunnel Engineering Company	Joint Venture	N/A
China Construction China Railway Joint Venture Po Shan Road Engineering Company	Joint Venture	N/A
Congo Highway Management Corporation	Joint venture	N/A
Chun Wo China Railway Joint Venture Wan Chai Bypass Project Co.	Joint venture	N/A
Chongqing Yulin Expressway Co., Ltd.	Joint venture	70936923-5
Chinese New Turnout Technologies Co., Ltd.	Joint venture	66222715-9
Chengdu Huaxindazu Property Development Co., Ltd.	Associate	72031220-5
Suzhou Huxin Real Estate Development Co., Ltd.	Associate	77641165-9
Yunnan Longrun Real Estate Co., Ltd.	Associate	662622087
Sicomines SARL	Associate	N/A
Shanghai Tierun Construction Engineering Co., Ltd.	Associate	74762466-3
Chengdu Longquanyi District Land Recondition Co., Ltd.	Associate	74031987-7

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

(3) Joint ventures and associates of the Group (continued)

Name of related parties	Relationship with the Company	Institution code
Shaanxi Beichen Property Development Co., Ltd.	Associate	77003649-9
Baoji CSR Times Engineering Machinery Co., Ltd.	Associate	68478836-0
Chengdu China Railway no. 2 Group Yongjingtang Printing Co., Ltd.	Associate	76863066-7
Yunnan Fuyan Expressway Co., Ltd.	Associate	76389594-9
The Third Railway Survey and Design Institute Group Corp.	Associate	10306281-0
Lince Railway Co., Ltd.	Associate	78708746-0
Chongqing Dianzhong Expressway Co., Ltd.	Associate	76590530-3
Jiangsu Zhongtai Steel Structure Co., Ltd.	Associate	71408537-6
Guiyang Baiyun Tiewujian Property Development Co., Ltd.	Associate	78017983-X
Shanghai China Railway Shanqiao Railway Equipment Company Limited	Associate	66608467-1
Guiyang Xinglong Changqingteng Property Development Co., Ltd.	Associate	79526600-4
Chengdu Yuantong Railway Engineering Co., Ltd.	Associate	74970281-3
Shenyang China Railway Vanke Xiangmeng Real Estate Co., Ltd.	Associate	56467318-X
Huizhou Tian Hong Real Estate Co., Ltd.	Associate	779246388
Beijing Fenghuai Sleeper Co., Ltd.	Associate	10260650-5
Shenzhen Baochuang Construction Material Co., Ltd.	Formerly associate	715237474
Congo (Kinshasa) International Mining Co., Ltd. *(Note 1)*	Formerly Joint venture	N/A
Lvsha Mining Co., Ltd. *(Note 1)*	Formerly Joint venture	N/A
MKM Mining Co., Ltd. *(Note 1)*	Formerly Joint venture	N/A
Huludao Binhai New District Investment Co., Ltd. *(Note 1)*	Formerly associate	742779033
Inner Mongolia Guobai Railway Co., Ltd. *(Note 1)*	Formerly associate	66095563-8
Nanchang Railway Tianji Property Development Co., Ltd. – Qingyun Mingzhu Development Department	Associated entity	N/A

Note 1: The Group acquired the above joint venture and associate as subsidiaries in 2010.

(4) Other related parties of the Group

Name of other related parties	Relationship with the Company	Institution code
China Railway Hongda Asset Management Center	An unlisted company of the CRECG Group	71093478-0
Henan Pingzheng Expressway Development Co., Ltd	An unlisted company of the CRECG Group	76781469-1

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

(5) Related party transactions

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

Provision of construction works services

Unit: Thousand Currency: Renminbi

Related parties	Particulars of the related party transaction	Pricing method and decision-making procedure of the related party transaction	Amount of the year		Amount of previous period	
			Amount	Percentage of transaction value to the same type of transaction (%)	Amount	Percentage of transaction value to the same type of transaction (%)
Chengdu Huaxindazu Property Development Co., Ltd.	Construction works	Public tender	230,075	less than 1	90,838	less than 1
Yunnan Fuyan Expressway Co., Ltd.	Construction works	Public tender	55,334	less than 1	–	–
Lince Railway Co., Ltd.	Construction works	Public tender	52,749	less than 1	154,374	less than 1
Congo Highway Management Corporation	Construction works	Public tender	45,730	less than 1	79,632	less than 1
China Railway Hongda Asset Management Center	Construction works	Public tender	12,758	less than 1	–	–
Sicomines SARL	Construction works	Public tender	7,384	less than 1	–	–
Chongqing Dianzhong Expressway Co., Ltd.	Construction works	Public tender	7,085	less than 1	–	–
Chengdu Longquanyi District Land Recondition Co., Ltd.	Construction works	Public tender	2,403	less than 1	–	–
Inner Mongolia Guobai Railway Co., Ltd.	Construction works	Public tender	–	–	156,786	less than 1
Yunnan Longrun Real Estate Co., Ltd.	Construction works	Public tender	–	–	131,222	less than 1

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

(5) Related party transactions (continued)

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

Other sales

Unit: Thousand Currency: Renminbi

Related parties	Particulars of the related party transaction	Pricing method and decision-making procedure of the related party transaction	Amount of the year: Amount	Amount of the year: Percentage of transaction value to the same type of transaction (%)	Amount of previous period (Restated): Amount	Amount of previous period (Restated): Percentage of transaction value to the same type of transaction (%)
China Railway Hongda Asset Management Center	Sale of property	Contract price as agreed by both parties	36,354	Less than 1	1,121	Less than 1
Chinese New Turnout Technologies Co., Ltd.	Sale of materials	Transaction prices and bargaining method are the same as those of non-related parties	10,326	Less than 1	8,479	Less than 1
Baoji CSR Times Engineering Machinery Co., Ltd.	Sale of materials		7,133	Less than 1	–	–
Congo (Kinshasa) International Mining Co., Ltd.	Sale of materials		–	–	82,835	Less than 1
Lvsha Mining Co., Ltd.	Sale of materials		–	–	2,807	Less than 1
MKM Mining Co., Ltd.	Sale of materials		–	–	1,316	Less than 1

Receipt of services and purchase of materials

Unit: Thousand Currency: Renminbi

Related parties	Particulars of the related party transaction	Pricing method and decision-making procedure of the related party transaction	Amount of the year: Amount	Amount of the year: Percentage of transaction value to the same type of transaction (%)	Amount of previous period (Restated): Amount	Amount of previous period (Restated): Percentage of transaction value to the same type of transaction (%)
China Railway Hongda Asset Management Center	Purchase of inventories and assets	Contract price as agreed by both parties	14,425	less than 1	–	–
Shanghai China Railway Shanqiao Railway Equipment Company Limited	Purchase of materials	Transaction prices and bargaining method are the same as those of Non-related parties	3,158	less than 1	10,442	less than 1
Chinese New Turnout Technologies Co., Ltd.	Purchase of materials		2,354	less than 1	–	–
Baoji CSR Times Engineering Machinery Co., Ltd.	Purchase of materials		2,253	less than 1	–	–
Jiangsu Zhongtai Steel Structure Co., Ltd.	Purchase of materials		184	less than 1	5,181	less than 1
The Third Railway Survey and Design Institute Group Corporation	Receipt of services	Public tender	–	–	50,613	less than 1

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

(5) Related party transactions (continued)

(2) Related party leases

Unit: Thousand Currency: Renminbi

Name of lessor	Name of lessee	Leased assets	Commencement date of the lease	Expiry date of the lease	Lease charges or income recognized in the year	Determination basis for lease income
China Railway Hongda Asset Management Center	China Railway Group Limited and its subsidiaries	Office building and others	2010-01	2010-12	28,258	Pricing by negotiation
China Railway Turnout & Bridge Group Corporation	Baoji CSR Times Engineering Machinery Co., Ltd.	Office building	2010-01	2010-12	400	Pricing by negotiation

(3) Related party guarantees

Unit: Thousand Currency: Renminbi

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled?
China Railway NO.2 Engineering Group Co., Ltd.	Yunnan Fuyan Expressway Co., Ltd.	3,496,000	2007-04	2027-04	No
China Railway NO.2 Engineering Group Co., Ltd.	Yunnan Fuyan Expressway Co., Ltd.	1,000,000	2007-08	2022-08	No
China Railway Group Limited	Lince Railway Co., Ltd.	783,000	2008-08	2025-06	No
CRECG (Note 1)	China Railway Group Limited	995,290	2010-01	2015-01	No
CRECG (Note 1)	China Railway Group Limited	4,973,757	2010-01	2020-01	No
CRECG (Note 1)	China Railway Group Limited	2,485,245	2010-10	2020-10	No
CRECG (Note 1)	China Railway Group Limited	3,479,202	2010-10	2025-10	No
CRECG (Note 2)	China Railway Group Limited	488,000	2010-12	2011-12	No

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

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

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

(5) Related party transactions (continued)

(4) Borrowing and lending from/to related parties

2010:

Unit: Thousand Currency: Renminbi

Related parties	Amount	Commencement date	Due date	Balance at the end of year
Borrowing				
Guiyang Xinglong Changqingteng Property Development Co., Ltd.	5,000	2010-01	2011-01	5,000
Lending				
Sicomines SARL	363,578	2010-01	2020-01	363,578
Yunnan Fuyan Expressway Co., Ltd.	175,000	2010-08	2011-12	175,000

2009:

Unit: Thousand Currency: Renminbi

Related parties	Amount	Commencement date	Due date	Balance at the end of year
Borrowing				
Guiyang Xinglong Changqingteng Property Development Co., Ltd.	46,495	2009-08	2010-08	9,580
Lending				
Congo Highway Management Corporation	102,287	2009-01	2011-09	102,287
Sicomines SARL	828,281	2009-09	2019-10	828,281

(5) Transfer of assets of the related parties

Unit: Thousand Currency: Renminbi

Related parties	Particulars of the related party transaction	Pricing method and decision-making procedure of the related party transaction	Amount of the year: Amount	Amount of the year: Percentage of transaction value to the same type of transaction (%)	Amount of previous period (Restated): Amount	Amount of previous period (Restated): Percentage of transaction value to the same type of transaction (%)
Chengdu Huaxindazu Property Development Co., Ltd.	purchase of 70% equity interest of Chengdu Huaxintianyu Industrial Co., Ltd.	Contract price based on evaulation	140,000	100	–	–

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

(5) Related party transactions (continued)

(6) Remuneration of key management personnel

Unit: Thousand Currency: Renminbi

Item	Amount of the year	Amount of last year
Remuneration of key management personnel	**12,150**	5,769

(7) Other related party transactions

Unit: Thousand Currency: Renminbi

Particulars of transaction	Related parties	Amount of the year	Amount of last year
Receipt of integrated services	China Railway Hongda Asset Management Center	**83,137**	87,521
Interest income	Sicomines SARL	**13,913**	7,169
Interest income	Congo Highway Management Corporation	**6,012**	7,500
Interest income	Yunnan Fuyan Expressway Co., Ltd.	**1,983**	–

(6) Amount due from/due to related parties

Unit: Thousand Currency: Renminbi

Items	Related Parties	At the end of the year		At the beginning of the year	
		Balance of book value	Provision for bad debts	Balance of book value	Provision for bad debts
Account receivable	Lince Railway Co., Ltd.	**116,456**	**448**	96,872	357
	Chengdu Huaxindazu Property Development Co., Ltd.	**68,017**	**174**	43,613	138
	Congo Highway Management Corporation	**57,745**	**184**	84,508	363
	Yunnan Fuyan Expressway Co., Ltd.	**35,264**	**420**	156,247	781
	Chengdu Longquanyi District Land Recondition Co., Ltd.	**29,336**	**125**	34,132	159
	Yunnan Longrun Real Estate Co., Ltd.	**25,753**	**129**	30,818	154
	Henan Pingzheng Expressway Development Co., Ltd	**9,615**	**–**	25,516	–
	Chinese New Turnout Technologies Co., Ltd.	**5,943**	**32**	1,324	8
	China Railway Hongda Asset Management Center	**5,639**	**–**	635	–
	Chongqing Dianzhong Expressway Co., Ltd.	**2,863**	**14**	25,415	1,394
	Congo (Kinshasa) International Mining Co., Ltd.	**–**	**–**	84,871	–
	Inner Mongolia Guobai Railway Co., Ltd.	**–**	**–**	102,464	–
	Lvsha Mining Co., Ltd.	**–**	**–**	2,807	–
	MKM Mining Co., Ltd.	**–**	**–**	1,316	–
	Total	**356,631**	**1,526**	690,538	3,354

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

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

Unit: Thousand Currency: Renminbi

Items	Related Parties	At the end of the year Balance of book value	At the end of the year Provision for bad debts	At the beginning of the year Balance of book value	At the beginning of the year Provision for bad debts
Other receivables	Shenyang China Railway Vanke Xiangmeng Real Estate Co., Ltd.	**330,533**	**–**	–	–
	Chengdu Huaxindazu Property Development Co., Ltd.	**200,000**	**1,000**	–	–
	Yunnan Fuyan Expressway Co., Ltd.	**182,330**	**37**	–	–
	Chongqing Yulin Expressway Co., Ltd.	**19,507**	**975**	18,553	–
	Shaanxi Beichen Property Development Co., Ltd.	**15,466**	**–**	14,633	–
	Congo Highway Management Corporation	**12,947**	**–**	16,965	–
	Lince Railway Co., Ltd.	**10,022**	**50**	12,175	61
	Sicomines SARL	**3,750**	**–**	2,461	2
	Joint venture of Paul Y. and China Railway – Garbage Processing Project	**6,703**	**–**	5,984	–
	Huizhou Tian Hong Real Estate Co., Ltd.	**6,433**	**–**	–	–
	Guiyang Baiyun Tiewujian Property Development Co., Ltd.	**5,000**	**1,500**	5,000	–
	Chengdu China Railway NO. 2 Group Yongjingtang Printing Co., Ltd.	**3,620**	**1,080**	3,600	360
	Qiantian China Railway Sali Joint Venture Tsuen Wan Tunnel Engineering Company	**1,973**	**–**	482	–
	Chun Wo China Railway Joint Venture Wan Chai Bypass Project Co.	**451**	**–**	–	–
	China Construction China Railway Joint Venture Po Shan Road Engineering Company	**255**	**–**	443	–
	Chongqing Dianzhong Expressway Co., Ltd.	**50**	**–**	2,434	44
	Congo (Kinshasa) International Mining Co., Ltd.	**–**	**–**	338,615	–
	MKM Mining Co., Ltd.	**–**	**–**	30,925	–
	Huludao Binhai New District Investment Co., Ltd.	**–**	**–**	149,021	–
	Lvsha Mining Co., Ltd.	**–**	**–**	52,385	–
	Inner Mongolia Guobai Railway Co., Ltd.	**–**	**–**	51,804	–
	China Railway Hongda Asset Management Center	**–**	**–**	102	–
	Shenzhen Baochuang Construction Material Co., Ltd.	**–**	**–**	9,904	–
	Baoji CSR Times Engineering Machinery Co., Ltd.	**–**	**–**	8,302	–
	Chengdu Yuantong Railway Engineering Co., Ltd.	**–**	**–**	5,682	–
	Total	**799,040**	**4,642**	729,470	467

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

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

Items	Related Parties	At the end of the year		At the beginning of the year	
		Balance of book value	Provision for bad debts	Balance of book value	Provision for bad debts
Long-term receivables *(Note)*	Sicomines SARL	**1,197,269**	**–**	828,281	–
	Congo Highway Management Corporation	**88,523**	**–**	102,287	–
	Total	**1,285,792**	**–**	930,568	–

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

Items	Related Parties	At the end of the year	At the beginning of the year
Dividend receivables	Congo Highway Management Corporation	**28,706**	16,097
	Beijing Fenghuai Sleeper Co., Ltd.	**4,245**	3,171
	Total	**32,951**	19,268

Items	Related Parties	At the end of the year	At the beginning of the year
Prepayments	Yunnan Longrun Real Estate Co., Ltd.	**17,000**	118,442
	China Railway Hongda Asset Management Center	**8,000**	–
	The Third Railway Survey and Design Institute Group Corporation	**96**	96
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**–**	15,474
	Total	**25,096**	134,012

Items	Related Parties	At the end of the year	At the beginning of the year
Trade payables	China Railway Hongda Asset Management Center	**6,656**	4,264
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**–**	64
	Shanghai Tierun Construction Engineering Co., Ltd.	**–**	3,011
	Inner Mongolia Guobai Railway Co., Ltd.	**–**	2,434
	Total	**6,656**	9,773

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

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

Items	Related Parties	At the end of the year	At the beginning of the year
Receipts in advance	Chengdu Huaxindazu Property Development Co., Ltd.	**20,401**	–
	Yunnan Longrun Real Estate Co., Ltd.	**22,664**	–
	China Railway Hongda Asset Management Center	**–**	38,854
	Lince Railway Co., Ltd.	**–**	10,612
	Total	**43,065**	49,466

Items	Related Parties	At the end of the year	At the beginning of the year
Other payables	China Railway Hongda Asset Management Center	**55,839**	32,870
	Nanchang Railway Tianji Property Development Co., Ltd.– Qingyun Mingzhu Development	**27,000**	27,000
	Guiyang Xinglong Changqingteng Property Development Co., Ltd.	**14,580**	9,580
	Chengdu Huaxindazu Property Development Co., Ltd.	**10,503**	–
	Yunnan Longrun Real Estate Co., Ltd.	**10,000**	–
	Chengdu Longquanyi District Land Recondition Co., Ltd.	**7,000**	–
	CRECG	**4,912**	5,100
	Suzhou Huxin Real Estate Development Co., Ltd.	**1,897**	24,300
	Sicomines SARL	**712**	–
	Baoji CSR Times Engineering Machinery Co., Ltd.	**287**	–
	Shanghai Tierun Construction Engineering Co., Ltd.	**–**	8,206
	Total	**132,730**	107,056

Items	Related Parties	At the end of the year	At the beginning of the year
Dividend payable	CRECG	**–**	2,404,896
	Total	**–**	2,404,896

There is no occupied fund and pay-off debt in the Company during the reporting period.

7. Material contracts and their performance

(1) Trusteeship, contracting and leasing

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

(2) Guarantee

Unit: Ten thousand Currency: Renminbi

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway	The same entity	Lince Railway Co., Ltd.	78,300.00	1/8/2008	1/8/2008	20/6/2024	Suretyship of joint and several liability	No	No	–	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	4,303.00	24/12/2004	24/12/2004	23/12/2016	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	349,600.00	5/4/2007	5/4/2007	5/4/2011	Suretyship of joint and several liability	No	No	–	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	100,000.00	30/8/2007	30/8/2007	30/8/2022	Suretyship of joint and several liability	No	No	–	No	Yes	Associate
China Railway NO.2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	25,839.40	27/6/2008	27/6/2008	27/6/2011	Suretyship of joint and several liability	No	No	–	No	No	
China Airport Construction Co., Ltd.	Wholly-owned subsidiary	Sichuan Jinde Investment Co., Ltd.	4,000.00	31/03/2010	31/03/2010	31/03/2011	Suretyship of joint and several liability	No	No	–	No	No	
China Airport Construction Co., Ltd.	Wholly-owned subsidiary	Chengdu Dongling High-tech Business Co., Ltd.	1,000.00	22/04/2010	22/04/2010	22/04/2011	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.4 Engineering	Wholly-owned subsidiary	Yankuang Group Co., Ltd	5,072.99	3/2/2004	3/2/2004	2 years after completion of project	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	13,112.95	30/06/2006	30/06/2006	29/12/2011	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	21,854.91	22/01/2010	22/01/2010	21/01/2011	Suretyship of joint and several liability	No	No	–	No	No	
Daxin Cuiping Mountain Real Estate Development Company	Wholly-owned subsidiary	Dazhou Longjun Project Owner	7,455.19	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Badeng Badeng Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Yueli Bay Phase I Project Owner	846.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
New Sichuan-Tibet Road & Bridge Company	Wholly-owned subsidiary	Xinjie Project Owner	39,338.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Hongyuan Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Shujun project	23,748.10	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Ruicheng Real Estate Co., Ltd. Zigong Tanmulin Branch	Wholly-owned subsidiary	Tanmulin Guobinfun Project Owner	14,245.10	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Xijun Yinghua Hongyuan project	7,709.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Yingting Real Estate Co., Ltd.	Wholly-owned subsidiary	Yueying Long Beach Project Owner	15,446.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Shanghe New City Project Department	Wholly-owned subsidiary	Shanghe New City Project Owner	3,280.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Ten thousand Currency: Renminbi

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway NO.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Huainan Sunshine City Property Owner	1,201.62	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.4 Engineering Group Property	Wholly-owned subsidiary	Property owners of Rainbow New City	1,248.72	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Fengdan Bailu	4,994.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guiyang Tiewujian Property Development Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Xinglong Phase II	1,538.83	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guizhou Tianwei Property Development Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Zhujiang Wan Pan	1,679.57	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Shuanglongwan project	18,005.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe project	62,224.37	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Dragon Town project	6,052.71	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Property Development Company	Wholly-owned subsidiary	Property owners of China Railway Longjun project	7,772.50	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Guochuang Real Estate Co., Ltd.	Wholly-owned subsidiary	China Railway Tamiya Project Owner	1,223.10	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Mingcheng Phase I	20,637.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Mingcheng Phase II	16,031.20	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Lanting	11,752.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.9 Engineering	Wholly-owned subsidiary	Yanlan Mountain Project Owner	2,532.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of Jinan "Huayang Nianhua"	692.67	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of Dongying "Shengshi Longcheng"	1,388.50	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.10 Engineering	Wholly-owned subsidiary	Jinan China Railway Show International project	5,616.72	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material contracts and their performance (continued)

(2) Guarantee (continued)

Unit: Ten thousand Currency: Renminbi

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled?	Overdue?	Overdue amount	Counter guarantee available?	Guarantee provided to the related parties?	Related party relationship
China Railway NO.10 Engineering	Wholly-owned subsidiary	Property owners of Zibo "Donghai Chuncheng"	4,330.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Lanzhou Huasheng Real Estate Co., Ltd.	Wholly-owned subsidiary	Lanzhou North Shore Mansion Purchasing Owner	546.30	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Shengshi Changan Project Owner	34,845.43	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing The Ode of Land project	33,521.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Hengfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of southern square of the Beijing West Railway Station	2,883.25	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Shijiazhuang China Railway Square project	111.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Beijing Hanlanting project	49,160.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Xi'an China Railway Changfeng Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of Xi'an Bingfen Nanjun project	34,223.23	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Hunan Qingzhuhu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Shuiying Jiazhou project	3,424.90	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guiyang China Railway Real Estate Co., Ltd.	Non-wholly-owned controlling subsidiary	Property owners of China Railway Guiyang Yidu	41,196.70	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Shenyang Renjie Lake Project Owner	5,984.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Eryuan (Chengdu) Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Yishabeila project	21,660.10	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material contracts and their performance (continued)

(2) Guarantee (continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	236,509.61
Total balance of guarantee as at the end of the reporting period (excluding those provided to subsidiaries)	1,111,629.85
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	47,034.00
Total balance of guarantee to subsidiaries as at the end of the reporting period	330,854.08
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee	1,442,483.93
Percentage of aggregate guarantee to net assets of the Company (%)	21.61
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties	527,900.00
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%	658,357.37
Excess amount of aggregate guarantee over 50% of net assets	
Aggregate amount of the above three categories	658,357.37
Statement on the contingent joint and several liability in connection with unexpired guarantee	

Statement on guarantee

Note 1: Total guarantee incurred during the reporting period and balance of guarantee as at the end of the reporting period include those provided to subsidiaries, and the amount of guarantee is the amount provided by the subsidiary times the holding ratio of the Company. Details of guarantee provided by the Company and its subsidiaries should be set out here.

Note 2: Aggregate guarantee represents the sum of "Total balance of guarantee as at the end of the reporting period (excluding those provided to subsidiaries)" and "Total balance of guarantee to subsidiaries as at the end of the reporting period".

"Aggregate amount of the above three categories" represents the sum of "Amount of guarantee provided for shareholders, ultimate controller and their related parties", "Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%" and "Excess amount of aggregate guarantee over 50% of net assets". If a guarantee involves the above three categories at the same time, it shall be calculated for only once.

(3) Financial trust management

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

7. Material contracts and their performance (continued)

(4) Other material contracts

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

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-09-03	2,187,104	66 months
2	China Railway NO.3 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008-01-31	1,131,577	60 months
3	China Railway NO.1 Engineering	Beijing-Shanghai High Speed Railway Line Company	Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008-01-31	1,064,927	60 months
Highway						
1	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Guangshen Coastal Expressway (Shenzhen Section) Project 2nd	2009-03-20	185,165	28 months
2	China Railway NO.1 Engineering	Tianjin Binhai New Area Urban Infrastructure Construction Investment Co. Ltd	Section 2 of Phase II Tianjin Jishugang Highway	2008-11-05	119,092	22 months
3	China Railway NO.1 Engineering	Jilin Highway Group Co., Ltd.	Section 24 of Hunchun-Wulanhaote Highway	2008-08-06	114,827	26 months
Municipal Works						
1	China Railway	Shenzhen Metro Co., Ltd.	BT Project and related engineering Contract A of Shenzhen Metro Line 5	2008-09	950,000	43 months
2	China Railway Southern Company	Shenzhen City Metro Co., Ltd.	Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1)	2009-09-26	258,200	40 months
3	China Railway Major Bridge Engineering	Guangdong Southeast Inter-city Rail Transport Co., Ltd	Master construction of Phase SZH-1 of Construction of Guangzhou-Dongguan-Shenzhen Inter-city Rail Transport project	2009-11-16	170,414	19 months

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (continued)

(2) Survey and Design Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Gui-Guang Railway Co., Ltd	Testing and preliminary design of Guiyang-Hezhou section of the new Guiyang-Guangzhou railway	2009-01	67,980	40 months
2	China Railway Eryuan Engineering	Yuli Railway Co., Ltd	Survey and Design of the New Chongqing-Lichuan Railway	2008-12-28	49,032	96 months
3	China Railway Engineering Consulting	Preparatory Team of Nanguang Railway Company	Survey and Design Contract of the Guiping – New Zhaoqing section of the new Nanning-Guangzhou railway	2009-02	39,300	46 months
4	China Railway Eryuan Engineering	Dongguan Rail Transport Co., Ltd	Master survey and design of High-speed Rail City Transport R2 project of Dongguan (Dongguan rail station-Dongguan Humen station section)	2009-09	38,080	54 months
5	China Railway Eryuan Engineering	Chengmian – Ercheng Intercity Railway Co. Ltd.	New designated passenger railway line between Chengdu to Mianyang to Leshan	2008-12	30,000	50 months

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structures						
1	China Railway Turnout & Bridge	Jiangsu Province Yantze River Highway Bridge Commanding Office	Taizhou Yangtze River Highway Bridge suspension bridge steel box production project Contract E05 A	2009-07	22,608	24 months
2	China Railway Turnout & Bridge	Anhui Province Expressway Company	Maanshan Yangtze River Highway Bridge Suspension Bridge in the left tower steel tower production	2009-11	20,782	21 months
3	China Railway Shanhaiguan Bridge	Jiangsu Province Communication Engineering Construction Department	Chongqi Yangtze River Bridge Steal Box Girders	2009-07	19,791	9 months

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (continued)

(3) Engineering Equipment and Component Manufacturing Business (continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Turnout						
1	China Railway Turnout & Bridge	Beijing-Guangzhou Passenger Railway Lin Henan Company Limited	Purchase of high-speed turnouts for Shijiazhuang-Wuhan Passenger Railway Line	2009-11-27	17,797	12 months
2	China Railway Turnout & Bridge	Shanghai-Wuhan-Chengdu Railway Hubei Company Limited	Purchase of high-speed turnouts for Wuhan-Yichang railway	2009-12-20	16,247	15 months
3	China Railway Turnout & Bridge	Xian Railway Bureau	Baoxi railway corridor provincial boundary to Zhangqiao station switch project	2009-03	9,368	15 months
Construction (Track) Machinery						
1	China Railway Tunnel Equipment	China Railway Rental Co., Ltd.	Sale and Purchase Contract for soil pressure balance shields	2009-02	25,000	13 months
2	China Railway Shanhaiguan Bridge	China Railway United International Containers Co., Ltd	Purchasing contract of container rail-mounted gantry cranes for the railway container terminals in Zhengzhou, Xi'an and Qingdao	2008-06	13,465	24 months
3	China Railway Tunnel Equipment	China Railway NO.1 Engineering	Sale and Purchase Contract for soil pressure balance shields	2009-09-01	6,850	10 months

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

1. Material contracts executed before the reporting period but remained effective during the reporting period: (continued)

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	China Railway Yidu International	Guiyang City, Guizhou Province	Residential	230.6
2	Bridge Living Capital	Wuhan City, Hubei Province	Residential	105.54
3	Bin Fen Nan Jun	Xi'an City, Shaanxi Province	Residential	62.7
4	China Railway Ruicheng, Xinjie	Chengdu City, Sichuan Province	Residential	40.37
5	Qingdao International Trade Center	Qingdao City, Shandong Province	Complex	33.47

(5) Other Businesses

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

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

2. Material contracts signed during the reporting period:

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway NO. 2 Engineering	Daxi Passenger Railway Line Co., Ltd.	Master construction contract of construction works of Phase 9 of the new Datong-Xi'an Passenger Railway Line	2010-04-04	636,953	46 months
2	China Railway NO. 4 Engineering	Hukun Passenger Railway Line (Jiangxi) Co., Ltd.	Master construction contract of construction works of Phase HKJX-7 of Hangzhou-Changsha (Jiangxi Section) of the new Shanghai-Kunming Passenge Railway Line	2010-04-18	633,215	39 months
3	China Railway NO. 1 Engineering	Hukun Passenger Railway Line (hunan) Co., Ltd.	New Changsha to Kunming Designated Passenger Railway Line Hunan Section Station Construction No. 8	2010-10-25	512,374	48 months
Highway						
1	China Railway NO. 5 Engineering	Hunan Li Lian An Shao Expressway Development Co., Ltd.	Civil construction works for Erlianhaote – Anhua (Mei Cheng) – Shaoyang highway in Hunan province of Guangzhou State Expressway (Section TJ1)	2010-05-10	194,907	30 months
2	China Railway Tunnel	Guangdong Guang Le Expressway Co., Ltd.	Civil construction works contract of Section T10 of Lechang-Guangzhou Expressway	2010-05-11	116,625	24 months
3	China Railway NO. 9 Engineering	Guangdong Bo Da Expressway Co., Ltd.	Civil construction works of Meida Expressway (Sanjiao, Meixian to Sanhe, Dapu County section) (Tunnel Phase 1)	2010-05-31	50,630	26 months
Municipal Works						
1	China Railway	Zhengzhou Rail Transit Co., Ltd.	Zhengzhou City Rail Line 2 Phase I Construction Contract Project	2010-07-16	342,000	36.7 months
2	China Railway Tunnel	Chongqing Rail Transit (Group) Co., Ltd.	Chongqing Lijia subway line 6 to the Convention Center investment construction contract BT	2010-07-05	170,000	17.5 months
3	China Railway Tunnel	Chongqing Rail Transit (Group) Co., Ltd.	Composite TBM test section of construction contract	2010-06-29	153,704	19 months

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

2. Material contracts signed during the reporting period: (continued)

(2) Survey and Design Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding-up and capacity improvement	Alterations to the Liuzhou Railway Section Yongzhou Capacity Expansion Project	2010-02	50,746	43 months
2	China Railway Eryuan Engineering	Lanyu Railway Co., Ltd	New Lanzhou-Chongqing Railway, Guangyuan to Chongqing survey and design	2010-03	49,800	31 months
3	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Ethiopia, Addis Ababa – Djibouti Railway Survey and Design Project	2010-08	42,465	19 months

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structures						
1	China Railway Turnout & Bridge	The Construction Coordination Headquarter of Nanjing Yangtze River Bridge No. 4	Manufacturing of steel box girders for Nanjing Yangtze River Bridge No. 4 (Sections B4-1 and B4-2)	2010-04-08	46,507	23 months
2	China Railway Shanhaiguan Bridge	Fujian Xiazhang Bridge Co., Ltd.	Fujian Province Xiazhang Bridge Steel manufacturing contract	2010-08	44,855	22 months

7. Material contracts and their performance (continued)

(4) Other material contracts (continued)

2. Material contracts signed during the reporting period: (continued)

(3) Engineering Equipment and Component Manufacturing Business (continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Turnout						
1	China Railway Shanhaiguan Bridge	Ha Da Passenger Line Company	Purchasing contract of railway turnouts for the Harbin-Dalian Passenger Line	2010-01	45,840	7 months
2	China Railway Shanhaiguan Bridge	Xia Shen Railway (Guangdong) Company	Purchasing contract of turnouts for the Xiamen-Shenzhen High Speed Passenger Railway Line project	2010-04	32,842	12 months
Construction (Track) Machinery						
1	China Railway Equipment	Xi'an Municipal Road & Bridge Construction Co., Ltd.	Sale and Purchase Contract for soil pressure balance shields	2010-03-15	3,557	6 months
2	China Railway Science & Industry Group Corp.	Guangzhou Railway Construction Co., Ltd. of China Railway NO. 25 Engineering Group	Purchasing Contract for 700 tone railway box girder span equipment	2010-04-20	2,090	4 months

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Nuodeming City	Jinan City, Shangdong Province	Residential	89.34
2	Qinhuangdao Guiti Village Project	Qinhuangdao City, Hebei Province	Residential	56.11
3	China Railway – Huaxu Meibang	Qingdao City, Shandong Province	Residential	53.45
4	China Railway – Nuode Costal Garden	Dalian City, Liaoning Province	Residential	52.4
5	China Railway Xi Cheng	Chendu City, Sichuan Province	Residential, commercial	51.9

8. Performance status of undertakings

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

Undertaking	Details of undertaking	Performance status
Undertaking made by CRECG upon the issuance of shares	1. CRECG will not transfer or engage others to manage the A Shares of China Railway held by it within 36 months from the listing of A Shares of the Company on the Shanghai Stock Exchange. Once the period of the undertaking expires, the aforesaid shares may be traded and transferred in the market. However, if the H Shares of China Railway are successfully issued, the conversion of the Company's shares held by CRECG into H Shares for placing or for trading in the market after undergoing the relevant procedures will not be subject the lock-up period mentioned above. 2. Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	CRECG has strictly complied with the above undertaking

9. Appointment and removal of auditors

Unit: Ten Thousand

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA Ltd.	Deloitte Touche Tohmatsu CPA Ltd.
Pay for domestic auditors	4,050	4,050
Term of domestic auditors	4 years	4 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Pay for international auditors	600	600
Term of international auditors	4 years	4 years

During the reporting period, there was no change of auditors of the Company.

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

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

11. Whether the company is included in the list of polluting enterprises released by environmental protection department

During the reporting period, the Company is not included in the list of polluting enterprises released by environmental protection department.

12. Statement to other significant events

During the reporting period, the Company has no statement to other significant events.

13. Major changes in profitability, asset condition and credit status of the underwriter for convertible bonds of the Company

Not applicable

Information on Major Properties

1. Properties held for investment

Name of buildings	Location	Use	Tenure	Interest of the Group (%)
Mingren Industrial Building	South Renmin Road, Section 1, Chengdu, Sichuang	Commercial	Medium term lease	60
China Railway Ruicheng Building	Mid Renming Road, Section 2, No. 68, 88, Chengdu, Sichuang	Commercial	Medium term lease	60
Tanmulin Hotel	Ziliujing District, Dongxing Temple Road, Xinhua Neighbourhood No. 2	Hotel	Medium term lease	100
Changchun Huaqiao Hotel	Jiling Province Changchun City Chaoyang District No. 1 Binhu Road	Hotel	Medium term lease	60
Huaxi Changan Center Building A1, Floor 1-2	Beijing Haidian District No. 69 Fuxing Road	Commercial	Medium term lease	100
Office Building	Beijing Gongti Building 3/F Section 2 – Restaurant No. 3	Commercial	Medium term lease	100
Huilong Bay Yichulianghua Mall	Chengdu Jinniu District No. 1 Shawan Road	Commercial	Medium term lease	100
Beijing Chaowai Research Building and Anciliary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term lease	100
Tianyu Shopping Center	No. 1 North Part of Yanta Road, Xi'an City	Commercial	Medium term lease	100

2. Properties held for development and/or for sale

Name of buildings or projects	Location	Existing Use	Site area (sq.m.)	Floor area (sq.m.)	Stage of Completion	Expected completion date	Interest of the Group (%)
Bridge Living Capital	No. 586 Wuluo Road, Zhongnanlu Street, Wuchang District, Wuhan City, Hubei Province	Residential	527,721.35	1,055,439.42	Under construction (already sold)	2012	66.67
Xian Binfen Nanjun	Xian High-tech zone, south of Jiba Road, west of Zhangba Road	Residential	141,507.37	627,000.00	Under construction (already sold)	2013	100
China Railway Reicheng Xinjie	No.55, Taipingyuan Henger Road, Wuhou District, Chengdu City, Sichuan Province	Residential	137,900.00	352,691.00	Under construction (already sold)	2011	100
China Raillway Yidu International	Guiyang 1 Jinyang District Jinyang Avenue North Section	Residential	1,060,000.00	2,306,000.00	Under construction (already sold)	2014	80
Rainbow New City	Hefei Yangtze River East Road	Residential	262,000.00	416,000.00	Under construction (already sold)	2013	100

Definition and Glossary of Technical Terms

1.	the Company, China Railway:	China Railway Group Limited
2.	the Group:	the Company and its subsidiaries
3.	CRECG:	China Railway Engineering Corporation
4.	Main lane:	track connecting and passing through the stations
5.	Dual-track:	railway with two main lanes, namely upper lane and lower lane
6.	BT:	"Build-Transfer" mode
7.	BOT:	"Build-Operate-Transfer" mode
8.	Turnout:	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks.
9.	Upstream, Middle-stream and Downstream:	the three business segments in the industry value chain of construction industry as divided by business process. The upstream business primary consists of project consulting and design business, project development business and project construction management business; the middle-stream business mainly refers to the construction work of projects; the downstream business primarily includes the operation, management and maintenance of various infrastructure facilities.
10.	Engineering method:	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology.

Company Information

Directors

Executive directors

LI Changjin *(Chairman)*
BAI Zhongren
YAO Guiqing

Non-executive director

HAN Xiuguo

Independent non-executive directors

HE Gong
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

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

Joint company secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized representatives

BAI Zhongren
TAM Chun Chung *CPA, FCCA*

Audit committee

GONG Huazhang *(Chairman)*
WANG Taiwen
SUN Patrick

Remuneration committee

HE Gong *(Chairman)*
WANG Taiwen
SUN Patrick

Strategy committee

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

Nomination committee

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

Safety, health and environmental protection committee

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

Company Information (continued)

Registered office

No. 1, Xinghuo Road
Fengtai District
Beijing 100070
PRC

Principal place of business in Hong Kong

Unit 1201–1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic
Deloitte Touche Tohmastu Certified Public Accountants Limited
8/F, Deloitte Tower
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

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

Legal advisors

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

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

Shares registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing information

A Shares

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

H Shares

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

Principal bankers

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

Company website

http://www.crec.cn

中國中鐵
CHINA RAILWAY

Block A, China Railway Square, No.69, Fuxing Road,
Haidian District, Beijing, China
Postal Code: 100039
http://www.crec.cn