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

2009

Annual Report

RAILWAY CONSTRUCTION

COMPLETED A TOTAL TRACK LAYING LENGTH OF RAILWAY MAIN LANE OF 9,327 KILOMETERS IN 2009

HIGHWAY CONSTRUCTION

COMPLETED A TOTAL LENGTH OF HIGHWAY CONSTRUCTION OF 1,155 KILOMETERS IN 2009

MUNICIPAL WORKS

COMPLETED A TOTAL LENGTH OF LIGHT RAILWAYS AND SUBWAY LINES CONSTRUCTION OF 285 KILOMETERS IN 2009

NEW CONTRACTS

NEW CONTRACTS ENTERED INTO BY THE GROUP IN 2009 REACHED RMB601.8 BILLION

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Company Profile

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

We are the largest multi-functional integrated construction group in the PRC and Asia, and the second largest construction contractor in the world and rank 242 in Fortune Global 500. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining.

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

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

Financial Summary

Summary of statement of comprehensive income

	For the year ended 31 December					Change
	2009	2008	2007 RMB million	2006	2005	2009 vs 2008 (%)
Revenue						
Infrastructure Construction	313,540	211,406	168,562	140,399	99,204	48.3
Survey, Design and Consulting Services	7,007	4,745	3,394	4,124	3,480	47.7
Engineering Equipment and Component Manufacturing	9,236	7,169	5,193	4,095	3,814	28.8
Property Development	5,535	3,966	3,282	1,879	1,622	39.6
Other Businesses	17,659	11,429	8,122	6,278	4,747	54.5
Inter-segment Eliminations and Adjustments	(19,491)	(13,686)	(11,162)	(3,207)	(1,444)	N/A
Total	333,486	225,029	177,391	153,568	111,423	48.2
Gross Profit	20,402	16,495	12,732	11,921	9,192	23.7
Profit before Taxation	8,699	2,300	3,384	3,387	750	278.2
Profit for the Year	7,408	1,669	2,835	2,739	460	343.9
Profit attributable to Owners of the Company	6,887	1,350	2,488	2,046	171	410.1
Basic Earnings per Share (RMB)	0.323	0.063	0.186	0.160	0.013	412.7

Summary of statement of financial position

	As at 31 December					Change
	2009	2008	2007 RMB million	2006	2005	2009 vs 2008 (%)
Assets						
Current Assets	237,409	192,404	172,242	117,932	81,351	23.4
Non-current Assets	74,200	59,515	44,083	25,161	21,987	24.7
Total Assets	311,609	251,919	216,325	143,093	103,338	23.7
Liabilities						
Current Liabilities	210,104	165,548	136,520	117,509	80,133	26.9
Non-current Liabilities	35,317	25,447	20,064	15,071	13,959	38.8
Total Liabilities	245,421	190,995	156,584	132,580	94,092	28.5
Total Equity	66,188	60,924	59,741	10,513	9,246	8.6
Total Equity and Liabilities	311,609	251,919	216,325	143,093	103,338	23.7

Strive to Challenge Limits and Achieve Excellence

As 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

SHI Dahua (石大華)
Chairman and Executive Director, Secretary to the Communist Party Committee

I am pleased to present the 2009 annual report of China Railway Group Limited on behalf of the Board of Directors.

2009 was an extraordinary year for China Railway. During the year, the Group overcame difficulties and challenges and managed to capture the opportunity of the climax in the government's infrastructure construction. The Group achieved a favourable results on key projects of the PRC by expanding its business operations and strengthening its management for operation. In 2009, the Group made significant achievement in reform and restructuring by further improving its corporate governance structure, rules of governance and internal control system. Sticking to its "adhere to one thought, properly execute the two enhancement strategy, and implement the three focuses strategy" direction, the Group operated in innovative manner and made remarkable achievements during the year. Thanks to strong support from shareholders and committed management and all employees, the Group maintained a strong growth momentum and operated smoothly, and achieved significant development in our businesses, management quality and overall strength in 2009.

1. Financial Results

The value of new contracts entered into by the Group in 2009 reached RMB601.8 billion, representing an increase of 40.5% over 2008. Total revenue amounted to RMB333.486 billion, representing an increase of 48.2% over 2008. Profit attributable to owners of the Company increased by 410.1% year-on-year to RMB6.887 billion.

2. Business Development

In 2009, with the recovery of the economy in the PRC and the global economy getting out of the downturn to growth, the Group responded actively to accelerate realignment of organizational structure by liquidation and cancellation of 35 four-layer legal person entities, which further strengthened the horizontal and refined project management of the construction works. Launch of the "hierarchy team" construction model for railway projects enabled us to reduce construction cost and improve economic benefits. Moreover, the implementation of the "three centralization" strategy benefited the Group in terms of fund, materials and equipment, and thus the overall centralized operation of the Group was greatly improved. The fund centralization rate of the Group reached 67.7%, which reduced the Group's external financing by approximately RMB37.05 billion; RMB63.2 billion of materials were centralized for procurement, representing an increase of 336% over 2008 and the total procurement cost decreased by RMB1.75 billion; and RMB2.45 billion of equipment centralized procurement accounted for 40.8% of the total amount of equipment purchased during the year.

The Group undertook a number of measures to adjust the business structure, management mode and development approach, in order to ensure the coordinated development of the "upstream, middle-stream and downstream" and established a sound operation in our principal business of infrastructure construction and synergy for the development of related business segments.

In terms of infrastructure construction business, the value of new contracts entered into by the Group amounted to RMB542.0 billion, representing an increase of 41.3% over 2008. The construction of a number of sophisticated projects, namely, Wuhan–Guangzhou Railway, Shijiazhuang–Taiyuan Passenger Railway, Shanghai A15 Expressway, Yushen Expressway in Shaanxi, Xiamen Xiang'an Undersea Tunnel, Shanghai Subway Line 11 and Shenzhen Metro Line 5, further reinforced the Group's position as the largest construction contractor in the PRC and demonstrated the Group's integrated and comprehensive business capabilities in infrastructure construction.

In terms of survey and design services business, the Group enhanced the integrated design capabilities and market competitiveness of its members to further accelerate the expansion in railway and non-railway markets, by taking advantage of the domestic and international large-scale infrastructure construction. In 2009, the value of new contracts in respect of survey, design and consulting services business entered into by the Group amounted to RMB8.6 billion, representing a year-on-year increase of 125.7%, which further enhanced the Group's core competitiveness and reinforced our leading position in the survey, design and consulting services industry.

In respect of the engineering equipment and component manufacturing business, spurred by the significant investment in infrastructure construction projects and the continuous increase in market demand for engineering equipment for railway, bridge and other engineering construction, the value of new contracts entered into by the Group amounted to RMB12.3 billion for the year, representing a year-on-year increase of 45.2%. Moreover, a number of self-developed and manufactured engineering equipment and products with advanced international standards were kicked off in the market, ensuring the continuous expansion of the Group's business.

In terms of property development business, the Group captured the opportunities arising from market rebound and devoted more resources on project development to establish the brand of "China Railway Real Estate". Total revenue for the year was RMB5.535 billion, representing an increase of 39.6% over 2008.

With regard to other businesses, the Group aggressively expanded other related businesses while consolidating the Group's leading position in our traditional business in 2009. Leveraging on "China Railway Resources" as its platform, the Group took advantage to achieve economies of scale in resources exploitation to assure the Group's growth in the future.

3. Corporate Governance

During the reporting period, as a company dual-listed in Hong Kong and the PRC, the Company continued to improve its corporate governance structure in strict compliance with the requirements of regulations in Hong Kong and the PRC. Through improving the organization structures and establishing new systems, we further improved the efficiency of corporate governance. The Group also continued to promote a more scientific and sound corporate governance approach through reinforcement of internal control management. Through regulating information disclosure and building positive investor relation, the Group established an positive image of integrity and transparency in the capital markets. During the year, with its outstanding corporate governance, the Group was awarded "2009 The Best Board of Listed Company Rankings in China", "The Global Fast-growing Chinese Listed Company in 2009", "2009 Top 100 Chinese Listed Companies for Best Corporate Governance", "2009 China's 25 Most Respected Companies" and "Hong Kong Corporate Governance Excellence Award" and received the title of "Best Financial Disclosure Procedures" for Asia-Pacific regions and "Best IR Program in Asia-Pacific by Investors' Choice" in 2009 IR Global Rankings (IRGR).

4. Prospective Outlook

In 2010, the economy in China will continue to stabilize and regain momentum. The government will adopt sustainable and positive fiscal policies and moderately loosen monetary policies, and ensure ample infrastructure construction works of railways, highways, municipal works and urban rails, all of which create favorable conditions for the growth of the Group's businesses. The Group will promote the guidance of "growth for change and growth on change" to prepare for the sustainable growth, structure adjustment, system reform and efficiency. In addition to capturing the opportunities and speeding up the development, the Group will focus more on the overall planning of domestic and international markets so as to balance the businesses in railway, non-railway and overseas markets and to coordinate the principal businesses with other related businesses to enhance its development strength.

In the coming year, with the financial support from capital markets, the Group will optimize its internal control system and quality management, earnestly build up the "China Railway" brand, reduce operating cost, increase efficiency and create favorable returns for our domestic and overseas 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.

SHI Dahua
Chairman

Beijing, the PRC
26 April 2010

Changes in Share Capital and Information on Shareholders

1. Changes in Share Capital

(1) Details of Changes in Share Capital

Unit: Shares

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

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, CRECG, as a state-owned shareholder of the Company, has fulfilled its obligation of transferring part of state-owned shares held by it to the National Council for Social Security Fund on 22 September 2009. The number of transferred shares represents 10% of the A Shares of the Company issued under the initial public offerings of the Company (i.e. 467,500,000 shares).

(2) Details of Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of 2009	Number of shares with selling restrictions expired in 2009	Number of additional shares with selling restrictions in 2009	Number of shares with selling restrictions at the end of 2009	Reasons for selling restrictions	Expiry date of selling restrictions
CRECG	12,417,510,000	0	–467,500,000	11,950,010,000	The promoter undertook to be subject to a lock-up period of 36 months from the date of listing of A Shares	3 December 2010
No. 3 Transfer Account of National Council for Social Security Fund *(note)*	0	0	+467,500,000	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	0	0	12,417,510,000	—	—

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, CRECG, as a state-owned shareholder of the Company, has fulfilled its obligation of transferring part of state-owned shares held by it to the National Council for Social Security Fund on 22 September 2009. The number of transferred shares represents 10% of the A Shares of the Company issued under the initial public offerings of the Company (i.e. 467,500,000 shares).

2. Issue of Securities and Listing

(1) Issue of Securities over the Past Three Years

Category of stock and its derivative securities	Issue date	Offer price	Number of shares issued	Date of listing	Number of approved tradable 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 14 December 2007	3,658,600,000 548,790,000

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.

(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.

3. Information on Shareholders and Ultimate Controller

(1) Number of Shareholders and their Shareholdings

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 880,851 shareholders, of which 850,037 were holders of A Shares (including CRECG) and 30,814 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	–467,500,000	11,950,010,000	0
2	HKSCC Nominees Limited *(note 1)*	Other	19.46	4,145,349,143	+5,414,100	0	0
3	No. 3 Transfer Account of National Council for Social Security Fund	Other	2.20	467,500,000	+467,500,000	467,500,000	0
4	ICBC—Lion Equity Securities Investment Fund	Other	0.72	153,064,115	+130,211,941	0	0
5	ICBC—Southern Stable Growth Equity Securities Investment Fund	Other	0.42	89,033,091	–40,852,855	0	0
6	ICBC—Southern Longyuan Industrial Theme Equity Securities Investment Fund	Other	0.27	57,214,015	–2,725,198	0	0
7	ICBC— SSE 50 Exchange Traded Fund	Other	0.23	48,836,594	+1,709,002	0	0
8	ICBC—GF Strategy Selected Mixed Securities Investment Fund	Other	0.16	34,999,830	+27,499,923	0	0
9	Bank of China—Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.16	33,369,079	+1,008,194	0	0
10	China Life Insurance Company Limited—Bonus—Individual Bonus–005L—FH002 Hu	Other	0.15	32,558,235	–14,182,404	0	0

Statement on the connected relations and concerted actions between the shareholders above	CRECG, the largest shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. Southern Stable Growth Equity Securities Investment Fund and Southern Longyuan Industrial Theme Equity Securities Investment Fund are funds both managed by China Southern Fund Management Co., Ltd.. Save as disclosed above, the Company is not aware of any connected relationships or concerted-action relationships between the above shareholders.

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

Note 2: The numbers shown in the table are based on the register of members as at 31 December 2009.

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	HKSCC Nominees Limited	4,145,349,143	Overseas listed foreign shares
2	ICBC—Lion Equity Securities Investment Fund	153,064,115	RMB-denominated ordinary shares
3	ICBC—Southern Stable Growth Equity Securities Investment Fund	89,033,091	RMB-denominated ordinary shares
4	ICBC—Southern Longyuan Industrial Theme Equity Securities Investment Fund	57,214,015	RMB-denominated ordinary shares
5	ICBC—SSE 50 Exchange Traded Fund	48,836,594	RMB-denominated ordinary shares
6	ICBC—GF Strategy Selected Mixed Securities Investment Fund	34,999,830	RMB-denominated ordinary shares
7	Bank of China—Harvest SSE-SZSE 300 Index Securities Investment Fund	33,369,079	RMB-denominated ordinary shares
8	China Life Insurance Company Limited—Bonus —Individual Bonus–005L—FH002 Hu	32,558,235	RMB-denominated ordinary shares
9	China Construction Bank Corporation —Changsheng Tongqing Separated Trading Stock Securities Investment Fund	29,999,919	RMB-denominated ordinary shares
10	China Life Insurance Company Limited— Traditional—General –005L—CT001 Hu	26,000,000	RMB-denominated ordinary shares

Statement on the connected relations and concerted actions between the shareholders above	Southern Stable Growth Equity Securities Investment Fund and Southern Longyuan Industrial Theme Equity Securities Investment Fund are funds both managed by China Southern Fund Management Co., Ltd.. China Life Insurance Company Limited—Traditional—General –005L—CT001 Hu and China Life Insurance Company Limited—Bonus—Individual Bonus–005L—FH002 Hu are different accounts managed by China Life Insurance Company Limited. Save as disclosed above, the Company is not aware of any connected relationships or concerted-action relationships between the above shareholders.

Note: The numbers shown in the table are based on the register of members as at 31 December 2009.

4. *Number of shares held by and selling restriction 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		Selling restrictions
			Trading commencement date	Additional number of approved tradable shares	
1	CRECG	11,950,010,000	3 December 2010	—	Subject to a lock-up period of 36 months from the date of listing of the A Shares
2	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.

(2) Controlling Shareholder and Ultimate Controller

1. *Controlling shareholder*

Name of controlling shareholder:	China Railway Engineering Corporation
Legal representative:	SHI Dahua
Date of establishment:	7 March 1990
Registered capital:	RMB10,814,925,000
Registered address:	No. 1 Xinghuo Road, Fengtai District, Beijing, PRC
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.

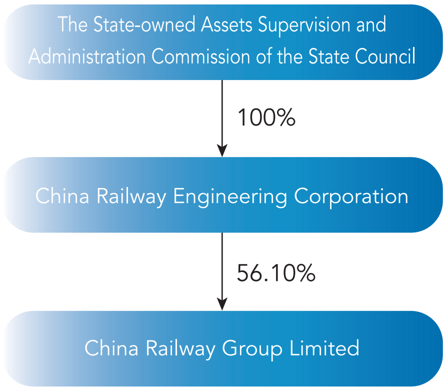
2. *Ultimate controller*

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

3. *Changes in the controlling shareholder and the ultimate controller*

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

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



(3) 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

LI Changjin (李長進)
Executive Director and President

The Group is 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.

In 2009, the Group made new breakthroughs in principal businesses. Both the value of new contracts and total revenue for the year hit a new record high by exceeding RMB600 billion and RMB300 billion for the first time and amounted to RMB601.8 billion and RMB333.486 billion, representing a year-on-year increase of 40.5% and 48.2%, respectively.

1. Industry Development Overview

(1) Infrastructure Construction

In 2009, spurred by the implementation of the plan to accelerate the railway development by the railway departments nationwide, which is led by the Ministry of Railways of the PRC, the infrastructure construction market in the PRC was active. Given the severe challenges under the global financial crisis, the railway departments have promptly taken various decisive measures and given impetus to the orderly, efficient and quality railway construction on a large scale basis. In 2009, infrastructure investment for railways was RMB600.6 billion, representing a year-on-year increase of RMB263 billion or 77.9%. In 2009, the total investment for highways was RMB1,080.9 billion, representing an increase of 62.7% as compared to that of last year.

(2) Survey, Design and Consulting Services Business

In 2009, the growth in investment in infrastructure construction also prompted the development of the survey and design services market in the PRC. The overall engineering design revenue of ENR "Top 60 Chinese Engineering Design Enterprises" amounted to RMB65.89 billion in 2009, which continued to maintain a strong momentum.

(3) Engineering Equipment and Component Manufacturing Business

The growth of the transportation equipment manufacturing industry in 2009 was faster than that in 2008. The industrial value-added output of the transportation equipment manufacturing industry increased by 18.4% in 2009 (2008: 15.2%).

(4) Property Development Business

In 2009, PRC property industry experienced a slowdown due to the combined effects of various control policies of the government, self-adjustment of the property market and the global financial crisis. In 2009, the sold floor area of the PRC commercial properties increased by 90.7% year-on-year to 937,130,000 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 2009, the Group realized operating revenue of RMB333.486 billion, representing a year-on-year increase of 48.2%. The value of new contracts amounted to RMB601.8 billion, representing a year-on-year increase of 40.5%. As of 31 December 2009, the Group's contract backlog amounted to RMB679.5 billion, representing an increase of 61.5% as compared to that as of 31 December 2008.

(1) Infrastructure Construction

In 2009, 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 2009, revenue from the Group's infrastructure construction business was RMB313.540 billion, representing a year-on-year increase of 48.3%; the value of new contracts was RMB542 billion, representing a year-on-year increase of 41.3%. As of 31 December 2009, the Group's contract backlog of the infrastructure construction business was RMB642.5 billion, representing an increase of 60.9% as compared to that as of 31 December 2008.

1. Railway Construction

In 2009, the Group completed new railway construction contracts of RMB310.9 billion, including track laying of 9,327 kilometers of main railway line (new tracks and double-track) and 10,844 kilometers of the main line of the electrified railway network, further strengthening the Group's leading position in the railway construction market. In 2009, the construction projects which the Group participated in as the principal contractor include Wuhan-Guangzhou High-speed Railway, Shijiazhuang-Taiyuan Passenger Railway, Ningbo-Taizhou-Wenzhou Railway, Wenzhou-Fuzhou Railway, Fujian-Xiamen Railway, Dali-Lijiang Railway and Beijing-Kowloon Railway electrification modification, which were completed and commenced operation respectively; Beijing Dongche section and Qinghai-Tibet Railway Naqu Logistics Center which were completed and put into operation; and the main span steel girder of the Nanjing Dashengguan Yangtze River Bridge of Beijing-Shanghai high-speed railway, which was successfully connected. Furthermore, in 2009, the Group as the principal contractor participated in a number of new railway construction projects, such as Hangzhou-Ningbo Passenger Railway, Hefei-Bengbu Passenger Railway, Xi'an-Baoji Passenger Railway, Nanning-Guangzhou Railway and Lanzhou-Xinjiang Railway Second-Double Track.

2. Highway Construction

In 2009, the Group achieved favorable results in highway construction. The value of new contracts amounted to RMB86.7 billion, representing an increase of RMB39.71 billion or 84.5% over the last year, and the Group's market share in domestic highway market was approximately 13.3%. The Group had completed highway construction totaling 1,155 kilometers for the year, of which 834 kilometers were expressways. In 2009, the Group completed various highway construction projects, including Shanghai A15 Expressway, Quanzhou-Sanming Expressway in Fujian Province, Mengzi-Hekou-Xinjie Expressway in Yunnan Province, Phase Three construction of Beijing-Chengde section of Daqing-Guangzhou Expressway, Baoji-Tianshui section of Lianyungang-Horgos Expressway and Shaanxi Yushen Expressway.

3. Municipal Works and Other Construction

In 2009, the Group continued to expand and develop its municipal works construction projects and achieved favorable economic benefits. With the acceleration of urbanization in the PRC, the urban rail transportation market continued to grow. In 2009, the value of new contracts in municipal works and other construction completed by the Group amounted to RMB144.4 billion, and the Group's market share in the urban rail transportation projects nationwide reached 51%. In 2009, the Group participated in the construction of 285 kilometers of city light rails and subways, and laid 105 kilometers of tracks, including Xiamen Xiang'an Undersea Tunnel, the first undersea tunnel in the PRC, Shanghai Subway Line 11, Shenzhen Metro Line 5, Guangzhou Light Rail Transit and other municipal works and other construction.

(2) Survey, Design and Consulting Services Business

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 in 2009, thereby strengthened the Group's leading position in the industry. China Railway Eryuan Engineering Group Co., Ltd. won the "Top 60 Chinese Engineering Design Enterprises" in six consecutive years, and was ranked fifth in 2009, which was one rank up from 2008. In 2009, the revenue from the Group's survey, design and consulting services business was RMB7.007 billion, representing a year-on-year growth of 47.7%; the value of new contracts amounted to RMB8.6 billion, representing a growth of 125.7% year-on-year. As of 31 December 2009, the Group's contract backlog of the survey, design and consulting services business was RMB9.961 billion, representing an increase of 45.6% as compared to that as of 31 December 2008. In 2009, the Group provided design and consulting services to a number of railway construction, including the high-speed railways, passenger railways and railway construction projects in mountaineous areas such as Beijing-Shanghai, Xiamen-Shenzhen, Dali-Ruili and Chongqing-Lichuan projects; urban rail transportation projects in Beijing, Guangzhou, Shenzhen and Zhengzhou and so on; major bridge engineering projects such as Nanjing Dashengguan Yangtze River Bridge, the combined highway and railway Tianxingzhou Yangtze River Bridge in Wuhan, Lancangjiang Bridge and sea crossing engineering project of Qiongzhou Straits; sea crossing and river crossing tunnel engineering projects such as Jiaozhouwan Undersea Tunnel of Qingdao; expressway construction such as Gaolan Expressway in Zhuhai and international engineering projects such as railway projects in Venezuela and highway projects in the Democratic Republic of Congo.

(3) Engineering Equipment and Component Manufacturing Business

In 2009, revenue from the Group's engineering equipment and component manufacturing business was RMB9.236 billion, representing a year-on-year growth of 28.8%; the value of new contracts amounted to RMB12.3 billion, representing a year-on-year growth of 45.2%. As of 31 December 2009, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB6.81 billion, representing an increase of 23% as compared to that as of 31 December 2008. In addition to the launch of the nation's first composite soil pressure balance shielding machinery, which was developed and owned its intellectual property right by the Group in 2008 and put into mass production in 2009, the self-developed passenger line turnout and high-speed turnout of the Group had attained the world advanced level and applied to the passenger railway lines of Wuhan-Guangzhou and Zhengzhou-Xi'an and so on. The Group also completed the large bridge steel structures, with a total of 250,000 tons, for Edong Yangtze River Bridge, Zhengzhou Yellow River Bridge, Jinan Yellow River Bridge and Sava Bridge in Serbia, respectively, which remained as the leader in the field of turnouts and bridge steel structures.

(4) Property Development Business

The Group established its wholly-owned subsidiary China Railway Real Estate Group Co. Ltd., which is responsible for the development and planning of the Group's property development business and the co-ordination of the property development business of other subsidiaries. The property projects such as Beijing Hanting (北京翰庭), Shenzhen Nuode international residential area (深圳諾德國際居住區) and Xi'an Binfen Nanjun (西安繽紛南郡) recorded satisfactory results. In 2009, revenue from the Group's property development business was RMB5.535 billion, representing a year-on-year increase of 39.6%. As of 31 December 2009, total site area and gross floor area of projects under development of the Group amounted to 12.51 million square meters and 18.24 million square meters respectively, representing a significant increase from 2008.

(5) Other Businesses

Leveraging on the platform established by existing businesses, the Group actively engaged in BOT investment and operation projects for railways and highways, exploitation of mineral resources, materials trade and other businesses. In 2009, the Group centralized the operation and management of six expressway BOT projects that had been completed and put into operation by stages and established rules and guidance on a timely basis, in order to drive up the traffic flow and thus steadily improve the operating toll income. The operating toll income for the year was RMB406 million. On the front of mining development, the Group further expanded the construction and development of existing mines by leveraging its advantages in the traditional industries and employing an interactive model on mineral resources and infrastructure construction.

3. Technology Research Development and Technological Achievements

In 2009, the Group focused on the investment in crucial technologies in areas such as design, construction and manufacturing related to key construction projects of the PRC on high-speed railways, railway passenger lines and urban rails, and attached importance to technologies in areas such as construction of high-speed railways, research and development of specialized equipment and energy saving and emission reduction, thereby achieving new breakthroughs in construction, erection and synchronous pushing-jacking technology of long-span bridges and construction technology of undersea tunnels. 623 new technological research topics were developed with a total investment amount of RMB1.039 billion.

In respect of technologies related to the construction of high-speed railways, bridges, tunnels and electrified railways, industrial manufacturing, survey and design, informatization and energy saving and emission reduction, the Group attained a number of technological achievements which were leading internationally and had reached international advanced standards in 2009. For instance, the Group participated in the construction of Wuhan-Guangzhou Passenger Railway and Zhengzhou-Xi'an Passenger Railway with speed of 350km/h, and Xiamen Xiang'an Undersea Tunnel, the first undersea tunnel in the PRC;

and self-developed advanced technology of bridge construction as represented by Dashengguan Yangtze River Bridge, and ballastless track construction technologies and equipments of high-speed railway. With respect to energy saving and emission reduction, the Group had the lowest total energy consumption level per unit of output as compared to domestic peers and was at the leading position in the industry in the PRC. During the year, 75 items passed technological evaluation and assessment at various provincial and ministerial levels, of which eight led the international standards, 26 reached international advanced standards, 17 led the domestic standards and three reached domestic advanced standards; 315 patents were applied (182 of which were invention patents), 201 patient rights were granted (58 of which were invention patents). The Group won two prizes of the National Advanced Science and Technology Prizes and 164 technological advancement awards at the provincial and ministerial level (including awards established by social power). The Group also undertook the preparation of nine national standards and received 39 awards of engineering methods at the national level and 156 awards of engineering methods at the provincial and ministerial level. Eight subsidiaries, including China Railway No.3 Engineering Group Co., Ltd., received the title of "Enterprise with Technological Advancement and Innovation" issued by Construction Enterprise Management Association of China.

The Group was one of the first batch of "Innovative Enterprises" awarded by the Ministry of Science and Technology, State-owned Assets Supervision and Administration Commission of the State Council and All China Federation of Trade Unions, and it had "National Engineering Laboratory of High Speed Railway Construction" and "National Key Laboratory of Shield Tunneling and Drilling Technology", as well as four postdoctoral work stations and 14 testing laboratory centers recognized by China National Accreditation Board for Laboratories. It also had two technology centers recognized by the government and 17 technology centers recognized by provincial and ministerial authorities. In addition, the Group had established six professional research and development centers of bridges, tunnels, electrification, advanced engineering materials, railways and construction equipment, where the Group had reached international advanced standards in a number of areas in respect of technologies related to the construction of high-speed railways, plateau railways, mega-sized, complicated and sea crossing bridges, undersea (river) tunnels and tunnels in complicated environment and city subways.

Achievements in self-developed and innovative technological research greatly enhanced the Group's technical advancement, strengthened the Group's leading position in relevant domestic domains, and substantially increased the Group's technical strength and core competitiveness.

4. Outlook

In 2009, the economic recession of the PRC was effectively controlled and the economy rebounded dramatically with strong growth momentum, given the Chinese government decisively carried out expansionary policy. In particular, large amount of investment was made in major infrastructures including railways, highways, municipal works and airports, which provided ample room and favourable opportunities for the Group's further business development. In terms of the global market, the impact of global financial crisis could not be completely ruled out. The governments around the world have been taken active measures to achieve rebound and recover of their own economies, thereby to achieve an increasingly sound economy. The Group will earnestly attend to the change in the international market and will adjust its globalized operating strategies in a timely manner, so as to further exert the overall strengths and synergies of the Group and to actively participate in the investment, construction and operation of the railways construction and civil and public construction in overseas markets by means of inter-government cooperation leveraging on the Group's extensive experience in railway infrastructure construction. Furthermore, the Group will further strengthen control over exchange risk, legal risk, tax risk and other risks and intensify the development of the African and Southeast Asian market, while further strengthening and expanding overseas market in the Middle East as well as Hong Kong and Macau.

By further strengthening its leading position in the construction industry in the PRC and in Asia, the Group is committed to becoming a reputable and internationally competitive construction group.

Management Discussion and Analysis

1. Overview

In the year of 2009, the Group managed to make new breakthroughs in principal businesses by grasping the opportunities of the climax in the government's infrastructure construction, expanding its operating area and strengthening construction and production management. In 2009, the Group's revenue increased by 48.2% year-on-year to RMB333.486 billion. Net profit for the year increased by 343.9% year-on-year to RMB7.408 billion while profit attributable to owners of the Company increased by 410.1% year-on-year to RMB6.887 billion.

A comparison of the financial results for 2009 and 2008 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 48.2% from RMB225.029 billion for 2008 to RMB333.486 billion for 2009. 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 2009, the value of new contracts increased by 40.5% year-on-year to RMB601.8 billion. As compared with 2008, contract backlog increased by 61.5% to RMB679.5 billion in 2009.

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 2009, the Group's cost of sales increased by 50.1% to RMB313.084 billion from RMB208.534 billion for 2008 due to the expansion of the overall business of the Group. In 2009, gross profit of the Group increased by RMB3.907 billion or 23.7% to RMB20.402 billion from RMB16.495 billion for 2008. The overall gross profit margin for 2009 was 6.1%, representing a decrease of 1.2 percentage points from 7.3% for 2008. It was mainly due to the rapid development of the Company led to the increase in new projects for which the conditions for gross profit recognition cannot be fulfilled as well as the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw material prices) and the increase in labour cost.

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 2009, the Group's other income decreased by 22.7% year-on-year from RMB1.168 billion to RMB0.903 billion. The decrease of other income was primarily due to the decrease of revenue from sales of materials.

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 fixed assets and interests in subsidiaries. The other gains of RMB1.357 billion in 2009 was primarily due to the exchange gain of RMB1.088 billion (2008: loss of RMB4.139 billion) and increase in the fair value of held-for-trading financial assets of RMB67 million (2008: decrease of RMB282 million).

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 2009, the Group's selling and marketing expenses amounted to RMB1.150 billion, representing an increase of 23.3% from RMB0.933 billion of 2008. With the selling and marketing expenses as a percentage of the total revenue dropping from 0.4% for 2008 to 0.3% for 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 2009, the Group's administrative expenses increased by 18.6% to RMB11.269 billion from RMB9.499 billion of last year. Administrative expenses as a percentage of revenue dropped from 4.2% for 2008 to 3.4% for 2009, which reflects 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 2009, the interest income decreased by 33.1% to RMB1.057 billion from RMB1.581 billion for 2008. The decrease in the interest income was primarily due to the decrease in average balance of bank deposits.

Interest expenses

In 2009, the interest expenses was RMB2.324 billion, which is roughly the same as compared to RMB2.372 billion for 2008. It was primarily attributable to the fact that although there was an increase in principal amount of borrowings as a result of the Group's expansion of business scale, the implementation of centralization of fund management achieved a satisfactory result and enhanced the efficiency of fund utilization.

Profit before taxation

As a result of the foregoing factors, the profit before taxation for 2009 increased by RMB6.399 billion, or 278.2% to RMB8.699 billion from RMB2.300 billion for 2008.

Income tax expense

In 2009, the income tax expense increased by 104.6% to RMB1.291 billion from RMB0.631 billion for 2008. The effective tax rate of the Group decreased from 27.4% for 2008 to 14.8% for 2009 primarily attributable to the increase of the utlilisation of tax losses not previously recognized as deferred tax assets.

Minority interests

As a result of the increase in profitability of subsidiaries, minority interests increased by 63.3% from RMB319 million for 2008 to RMB521 million for 2009.

Profit attributable to owners of the Company

As a result of the foregoing factors, the profit attributable to owners of the Company for 2009 increased by 410.1% to RMB6.887 billion from RMB1.350 billion for 2008. The profit margin of the profit attributable to owners of the Company for 2009 increased to 2.1% from 0.6% for 2008.

3. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2009 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	313,540	48.3	8,132	3,051.9	2.6	88.8	79.2
Survey, Design and Consulting Services	7,007	47.7	603	41.9	8.6	2.0	5.9
Engineering Equipment and Component Manufacturing	9,236	28.8	490	(29.9)	5.3	2.6	4.8
Property Development	5,535	39.6	706	19.7	12.8	1.6	6.9
Other Businesses	17,659	54.5	330	(37.5)	1.9	5.0	3.2
Inter-segment Eliminations and Adjustments	(19,491)		(1,562)				
Total	**333,486**	**48.2**	**8,699**	**278.2**	**2.6**	**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 2009, the revenue from the infrastructure construction business accounted for 88.8% of the total revenue of the Group (2008: 88.7%). In 2009, segment revenue from the Group's infrastructure construction business increased by 48.3% year-on-year to RMB313.540 billion. Profit before taxation margin of the infrastructure construction segment was 2.6% (2008: 0.12%). After deducting the effect of exchange gains and losses and inter-segment transactions, the profit before taxation margin of infrastructure construction business for 2009 was 1.8%, representing a slight decrease from 1.9% for 2008. It was primarily due to the rapid development of the Company led to the increase in new projects for which the conditions for gross profit recognition cannot be fulfilled as well as the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw material prices, and the increase in labour cost).

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 2009, segment revenue of survey, design and consulting services business increased by 47.7% to RMB7.007 billion from RMB4.745 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 for 2009 increased to RMB603 million from RMB425 million for 2008 and the profit before taxation margin for the segment decreased from 9.0% for 2008 to 8.6% in 2009, mainly attributable to the increase in labour cost and the cost associated with outsourcing projects as well as the increase in volume of survey and compliance certification business which have a lower 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 2009, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 28.8% year-on-year to RMB9.236 billion from RMB7.169 billion. Profit before taxation margin decreased from 9.8% for 2008 to 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 decrease in profit before taxation margin is due to decrease in gross profit margin of steel structure and some construction equipments resulted from the increase in raw material costs and intense competition.

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 2009, revenue from property development business increased by 39.6% to RMB5.535 billion from RMB3.966 billion for 2008. Profit before taxation increased by 20.1% to RMB706 million from RMB590 million for 2008, while profit before taxation margin decreased from 14.9% for 2008 to 12.8% for 2009. The decrease in profit before taxation margin for 2009 is primarily due to the fact that certain property projects were pre-sold at a relatively lower price in 2008 and were recognised in the income statement during the reporting period.

Other businesses

Segment revenue from other businesses increased by 54.5% from RMB11.429 billion in 2008 to RMB17.659 billion. Profit before taxation margin decreased from 4.6% for 2008 to 1.9% for 2009. The increase in revenue was due to the fact that by leveraging on the advantage of the traditional businesses, the Group further expanded its existing mining business by adopting an interactive model on mining resources and infrastructure construction. Besides, the investment of BOT projects also played a positive role on the development of this business segment. The decrease in profit before taxation margin was primarily due to the loss incurred by BOT projects during the initial operating period.

4. Cash Flow

In 2009, the net cash generated from operating activities amounted to RMB18.862 billion, representing a significant improvement from the net cash flow generated from operating activities of RMB780 million for 2008, which was primarily attributable to: 1) the Group's profit before taxation increased significantly from RMB2.300 billion for 2008 to RMB8.699 billion for 2009; 2) the Group continued to strengthen management on working capital while continuously expanding its business scope and achieved satisfactory results. In 2009, the net cash used in investing activities of the Group amounted to RMB16.385 billion, representing a decrease of 18.8% from RMB20.183 billion for 2008. The decrease of the net cash used in investing activities was primarily attributable to the decrease in investment of financial products by the Group with a view of focusing on its core businesses. In 2009, the net cash used in financing activities of the Group amounted to RMB738 million while the net cash generated from financing activities was RMB11.614 billion for 2008. It was primarily attributable to the increase in repayment of borrowings of RMB14.233 billion in 2009 as a result of remittance of H share listing proceeds to PRC for usage.

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 businesses, the Group increased its capital expenditure in 2009, which will benefit the Group's continued efforts to expand its business and improve its competitiveness. The Group's total capital expenditure for 2009 was RMB18.358 billion (2008: RMB15.017 billion).

The following table sets forth the Group's capital expenditure (including acquisition of subsidiaries) by business segments in 2009.

For the year ended 31 December 2009	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	10,087	355	834	485	781	12,542
Investment properties	—	—	—	—	252	252
Intangible assets	7	4	31	—	5,492	5,534
Mining assets	—	—	—	—	25	25
Acquisition of subsidiaries	1	—	—	—	4	5
Total	10,095	359	865	485	6,554	18,358

Working capital

	As at 31 December 2009 RMB million	2008 RMB million
Inventories	23,829	18,482
Properties under development for sale	25,204	17,996
Trade and bills receivables	68,121	50,685
Trade and bills payables	94,502	67,075
Turnover of inventory (days)	24	25
Turnover of trade and bills receivables (days)	64	73
Turnover of trade and bills payables (days)	93	105

The Group's inventories and cost of properties under development for sale increased by 28.9% and 40.1% respectively from RMB18.482 billion and RMB17.996 billion as at the end of 2008 to RMB23.829 billion and RMB25.204 billion as at the end of 2009. 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 inventory levels as a result of the increase in properties under development with the growth of the Group's property development business. The Group's inventory turnover days of 24 days in 2009 remained at the similar level as in 2008. At the end of 2009, the Group's trade and bills receivables increased by 34.4% from RMB50.685 billion as at the end of 2008 to RMB68.121 billion as at the end of 2009, among which, the balance of retention receivables as at the end of 2009 significantly increased by 66.5% from RMB14.521 billion as at the end of 2008 to RMB24.179 billion 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 21.0% (2008: 19.0%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2009	2008
	RMB million	RMB million
Less than six months	**38,472**	26,621
Six months to one year	**15,373**	14,436
One year to two years	**9,741**	6,687
Two years to three years	**3,189**	2,217
More than three years	**1,346**	724
Total	**68,121**	50,685

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 40.9% from RMB67.075 billion as at the end of 2008 to RMB94.502 billion. The number of turnover days was 93 days in 2009, representing a decrease of 12 days from 105 days in 2008. 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 10.8% (2008: 12.5%) of the total payables.

Trade and bills payables

	As at 31 December	
	2009	2008
	RMB million	RMB million
Less than one year	**84,297**	58,670
One year to two years	**7,199**	6,403
Two years to three years	**2,194**	1,316
More than three years	**812**	686
Total	**94,502**	67,075

5. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2009 and 2008. 51.4% of our debts were short-term borrowings (as at 31 December 2008: 68.5%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2009 RMB million	2008 RMB million
Bank loans		
Secured	**11,327**	11,165
Unsecured	**27,114**	38,224
Total	**38,441**	49,389
Short-term debentures, unsecured	**3,800**	600
Other short-term loans, secured	**—**	42
Other short-term loans, unsecured	**6,150**	1,986
Other long-term loans, unsecured	**7,472**	1,406
Total	**55,863**	53,423
Long-term borrowings	**27,151**	16,829
Short-term borrowings	**28,712**	36,594
Total	**55,863**	53,423

Bank loans carry interest rates ranging from 0.75% to 9.5% (2008: 2.4% to 11.6%) per annum. Short-term debentures carry fixed interest rates ranging from 1.65% to 7.1% (2008: 7.1%) per annum. Other short-term loans carry interest rates ranging from 3.72% to 14.4% (2008: 5.6% to 10.5%) per annum. Other long-term loans carry interest rates ranging from 2.2% to 13.0% (2008: 2.0% to 7.5%) per annum.

The following table sets forth the maturity of the Group's bank loans and other long-term borrowings as at 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
	RMB million	RMB million
Bank loans:		
Within one year	**18,762**	33,966
More than one year, but within two years	**3,469**	4,048
More than two years, but within three years	**2,513**	1,815
More than three years, but within four years	**701**	342
More than four years, but within five years	**1,092**	292
More than five years	**11,904**	8,926
Total bank loans	**38,441**	49,389
Other long-term borrowings:		
More than one year, but within two years	**7,323**	1,227
More than two years, but within three years	**—**	15
More than three years, but within four years	**23**	—
More than four years, but within five years	**—**	23
More than five years	**126**	141
Total other long-term borrowings	**7,472**	1,406

As at 31 December 2009 and 2008, the Group's bank loans comprised fixed-rate bank loans amounting to RMB958 million and RMB1.142 billion and floating-rate bank loans amounting to RMB37.483 billion and RMB48.247 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2009 and 2008. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euro dollars.

	Borrowings in U.S. dollars RMB million	**Borrowings in Euros** RMB million	**Borrowings in other currencies** RMB million
As at 31 December 2009	**877**	**447**	**34**
As at 31 December 2008	1,015	515	20

As at 31 December 2009, approximately RMB11.345 billion (as at 31 December 2008: RMB11.165 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB17.492 billion (as at 31 December 2008: RMB17.284 billion). As at 31 December 2009, the Group had unutilized credit facilities with an aggregate amount of approximately RMB144.641 billion (as at 31 December 2008: RMB75.562 billion).

In 2009, the Group's gearing ratio (total liabilities/total assets) was 78.8%, an increase of 3.0 percentage points as compared with 75.8% for 2008. 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. During the past financial reporting periods, apart from applying the proceeds arising from the A-share offering and the global offering of the Company's shares to working capital, the Group primarily relied on operating income, bank loans and the issuance of debentures to finance the Group's working capital requirements. The Group will continue to rely on internally generated funds, and intends to utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other convertible securities) and the Group's credit history with banks to secure financing for business development. In 2009, upon approval from China Securities Regulatory Commission, the Company carried out the work regarding the issuance of corporate bond of RMB12 billion. The first tranche of RMB6 billion was issued on 29 January 2010 while the remaining RMB6 billion will be issued based on the actual needs of the Company. 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.

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	
	2009	2008
	RMB million	RMB million
Pending lawsuits *(note)*	**351**	315

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.

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

	As at 31 December			
	2009		2008	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,713**	**2010–2027**	5,757	2009–2027
Other government-related entities	**790**	**2010–2011**	926	2009–2011
Property purchasers	**3,836**	**2010–2011**	1,545	2009–2011
Investees of the Group	**176**	**2010–2016**	219	2009–2016
Other independent parties	**—**	**—**	220	2009
	10,515		8,667	

7. Business Risks

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

Market risk: The level of growth in the national and regional economies and the general level of growth in the relevant industries would affect the overall market. Increasingly intensive competition in the markets and the fluctuation of raw material prices could adversely affect the Group's businesses.

Operational risk: For infrastructure construction business, the bidding prices of construction contracting projects are affected largely by market competition. The Group might also not be able to control accurately the cost and to engage labour sub-contractors.

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

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

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

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

Interest rate risk: The Group's exposure to changes in interest rates is mainly attributable to its external borrowings. According to our analysis of current funding size, changes in interest rate policy will considerably affect our finance cost. The Group currently does not have any interest rate hedging policy. However, the management of the Company monitors changes in interest rate at any time and will consider hedging significant interest rate exposure should the need arises, subject to strict implementation of the policy of the PRC and in compliance with the regulatory requirements.

Foreign exchange risk: The Group's functional currency is Renminbi. Our exposure to foreign exchange risk is limited as our principal businesses are denominated in Renminbi. Currently, the effects of the exposure to foreign exchange to the Group are as follows: Firstly, the proceeds raised through the public offering of H Shares in 2007 is not freely convertible into Renminbi, as it is subject to foreign exchange control policy of the PRC, and was significantly affected by the fluctuation of exchange rates in 2008. Although the relevant authorities has approved us to convert and remit a total of HK$10 billion back to the PRC for use, an equivalent of RMB5.562 billion was deposited in foreign currencies, and remained subject to the fluctuation of exchange rates as at the end of the reporting period. Secondly, the Group's overseas operations are continuously expanding as we have further implemented our development strategies. The revenue and profit contribution from overseas operations are expected to grow on an ongoing basis in the coming 3 years, and the exchange rates fluctuation resulting from the growth of international capital or financial markets could affect the Group's financial results. Save for the above arrangements, the Group currently does not have a foreign exchange hedging policy. However, the management continuously monitors foreign exchange exposure and the Group will prudently consider hedging significant foreign exchange exposure should the need arises.

Biography of Directors, Supervisors and Senior Management

1. Directors

SHI Dahua (石大華)
(Chairman)

SHI Dahua (石大華)

58, senior economist, is the Chairman and Secretary to the Communist Party Committee of the Company. Mr. Shi is also chairman, general manager and deputy secretary to the Communist Party Committee of CRECG, an alternate member of the 16th and 17th Central Committee of the Chinese Communist Party, director of the Transportation Professionals Co-operation Committee of the Consultant Council for the Promotion of Economic & Technology Cooperation of China-Spain Forum, deputy director of the Steering Committee of the National Construction Enterprise Career Manager Certification and Construction Enterprises Qualifications Administration and Research and vice director of China's securities industry almanac council. From November 1998 to September 2007, Mr. Shi was secretary to the Communist Party Committee of CRECG. He was deputy general manager of CRECG from December 2002 to September 2006. Mr. Shi has been chairman of CRECG since September 2006. Since September 2007, he has been the Chairman, Secretary to the Communist Party Committee and Executive Director of the Company, as well as general manager and deputy secretary to the Communist Party Committee of CRECG.

LI Changjin (李長進)

51, professor level senior engineer, is an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li is also a director and 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 general manager and deputy secretary to the Communist Party Committee of CRECG. Mr. Li has been a director of CRECG since September 2006 and secretary to the Communist Party Committee of CRECG, Executive Director and President of the Company and Deputy Secretary to the Communist Party Committee of the Company since September 2007.

LI Changjin (李長進)
(Executive Director)

BAI Zhongren (白中仁)
(Executive Director)

BAI Zhongren (白中仁)

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

WANG Qiuming (王秋明)
(Non-executive Director)

WANG Qiuming (王秋明)

57, senior economist, is a Non-executive Director, 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 director of Division of Cadre of CRECG from June 2004 to August 2006. Since September 2006, Mr. Wang has been deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He was also the chairman of China Railway NO. 3 Engineering Group Co. Ltd. from April 2007 to January 2008. Since September 2007, Mr. Wang has been the Non-executive Director, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee of the Company.

HE Gong (賀恭)

66, 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 cadre of second hydroelectric engineering department of Yunnan Electric Power Bureau, secretary and deputy director of the office of Yunnan Electric Power Department, deputy director and member of the Communist Party Committee of Yunnan Electric Power Industry Bureau, director of preparatory division, director and deputy secretary to the Communist Party Committee of Man Shui Wan Hydroelectric Engineering Management Bureau, deputy general manager and member of the Communist Party Committee of China Three Gorges Project Corporation, deputy general manager and member of the Communist Party Committee of State Electric Power Corporation, chairman of Organizing Committee, general manager and secretary to the Communist Party Committee of China Hua Dian Corporation and chairman of Yunnan Jinsha River Hydropower Development Co,. Ltd. Mr. He was approved for retirement by the Organization Division of the Central Committee of Communist Party Committee in October 2009. Mr. He has been an external director of Dongfang Electric Corporation since April 2009 and the Independent Non-executive Director of the Company since September 2007.

HE Gong (賀恭)
(Independent Non-executive Director)

GONG Huazhang (貢華章)
(Independent Non-executive Director)

GONG Huazhang (貢華章)

64, 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 and a specially invited member of China Appraisal Society. 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. He became chief accountant of China National Petroleum Corporation in February 1999. 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. From May 1999 to September 2009, he was the chairman of China Petroleum Finance Co., Ltd. He has been an independent director of China Shenhua Energy Company Limited since June 2009, an external director of Dongfang Electric Corporation since April 2009, an independent director of Nanyang Commercial Bank (China) Limited since December 2007, an independent director of China Southern Airlines Company Limited since June 2007, as well as an Independent Non-executive Director of the Company since September 2007.

WANG Taiwen (王泰文)
(Independent Non-executive Director)

WANG Taiwen (王泰文)

63, senior political engineer, is an Independent Non-executive Director of the Company. Mr. Wang is also the external director of China National Foreign Trade Transportation Group Corporation and independent director of China Automation Group Limited. From June 2000 to May 2004, he served as 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 November 2006 to September 2007. Since September 2007, he has been an Independent Non-executive Director of the Company.

SUN Patrick (辛定華)

51, a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, 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, as well as an independent non-executive director of Trinity 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, and independent non-executive director of Everbright Pramerica Fund Management Co., Ltd.. Mr. Sun is currently a member of the general committee of the Chamber of Hong Kong Listed Companies. Since September 2007, he has been an Independent Non-executive Director of the Company.

SUN Patrick (辛定華)
(Independent Non-executive Director)

2. Supervisors

YAO Guiqing (姚桂清)
(Chairman of the Supervisory Committee)

YAO Guiqing (姚桂清)

55, senior economist, is the Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Chairman of the Labour Union of the Company. Mr. Yao is also the executive member of All-China Federation of Trade Unions. He was chairman of the labour union of CRECG since February 2001 and deputy secretary to the Communist Party Committee of CRECG from December 2004 to September 2007. He was also 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 June 2009, he has been Chairman of the Supervisory Committee of the Company.

JI Zhihua (季志華)
(Supervisor)

JI Zhihua (季志華)

48, professor level senior engineer, is a Supervisor and Deputy Chief Engineer of the Company, as well as a director of China Railway South Investment & Development Co., Ltd.. From October 2001 to August 2005, he served as the deputy chief engineer and director of the planning and operation department of CRECG. He was the deputy chief engineer of CRECG from August 2005 to September 2007. Since September 2007, he has been an employee supervisor of the Company.

ZHANG Xixue (張喜學)

57, senior political engineer, is a Supervisor of the Company. From September 1990 to September 2007, he served as secretary to the general office, head of supervisory department of the disciplinary committee and head of case judgment promotion and education department of disciplinary committee of CRECG. From 2001 to April 2007, he was an employee supervisor of the State-owned Enterprise Supervisory Committee of SASAC. Mr. Zhang has been an employee supervisor of the Company since September 2007.

ZHANG Xixue (張喜學)
(Supervisor)

ZHOU Yuqing (周玉清)
(Supervisor)

ZHOU Yuqing (周玉清)

59, senior political engineer, is a Supervisor of the Company. Mr. Zhou is also an employee supervisor of State-owned Enterprise Supervisory Committee of SASAC. From 2003 to September 2007, he was deputy executive director of the management office of directors and supervisors of CRECG. He has been an employee supervisor of the Company since September 2007.

LIN Longbiao (林隆彪)
(Supervisor)

LIN Longbiao (林隆彪)

52, senior accountant, is a Supervisor and the Director of Internal Audit Department of the Company. Mr. Lin is also an employee supervisor of State-owned Enterprise Supervisory Committee of SASAC. From July 2005 to September 2007, he was director of the audit department of CRECG. He has been an employee supervisor and the director of internal audit department of the Company since September 2007.

3. Senior Management

For biographical details of Mr. Li Changjin and Mr. Bai Zhongren who are concurrently Directors and senior management of the Company, please refer to the section above.

LI Jiansheng (李建生)

55, 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.

LI Jiansheng (李建生)
(Vice-President)

LIU Hui (劉輝)
(Vice-President)

LIU Hui (劉輝)

50, professor level senior engineer, is a state registered consulting engineer and state registered architect, Vice-President and Chief Engineer of the Company, as well as Vice-Chairman of the Third Railway Survey and Design Institute Group Corporation. From April 2001 to September 2007, he served as deputy general manager and chief engineer of CRECG. He has been the Vice-President and Chief Engineer of the Company since September 2007.

MA Li (馬力)
(Vice-President)

MA Li (馬力)

52, senior engineer, is a Vice-President of the Company. He was also general manager and secretary to the Communist Party Committee of China National Overseas Engineering Corporation from March 2002 to March 2004. Mr. Ma 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 (周孟波)

45, professor level senior engineer, is a Vice-President of the Company. Mr. Zhou was director of Major Bridge Bureau of Ministry of Railways from August 2000 to April 2001, 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.

ZHOU Mengbo (周孟波)
(Vice-President)

DAI Hegen (戴和根)
(Vice-President)

DAI Hegen (戴和根)

44, senior economist, is a Vice-President of the Company. Mr. Dai was general manager and vice chairman 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 the Vice-President of the Company since September 2007.

DUAN Xiubin (段秀斌)
(Vice-President)

DUAN Xiubin (段秀斌)

56, senior engineer, is the Vice-President of the Company. From December 2002 to March 2004, Mr. Duan was chairman and general manager of China Railway Construction Group (CRCG) Co., Ltd. and 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 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.

YU Tengqun (于騰群)

40, senior economist, lawyer and corporate legal advisor, is the Secretary to the Board of Directors of the Company. Mr. Yu is also the deputy secretary of Association of State-owned Enterprise Youth, the deputy secretary of the Listed Companies Association of Beijing, an arbitrator of China International Economic and Trade Arbitration Commission, an arbitrator of Beijing Arbitration Commission, a member of the Rights Protection Committee of China Enterprise Confederation & China Enterprise Directors Association, vice director of Legal Committee of China Association of Communication Enterprise Management, legal advisor to China's Enterprise Overseas Business Adjustment Center of Ministry of Commerce, Specially-appointed Expert of Institute of International Engineering Project Management of Tsinghua University, a member of Engineering Expert Panel of China International Contractors Association, standing director of China Law Society Securities Law Research Branch. From December 2002 to November 2006, he was assistant general legal advisor and director of legal affair division of CRECG. 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.

YU Tengqun (于騰群)
(Secretary to the Board of Directors)

TAM Chun Chung (譚振忠)
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung (譚振忠)

37, is the Joint Company Secretary and Qualified Accountant of the Company. 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 14 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. Mr. Tam has been an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd. since March 2010. Mr. Tam graduated from the Chinese University of Hong Kong in December 1994 majoring in accounting.

Report of Directors

Principal Businesses

We are 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 2009 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 62 to 147.

Dividends

The Board of Directors recommend the payment of a final dividend in the amount of RMB0.063 per share (including tax), totalling approximately RMB1.35 billion (2008: Nil), for the year ended 31 December 2009. The distribution plan will be implemented upon approval at the 2009 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB5.063 million (2008: RMB19.11 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 16 to the financial statements.

Share Capital

Details of the Company's share capital are set out in note 33 to the financial statements.

Distributable Reserves

As at 31 December 2009, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB2.702 billion.

Use of Proceeds from the Initial Public Offering

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 and will be 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 on 25 June 2009.

In addition, as at 31 December 2009, 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 RMB760 million raised from the A share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB220 million was used for large steel structure base project; and
- Approximately RMB540 million was used for additional working capital.

Approximately RMB141 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 RMB10.994 billion raised from the H share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB7,490 million was used for equipment purchase;

- Approximately RMB1,532 million was used for overseas mining projects; and

- Approximately RMB1,972 million was used for working capital and repayment of bank loans.

Approximately RMB5.562 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 65 to 66.

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 2009, sales to the MOR accounted for approximately 49.9% 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 52.4% 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 2009, purchases from the five largest suppliers of the Group in aggregate accounted for less than 30% of the total purchases of the Group in 2009.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2009 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
SHI Dahua	Chairman and Executive Director
LI Changjin	Executive Director
BAI Zhongren	Executive Director
WANG Qiuming	Non-executive Director
HE Gong	Independent Non-executive Director
ZHANG Qinglin (passed away due to illness in February 2010)	Independent Non-executive Director
GONG Huazhang	Independent Non-executive Director
WANG Taiwen	Independent Non-executive Director
SUN Patrick	Independent Non-executive Director

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

Name	Position
YAO Guiqing (appointed on 25 June 2009)	Chairman
JI Zhihua	Supervisor
ZHANG Xixue	Supervisor
ZHOU Yuqing	Supervisor
LIN Longbiao	Supervisor
GAO Shutang (resigned on 24 June 2009)	Chairman

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

Name	Position
LI Changjin	President
BAI Zhongren	Vice President and Chief Economist
LI Jiansheng	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui	Vice President and Chief Engineer
YAO Guiqing (resigned on 24 June 2009)	Vice President
MA Li	Vice President
ZHOU Mengbo	Vice President
DAI Hegen	Vice President
DUAN Xiubin	Vice President
YU Tengqun	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant

The biographical details of the 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 2009 are set out in note 13 of the audited financial statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2009, 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 2009, 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. SHI Dahua	Beneficial owner	100,000	0.0006	0.0005
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Supervisor				
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005

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

As at 31 December 2009, 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 (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 (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	333,002,484	Long position	7.91	1.56

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 field by Blackrock, Inc. with the Hong Kong Stock Exchange dated 18 December 2009, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC (which held 1,518,161 H Shares of the Company) and BlackRock Institutional Trust Company, N.A. (which held 26,143,000 H Shares of the Company), while BlackRock Institutional Trust Company, N.A. wholly owns BlackRock Advisors (which held 268,013,000 H Shares of the Company). Blackrock, Inc. also indirectly wholly owns BlackRock Group Limited, which in turn wholly owns Blackrock Advisors UK Ltd. (which held 35,384,000 H Shares of the Company) and BlackRock International Ltd. (which held 1,336,323 H Shares of the Company), as well as BlackRock Fund Managers Ltd (which held 608,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions held by each of the entities as set out above.*

Apart from the foregoing, as at 31 December 2009, 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

Continuing Connected Transactions Defined under the Listing Rules

1. *Continuing connected transactions between the Company and CRECG — Social services agreement*

   CRECG is the Company's sole promoter and 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.

   The Company entered into a social services agreement with CRECG on 18 September 2007 (the "Social Services Agreement"), pursuant to which CRECG and/or its associates provide social services to the Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational-illness and other specialist medical services to employees of our Group as well as training to the Group's employees. The medical services provided by CRECG and/or its associates to us are charged at rates which are determined in accordance with relevant regulations or government prescribed standards. In determining the fees for the provision of training, the content of the training, the number of employees attending the training and the training time are taken into account and the fees are determined with reference to market rates such that the fees charged cannot be higher than market rates. The term of the Social Services Agreement commenced on the date of the agreement and expired on 31 December 2009. The agreement may be renewed upon agreement of the parties provided the requirements of the Listing Rules in relation to connected transactions are complied with.

   Pursuant to the Listing Rules, the relevant percentage ratio for the above continuing connected transactions is less than 2.5% but more than 0.1% on an annual basis. Accordingly, the above continuing connected transactions are exempted from the independent shareholders approval requirement under the Listing Rules. The Company has obtained a waiver from the Hong Kong Stock Exchange from strict compliance with the announcement requirement set out in Rule 14A.47 of the Listing Rules in respect of the above continuing connected transactions. The maximum aggregate annual value for the year ended 31 December 2009 permitted by the Hong Kong Stock Exchange for the above continuing connected transactions is RMB190.0 million and such cap has been kept.

2. *Continuing connected transactions between the Company and promoter of the Company's subsidiaries — Purchase of raw materials from Wuhan Iron and Steel Company Limited ("WISC")*

   WISC is a promoter of China Railway Major Bridge Engineering Group Co., Ltd., an indirect subsidiary of the Company. Accordingly, WISC, as a promoter of one of the Company's subsidiaries, is one of the Company's connected persons under the Listing Rules and transactions between us and WISC and/or its associates constitute connected transactions.

   In the ordinary and usual course of business, the Company's subsidiaries purchase iron and steel products and other raw materials from WISC and its associates. The above raw materials are provided by WISC and its associates to us on normal commercial terms after arm's length negotiation. The price for these raw materials is determined with reference to market price of the relevant products prevailing at the time of purchase. Our subsidiaries will enter into written agreements with WISC or its associates each time it purchases raw materials from WISC or its associates and their tenure will be less than three years.

   Pursuant to the Listing Rules, the relevant percentage ratio for the above continuing connected transactions is less than 2.5% but more than 0.1% on an annual basis. Accordingly, the above continuing connected transactions are exempted from the independent shareholders approval requirement under the Listing Rules. The Company has obtained a waiver from the Hong Kong Stock Exchange from strict compliance with the announcement requirement set out in Rule 14A.47 of the Listing Rules in respect of the above continuing connected transactions. The maximum aggregate annual value for the year ended 31 December 2009 permitted by the Hong Kong Stock Exchange for the above continuing connected transactions is RMB1,000.0 million and such cap has been kept.

In the opinion of the independent non-executive directors of the Company, the abovementioned continuing connected transactions with CRECG and WISC (the "Continuing Connected Transactions") were entered into by the Group:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors of the Company have reported the factual findings on these procedures to the board of directors.

The board of directors has received a letter from the auditors of the Company stating that the Continuing Connected Transactions:

(i) have received the approval of the Company's board of directors;

(ii) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and

(iii) have not exceeded their respective maximum aggregate annual value set out above for the financial year ended 31 December 2009.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

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 154 to 161 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 2009 are set out in note 35 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 13 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 and non-executive directors of the Company consists of a basic salary and a performance-linked bonus. The remuneration of independent non-executive directors is fixed and paid monthly. 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 in 2009 are set out in note 13 to the financial statements.

The personnel expenses of the Company for the year ended 31 December 2009 were RMB19.365 billion. As at 31 December 2009, the number of employees hired by the Group was 276,150. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2009:

Division	As at 31 December 2009 Number of employees
Production	133,255
Sales and Marketing	20,412
Engineering and Technology	92,966
Financing	13,100
Administration	16,417
Total	276,150

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 38 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 49 to 60 of this annual report.

Auditors

The 2009 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
SHI Dahua
Chairman

Beijing, the PRC
26 April 2010

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. During the reporting period, Gao Shutang, the Chairman of the Supervisory Committee of the Company, has tendered his resignation as Chairman of the Supervisory Committee and shareholder representative supervisor of the Company by reason of age. In June 2009, the 2008 annual general meeting of the Company considered and approved the election of Yao Guiqing as a shareholder representative supervisor of the Company to fill the causal vacancy. Yao Guiqing was then elected as the Chairman of the Supervisory Committee of the Company at the Ninth Meeting of the First Session of the Supervisory Committee of the Company. Other workings of the Supervisory Committee of the Company are detailed as follows:

On 27 April 2009, the Eighth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 6 resolutions, namely, Resolution on the Reviews of 2008 A Shares Annual Report and its Summary and 2008 H Shares Annual Report and Results Announcement, Resolution on the Audited Consolidated Financial Statements for 2008 (draft), Resolution on the Reviews of 2009 First Quarterly Report, Resolution on the Profit Distribution of China Railway for 2008, Resolution on the Engagement of Auditors for 2009 and Resolution on the Work Report of the Supervisory Committee of China Railway Group Limited for 2008.

On 25 June 2009, the Ninth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 2 resolutions, namely, Resolution on the Election of New Chairman of the Supervisory Committee and the Resolution on the Review of Rules on Budget Management of Supervisory Committee of China Railway Group Limited (draft).

On 26 August 2009, the Tenth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 2 resolutions, namely, Resolution on the Reviews of 2009 A Shares Half-year Report and its Summary and H Shares Interim Report and Results Announcement, and Resolution on the Review of Financial Statements for the Period Ended 30 June 2009.

On 28 October 2009, the Eleventh 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 2009 Third Quarterly Report of the Company, Resolution on the Review of 2009 Third Quarterly Financial Statements of the Company and Resolution on the Proposed Plan for Profit Distribution of Subsidiaries of the Company for the First Three Quarters of 2009.

In 2009, the Supervisory Committee attended the 2009 annual general meeting 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 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 2009.

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 has improved its management of the listing proceeds which was in compliance with the commitments of the Company. The Company changed use of portion of A Share listing proceeds to meet its need for business development and it was in the interest of the Company and all shareholders as a whole, and the relevant approval procedure was in compliance with applicable laws and regulations and the Articles of Association.

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 China Railway Group Limited. 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.

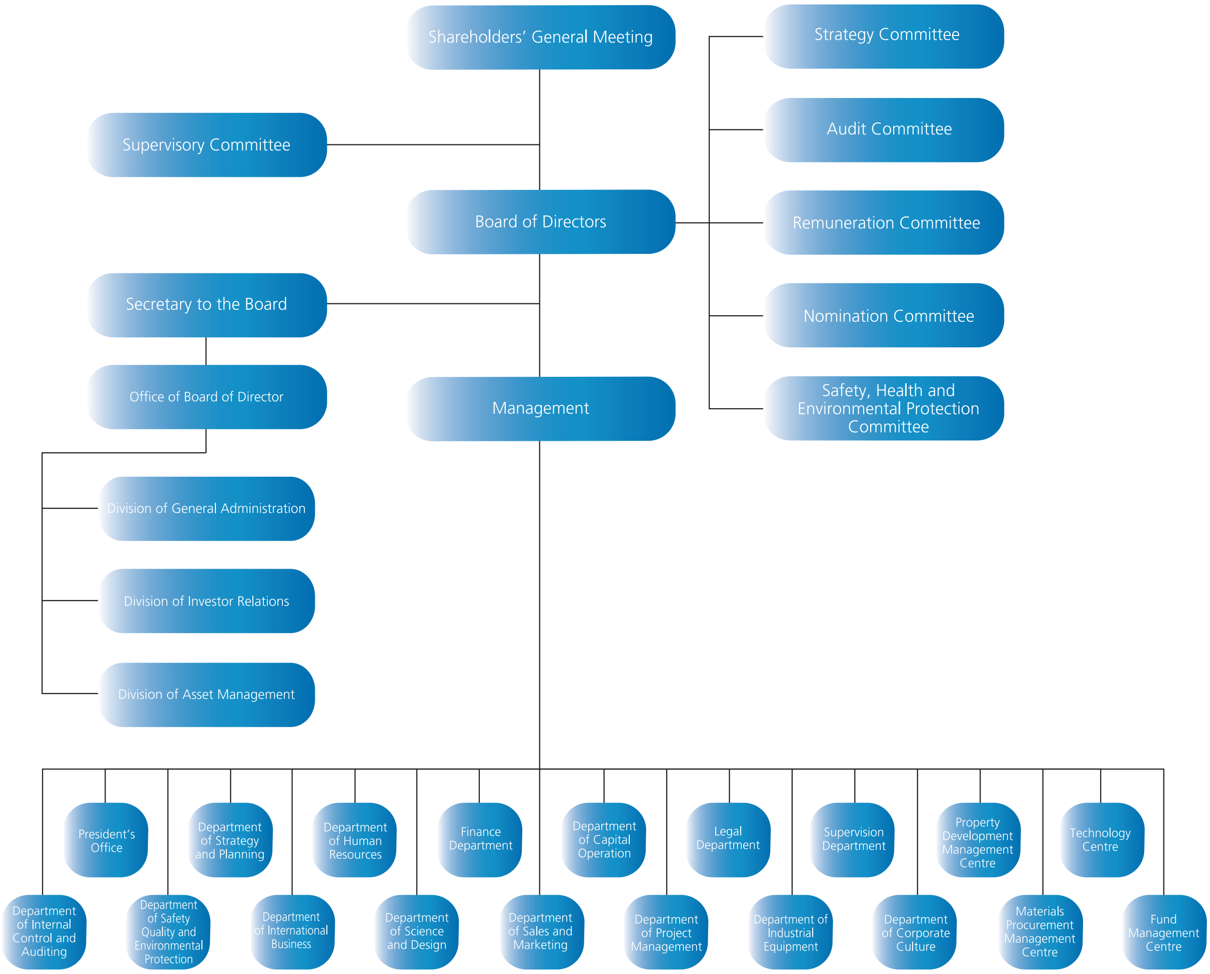
Report on Corporate Governance Practices

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 20 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. The Company complied with all code provisions of the Code on Corporate Governance Practices during the reporting period.

Mr. ZHANG Qinglin, Independent Non-executive Director of the Company, passed away due to illness in February 2010, and therefore, ceased to act as members of Remuneration Committee, Nomination Committee and 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. 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 one shareholders' general meetings being, the 2008 annual general meeting held on 25 June 2009. A total of 10 ordinary resolutions, including approving the 2008 report of the Board of Directors of the Company, the 2008 report of the Supervisory Committee of the Company, the 2008 work report of independent directors of the Company, the 2008 audited consolidated financial statements of the Company, the re-appointment of the external auditors of the Company, the 2008 profit distribution plan of the Company, the appointment of supervisor of the Company, the remuneration plan for the directors and supervisors of the Company, the change in use of part of proceeds from the A share offering of the Company and the amendments to the Rules for Independent Directors of the Company. In addition, 4 special resolutions including the amendments to the Articles of Association of the Company, the amendments to the Procedural Rules for the Shareholders' General Meeting of the Company, the amendments to the Procedural Rules for the Board of Directors of the Company and the issue of medium-term notes, were passed at the 2008 annual general meeting. The meeting was convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The Board of Directors

(1) Composition of the Board of Directors

During the reporting period, the Company's Board of Directors consists of nine Directors, including three Executive Directors, one Non-executive Director and five Independent Non-executive Directors. Members of the Board are as follows:

Chairman of the Board and Executive Director:	Mr. SHI Dahua
Executive Director and President:	Mr. LI Changjin
Executive Director and Vice-president:	Mr. BAI Zhongren
Non-executive Director:	Mr. WANG Qiuming
Independent Non-executive Directors:	Mr. HE Gong, Mr. ZHANG Qinglin[(note)], Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick

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

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 2009, the Company held 9 board meetings, 3 of which were convened by way of telephone meeting. A total of 111 proposals were considered at these board meetings, including proposals for the consideration of the Company's 2008 annual report, 2009 first quarterly report, interim report and third quarterly report, the change in use of part of proceeds from A share offering, the remittance of proceeds from H share offering, the issue of medium-term notes, the amendments to the Working Rules for the Company Secretary and the Working Rules for the Presidents of the Company, investments and provision of guarantee.

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
SHI Dahua	9	6	3
LI Changjin	9	6	3
BAI Zhongren	9	6	3
WANG Qiuming	9	6	3
HE Gong	9	6	3
ZHANG Qinglin(note)	9	6	3
GONG Huazhang	9	6	3
WANG Taiwen	9	6	3
SUN Patrick	9	6	3

Note: 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 committee has its terms of reference which are available on the Company's website www.crec.cn.

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

On 24 June 2009, the composition of committees under the Board changed as follow: Mr. WANG Qiuming ceased to be a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, and was appointed as a member of the Strategy Committee; Mr. WANG Taiwen was appointed as a member of the Audit Committee; Mr. BAI Zhongren ceased to be a member of the Strategy Committee and the Remuneration Committee; Mr. SHI Dahua was appointed as the chairman of the Nomination Committee in place of Mr. HE Gong.

In addition, Mr. ZHANG Qinglin passed away in February 2010 due to illness, and therefore, ceased to act as members of Remuneration Committee, Nomination Committee and 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.

(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 comprises Mr. GONG Huazhang and Mr. WANG Taiwen who are Independent Non-executive Directors, Mr. SHI Dahua and Mr. LI Changjin who are Executive Directors, Mr. WANG Qiuming who is a Non-executive Director, and is chaired by Mr. SHI Dahua.

During the reporting period, the Strategy Committee held one meeting, at which the proposal relating to the investigation and analysis report on real property market was considered.

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
SHI Dahua	1	1	0
LI Changjin	1	1	0
GONG Huazhang	1	1	0
WANG Taiwen	1	0	1
BAI Zhongren*(note)*	0	0	0
WANG Qiuming*(note)*	1	1	0

Note: On 24 June 2009, Mr. BAI Zhangren ceased to be a member of the Strategy Committee. On the same date, Mr. WANG Qiuming was appointed as a member 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 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 17 proposals were considered, including the consideration of the 2008 working report of the auditors of the Company, the 2009 working plan of the auditors and the appointment of auditors for 2009.

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
SUN Patrick	5	5	0
WANG Qiuming[(note)]	2	2	0
WANG Taiwen[(note)]	3	3	0

Note: *On 24 June 2009, Mr. WANG Qiuming ceased to be a member of the Audit Committee. On the same date, Mr. WANG Taiwen was appointed as a member of the Audit Committee.*

(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 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 11 proposals were considered, including proposals relating to the remuneration of independent directors of the Company, Interim Management Measures on Remuneration of Senior Management Personnel of the Company and Management Measures on Remuneration of Responsible Persons of Subsidiaries/Branches of China Railway Group Limited.

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
ZHANG Qinglin(note1)	5	5	0
HE Gong	5	5	0
SUN Patrick	5	4	1
BAI Zhongren(note2)	1	1	0
WANG Qiuming(note2)	1	1	0

Note1: *Mr. ZHANG Qinglin passed away due to illness in February 2010.*

Note2: *On 24 June 2009, Mr. BAI Zhongren and Mr. WANG Qiuming ceased to be members of the Remuneration Committee.*

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 13 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 comprises Mr. HE Gong, Mr. WANG Taiwen and Mr. GONG Huazhang who are Independent Non-executive Directors, Mr. SHI Dahua and Mr. LI Changjin who are Executive Directors. The Nomination Committee is chaired by Mr. SHI Dahua.

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 meeting and considered the proposals relating to Measures on Election and Appointment of Senior Management Personnel of China Railway Group Limited and appointment and removal of certain personnel of the Company.

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
SHI Dahua(note1)	2	2	0
HE Gong(note1)	2	2	0
WANG Qiuming(note1)	0	0	0
ZHANG Qinglin(note2)	2	2	0
WANG Taiwen	2	2	0
LI Changjin	2	2	0

Note1: *On 24 June 2009, Mr. WANG Qiuming ceased to be a member of the Nomination Committee. On the same date, Mr. SHI Dahua was appointed as the chairman of the Nomination Committee in place of Mr. HE Gong.*

Note2: *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 comprises Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick who are Independent Non-executive Directors and Mr. LI Changjin and Mr. BAI Zhongren who are Executive Directors, and is chaired by Mr. LI Changjin.

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.

The Supervisory Committee of the Company consists of five members, being Mr. JI Zhihua, Mr. ZHANG Xixue, Mr. ZHOU Yuqing and Mr. LIN Longbiao who are representatives of the employees and Mr. YAO Guiqing, who is 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 14 proposals. These proposals include considering the 2008 report of Supervisory Committee of the Company, the 2008 annual report, the 2009 interim report of the Company and the election of Mr. YAO Guiqing 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.

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. SHI Dahua, who also serves as the chairman of CRECG, the President and Executive Director of the Company, Mr. LI Changjin, who also serves as a director of CRECG and the Chairman of the Supervisory Committee, 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 both SHI Dahua and LI Changjin (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 five independent non-executive directors, which ensures that the interests of the Company and shareholders are protected. The Company also have its own financial management system and related personnel who are independent from CRECG.

Pursuant to the Non-competition Agreement entered into by the Company and CRECG on 18 September 2007, after being informed by CRECG that China Airport Construction Corporation ("CACC") would be transferred as a whole to CRECG at nil consideration (the "Transfer") pursuant to the decision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"), the Board of Directors of the Company announced on 18 December 2009 that the Company agreed to CRECG's acquisition of CACC under the Transfer. However, the Company reserves the option rights and pre-emptive rights under the Non-competition Agreement to acquire CACC later.

The Company entered into an equity transfer agreement with CRECG on 8 March 2010 to purchase 100% equity interest in China Railway Port and Waterway Engineering Bureau Limited for a consideration of approximately RMB409 million.

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 2009 paid to the External Auditors are approximately RMB38.00 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 2010, 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 adopted various measures to improve its internal control systems, including amendments to the Procedural Rules for the Board of Directors, the Rules for Independent Directors of the Company, the Working Rules for the Company Secretary and the Working Rules for the Presidents of the Company.

Pursuant to the requirements of the "Notice Regarding the Announcement of Corporate Governance Projects" (Gong Gao [2008] No. 27) issued by China Securities Regulatory Commission and relevant requirements by China Securities Regulatory Commission Beijing Branch, the Company commenced its corporate governance update project in June of 2008, and has completed the designated tasks of this corporate governance update project substantially by 31 October 2008. During the reporting period, the Company continued to improve its corporate governance and completed the update project successfully. With the completion of the corporate governance update project, the corporate governance of the Company was improved significantly, the transparency of the Company was further enhanced and the awareness of regulatory operation was continuously strengthened. During the reporting period, the Company continued to strengthen the management foundation and improve the steady and sound development of the Company in accordance with the requirements by regulatory authorities, so as to better protect the interests of shareholders of the Company.

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 2009, 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 61.

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 "Best Enterprises in Financial Disclosure" according to the Investor Relations Global Ranking, "2009 Top 100 Chinese Listed Companies for Best Corporate Governance", "2009 Golden Tripod Award for Listed Companies in Chinese Securities Market" and "Hong Kong Corporate Governance Excellence Awards".

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 62 to 147, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the consolidated financial statements 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 2009 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

26 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB million	2008 RMB million
Revenue	6 & 7	**333,486**	225,029
Cost of sales		**(313,084)**	(208,534)
Gross profit		**20,402**	16,495
Other income	8	**903**	1,168
Other gains and losses	9	**1,357**	(4,232)
Selling and marketing expenses		**(1,150)**	(933)
Administrative expenses		**(11,269)**	(9,499)
Interest income	10	**1,057**	1,581
Interest expenses	10	**(2,324)**	(2,372)
Share of profits of jointly controlled entities		**41**	44
Share of (losses) profits of associates		**(318)**	48
Profit before taxation		**8,699**	2,300
Income tax expense	11	**(1,291)**	(631)
Profit for the year	12	**7,408**	1,669
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**7**	10
Change in fair value of available-for-sale financial assets		**444**	(1,136)
Share of other comprehensive income of associates		**10**	1
Income tax relating to change in fair value of available-for-sale financial assets		**(100)**	235
Other comprehensive income (expense) for the year, net of tax		**361**	(890)
Total comprehensive income for the year		**7,769**	779
Profit for the year attributable to:			
Owners of the Company		**6,887**	1,350
Minority interests		**521**	319
		7,408	1,669
Total comprehensive income attributable to:			
Owners of the Company		**7,195**	580
Minority interests		**574**	199
		7,769	779
Earnings per share (Basic)	15	**RMB0.323**	RMB0.063

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB million	2008 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	16	28,647	22,685
Deposit for acquisition of property, plant and equipment		934	1,328
Lease prepayments	17	6,269	6,314
Deposit for land use rights		129	66
Deposit for investment		46	130
Investment properties	18	1,661	1,372
Intangible assets	19	18,991	13,669
Mining assets	20	1,283	1,333
Interests in jointly controlled entities	21	834	741
Interests in associates	22	3,780	3,539
Goodwill	23	836	836
Available-for-sale financial assets	24	4,536	3,929
Other loans and receivables	25	2,080	914
Deferred income tax assets	39	2,815	2,554
Other prepayments		46	26
Trade and other receivables	28	1,313	79
		74,200	59,515
Current assets			
Lease prepayments	17	178	108
Properties held for sale	26	2,271	1,952
Properties under development for sale	26	25,204	17,996
Inventories	27	23,829	18,482
Trade and other receivables	28	101,260	78,260
Amounts due from customers for contract work	29	31,052	25,197
Other loans and receivables	25	1,928	892
Held-for-trading financial assets	30	81	141
Restricted cash	31	2,329	2,530
Cash and cash equivalents	32	49,277	46,846
		237,409	192,404
Total assets		311,609	251,919

Consolidated Statement of Financial Position *(continued)*

At 31 December 2009

	Notes	**2009 RMB million**	2008 RMB million
EQUITY			
Equity attributable to owners of the Company		**60,768**	55,995
Minority interests		**5,420**	4,929
Total equity		**66,188**	60,924
LIABILITIES			
Non-current liabilities			
Other payables	*34*	**339**	366
Borrowings	*35*	**27,151**	16,829
Obligations under finance lease	*36*	**262**	266
Financial guarantee contracts	*37*	**33**	35
Retirement and other supplemental benefit obligations	*38*	**6,698**	7,368
Provisions		**50**	47
Deferred income government grant		**333**	138
Deferred income tax liabilities	*39*	**451**	398
		35,317	25,447
Current liabilities			
Trade and other payables	*34*	**160,663**	111,270
Amounts due to customers for contract work	*29*	**18,289**	15,509
Current income tax liabilities		**1,077**	870
Borrowings	*35*	**28,712**	36,594
Obligations under finance lease	*36*	**327**	220
Financial guarantee contracts	*37*	**2**	2
Retirement and other supplemental benefit obligations	*38*	**936**	1,003
Held-for-trading financial liabilities	*30*	**98**	80
		210,104	165,548
Total liabilities		**245,421**	190,995
Total equity and liabilities		**311,609**	251,919
Net current assets		**27,305**	26,856
Total assets less current liabilities		**101,505**	86,371

The consolidated financial statements on pages 62 to 147 were approved and authorised for issue by the board of directors on 26 April 2010 and are signed on its behalf by:

SHI Dahua
DIRECTOR

LI Changjin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Equity attributable to owners of the Company									
	Share capital RMB million (Note 33)	Share premium RMB million	Capital reserve RMB million (Note (c))	Statutory reserves RMB million (Note (b))	Exchange translation reserve RMB million	Investment revaluation reserve RMB million	Contributed capital and accumulated profits RMB million	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2008	21,300	33,647	(3,102)	346	(24)	893	2,731	55,791	3,950	59,741
Profit for the year	—	—	—	—	—	—	1,350	1,350	319	1,669
Other comprehensive income (expense) for the year	—	—	1	—	13	(784)	—	(770)	(120)	(890)
Total comprehensive income (expense) for the year	—	—	1	—	13	(784)	1,350	580	199	779
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(141)	(141)
Acquisition of subsidiaries *(Note 40)*	—	—	193	—	—	—	—	193	108	301
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	—	—	—	(2)	(2)
Purchase of additional interests in subsidiaries *(Note (a))*	—	—	(9)	—	—	—	(91)	(100)	(368)	(468)
Capital contribution	—	—	—	—	—	—	—	—	1,119	1,119
Consideration for the acquisition of the Mining Business *(Note 2A)*	—	—	(454)	—	—	—	(15)	(469)	—	(469)
Disposal of partial interests in a subsidiary to minority shareholders	—	—	—	—	—	—	—	—	64	64
Transfer to reserves *(Note (b))*	—	—	—	387	—	—	(387)	—	—	—
At 31 December 2008	21,300	33,647	(3,371)	733	(11)	109	3,588	55,995	4,929	60,924
Profit for the year	—	—	—	—	—	—	6,887	6,887	521	7,408
Other comprehensive income for the year	—	—	10	—	7	291	—	308	53	361
Total comprehensive income for the year	—	—	10	—	7	291	6,887	7,195	574	7,769
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(315)	(315)
Acquisition of subsidiaries *(Note 40)*	—	—	—	—	—	—	—	—	68	68
Disposal of subsidiaries *(Note 41)*	—	—	(5)	—	—	—	—	(5)	(189)	(194)
Purchase of additional interests in subsidiaries *(Note (a))*	—	—	(2)	—	—	—	(25)	(27)	(25)	(52)
Capital contribution	—	—	—	—	—	—	—	—	399	399
Transactions with minority shareholders resulting from disposal of equity interests of subsidiaries	—	—	15	—	—	—	—	15	(15)	—
Disposal of partial interests in a subsidiary to minority shareholders	—	—	—	—	—	—	—	—	2	2
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	(8)	(8)
Transfer to reserves *(Note (b))*	—	—	—	1,938	—	—	(1,938)	—	—	—
Dividends recognised as special distribution *(Note 14)*	—	—	—	—	—	—	(2,405)	(2,405)	—	(2,405)
At 31 December 2009	21,300	33,647	(3,353)	2,671	(4)	400	6,107	60,768	5,420	66,188

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2009

Notes:

(a) *During the year ended 31 December 2009, the Group acquired additional interests in subsidiaries involved in property development and mining. The amount of approximately RMB27 million debited under owner's equity represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiary being acquired from the minority shareholder, which will be recognised in profit or loss upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.*

During the year ended 31 December 2008, the Group acquired additional interests in subsidiaries involved in property development. The amount of approximately RMB100 million debited under owner's equity represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiary being acquired from the minority shareholder, which will be recognised in profit or loss upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

(b) *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 2008	326	4	16	346
Transfer from accumulated profits	346	7	34	387
At 31 December 2008	672	11	50	733
Transfer from accumulated profits	1,914	7	17	1,938
At 31 December 2009	2,586	18	67	2,671

According to relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Companies Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve 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.

(c) *The capital reserve 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, and 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.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	**2009 RMB million**	2008 RMB million
Operating activities			
Profit before taxation		**8,699**	2,300
Adjustments for:			
Interest income		**(1,057)**	(1,581)
Dividend income from unlisted investments		**(33)**	(105)
Gains on disposal and/or write-off of:			
Property, plant and equipment		**(24)**	(22)
Lease prepayments		**(178)**	(24)
Available-for-sale financial assets		**(100)**	(59)
Interests in subsidiaries		**(276)**	(367)
Interests in associates		**—**	(2)
Mining assets		**—**	(1)
Investment properties		**(10)**	—
Foreign exchange losses, net		**(682)**	4,139
Fair value (increase) decrease on held-for-trading financial assets		**(67)**	282
Waiver of borrowings		**(6)**	(39)
Waiver of trade and other payables		**(27)**	(23)
Discount on acquisition of additional interests in subsidiaries		**—**	(3)
Impairment losses recognised (reversed) on:			
Property, plant and equipment		**9**	1
Available-for-sale financial assets		**38**	227
Trade and other receivables		**331**	70
Other loans and receivables		**17**	(11)
Allowance for foreseeable losses on construction contracts		**71**	168
Goodwill		**—**	3
Interests in jointly controlled entities		**—**	5
Inventories		**9**	21
Amortisation of deferred financial guarantee contracts		**(2)**	(50)
Interest expenses		**2,324**	2,372
Share of profits of jointly controlled entities		**(41)**	(44)
Share of losses (profits) of associates		**318**	(48)
Unrealised Profit in interest in a jointly controlled entity		**8**	—
Charge to retirement benefit obligations		**373**	455
Government grants credited to income		**(44)**	(55)
Depreciation and amortisation		**4,518**	3,196
Fair value adjustment on Service Concession Arrangements		**—**	(73)
Operating cash flows before movements in working capital		**14,168**	10,732
Movements in working capital:			
Increase in other prepayments		**(20)**	(9)
Increase in properties held for sale		**(370)**	(1,177)
Increase in properties under development for sale		**(5,738)**	(4,636)
Increase in inventories		**(5,605)**	(8,340)
Increase in trade and other receivables		**(24,343)**	(14,001)
(Increase) decrease in amounts due from customers for contract work		**(5,926)**	1,656
Decrease in retirement and supplemental benefit obligations		**(1,110)**	(1,119)
Increase in trade and other payables		**46,213**	14,122
Increase in amounts due to customers for contract work		**2,780**	4,365
Increase in government grants for operating expenses		**205**	73
Net cash inflows from operations		**20,254**	1,666
Income tax paid		**(1,392)**	(886)
Net cash from operating activities		**18,862**	780

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2009

	Notes	2009 RMB million	2008 RMB million
Investing activities			
Purchase of property, plant and equipment		**(9,210)**	(6,511)
Deposit for acquisition of property, plant and equipment		**(1,362)**	(1,305)
Government grants received for acquisition of property, plant and equipment		**34**	25
Disposal of property, plant and equipment		**1,309**	483
Deposit paid for land use rights		**(63)**	(66)
Acquisition of new lease prepayments		**(125)**	(238)
Disposal of lease prepayments		**315**	58
Purchase of investment properties		**(252)**	(95)
Disposal of investment properties		**71**	6
Purchase of intangible assets		**(5,240)**	(6,206)
Disposal of intangible assets		**16**	119
Purchase of mining assets		**(25)**	(146)
Disposal of mining assets		**—**	3
Acquisition of subsidiaries	*40*	**(315)**	(168)
Acquisition of additional interests in subsidiaries		**(52)**	(525)
Acquisition of the Mining Business *(Note 2A)*		**—**	(469)
Disposal of subsidiaries	*41*	**297**	19
Consideration received from disposal of subsidiary in prior year		**—**	61
Investments in jointly controlled entities		**(43)**	(355)
Disposal of interests in jointly controlled entities		**—**	127
Investments in associates		**(533)**	(1,000)
Disposal of interests in associates		**44**	81
Deposit paid for investment		**(46)**	(130)
Purchase of available-for-sale financial assets		**(629)**	(2,471)
Disposal of available-for-sale financial assets		**528**	146
New other loans and receivables		**(2,860)**	(1,282)
Recovery of other loans and receivables		**651**	748
Interest received		**722**	1,233
Dividends received from jointly controlled entities and associates		**16**	14
Dividends received from other financial assets		**19**	103
Partial disposal of a subsidiary		**2**	44
Loss resulted from foreign exchange investments		**—**	(1,950)
Decrease (increase) in restricted cash		**201**	(359)
Decrease (increase) in held-for-trading financial assets		**145**	(177)
Net cash used in investing activities		**(16,385)**	(20,183)
Financing activities			
Share issue expenses paid		**(36)**	(121)
Capital contributions from minority interests		**276**	1,119
New borrowings		**56,992**	53,910
Repayment of borrowings		**(54,105)**	(39,872)
Interest paid		**(3,542)**	(3,390)
Dividends to minority shareholders of subsidiaries paid		**(323)**	(32)
Net cash (used in) from financing activities		**(738)**	11,614
Net increase (decrease) in cash and cash equivalents		**1,739**	(7,789)
Effect of foreign exchange rate changes		**692**	(2,137)
Cash and cash equivalents at the beginning of the year		**46,846**	56,772
Cash and cash equivalents at the end of the year		**49,277**	46,846

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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. CRECG is a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The Company and CRECG are part of a larger group of companies under the government of 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 China Railway Resources Co., Ltd. ("CRRL"), a wholly-owned subsidiary of the Company, and CRECG on 16 November 2008 which were finally approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, CRRL acquired 52% equity interest of Inner Mongolia Huaxin Mining Co., Ltd. ("Huaxin") for a consideration of RMB26 million, 51% equity interest in Sunite-ZuoQi Manglai Mining Co., Ltd. ("Manglai") for a consideration of RMB393 million and 51% equity interest in Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd. ("Xiaobaiyang") for a consideration of RMB50 million (collectively as the "Mining Business"). The acquisition of the Mining Business was completed on 16 November 2008 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, Huaxin, Manglai and Xiaobaiyang are under the common control of CRECG. As a result, the operating results and cash flows of the Mining Business have been included in the consolidated statement of comprehensive income and consolidated statement of cash flows from 1 January 2008. The impact of the acquisition of the Mining Business is fully disclosed in the Group's 2008 consolidated financial statements.

2B. 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.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Cost
IAS 24 (Revised)	Related Party Disclosures in relation to the amendments to paragraphs 25 to 27
IAS 32 & IAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendments to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of Assets from Customers

2B. Application of New and Revised International Financial Reporting Standards *(continued)*

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1(Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard and the application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments, but has resulted in changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities (see note 7).

Improving Disclosures about Financial Instruments

(Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional position set out in the amendments.

IAS 24 (Revised) Related Party Disclosures

The Group has early adopted the partial exemption from the disclosure requirements for government-related entities provided in IAS 24 (Revised) in advance of its effective date, 1 January 2011. The disclosures for significant transactions and balances with government-related entities (i.e. entities that are controlled, jointly controlled or significantly influenced by a government) are set out in Note 45.

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

IFRS

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]

IAS

IAS 24 (Revised)	Related Party Disclosures, except for the partial exemption in paragraphs 25 to 27 for government-related entities[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]

IFRIC

IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distribution of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

2B. Application of New and Revised International Financial Reporting Standards *(continued)*

New and revised IFRSs affecting presentation and disclosure only *(continued)*

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2010*
[4] *Effective for annual periods beginning on or after 1 February 2010*
[5] *Effective for annual periods beginning on or after 1 July 2010*
[6] *Effective for annual periods beginning on or after 1 January 2011*
[7] *Effective for annual periods beginning on or after 1 January 2013*

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. This standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. 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.

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

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. Principal Accounting Policies *(continued)*

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 which is shorter.

Business combinations other than involving entities under common control

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisitions is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of 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 meet the conditions for recognition under IFRS 3 "Business combinations" are recognised at their fair value at the acquisition date.

Difference between the cost of acquisitions and fair value of acquiree's net assets is recognised as goodwill or discount on acquisitions in accordance with the accounting policy set out below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

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

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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. An impairment loss for goodwill is not reversed in subsequent periods.

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

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

3. Principal Accounting Policies *(continued)*

Purchase of additional interests or disposal of partial interests in subsidiaries

When the Group acquires additional interests in subsidiaries, the difference between any consideration paid and the relevant share of the fair value of net assets of the subsidiary attributable to the additional interests in subsidiary acquired from minority interests is recognised as goodwill or discount on acquisition in accordance with the respective accounting policies set out above. Differences between the fair value and carrying value of the relevant share of net assets of the subsidiary acquired are recorded in equity and will be taken into account in deriving the gain or loss upon disposal of the subsidiary.

Gains and losses for the Group resulting from disposals of partial interests in subsidiaries to minority interests are recorded in profit or loss in the current period.

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 as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is 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. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. Principal Accounting Policies *(continued)*

Jointly controlled entities *(continued)*

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. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. 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. 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 intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

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

On initial recognition, investment properties are 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 charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are stated at cost less any accumulated impairment losses.

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

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

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.

3. Principal Accounting Policies *(continued)*

Intangible assets

Land use rights without specified period of usage assigned by the PRC government to subsidiaries are classified as intangible assets with indefinite useful lives and are initially recognised at its fair value at the date of contribution by CRECG as deemed cost and is subsequently measured at cost less impairment.

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 expenditure including topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine is capitalised as mining assets and is stated at cost less amortisation (based on units-of-production method) and impairment. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

3. Principal Accounting Policies *(continued)*

Construction contract

When 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. The stage of completion is 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.

When the outcome of a cost plus construction contract can be estimated reliably, revenue from cost plus contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

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.

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.

3. Principal Accounting Policies *(continued)*

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

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 remeasurment 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 on 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.

(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.

3. Principal Accounting Policies *(continued)*

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

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.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables as shown on 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. 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".

3. Principal Accounting Policies *(continued)*

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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. On derecognition of a financial asset, 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. 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 recognise a collateralised borrowing for proceeds received.

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).

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.

3. Principal Accounting Policies *(continued)*

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 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 charged or credited to 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 charged or credited to profit or loss over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

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.

3. Principal Accounting Policies *(continued)*

Government grants

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. Government grants related to depreciable 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. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. 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.

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.

3. Principal Accounting Policies *(continued)*

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.

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.

3. Principal Accounting Policies *(continued)*

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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (land use rights) are accounted for as operating leases and amortised over the lease term on a straight-line basis.

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.

4. 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 2009, the carrying amount of goodwill is RMB836 million (2008: RMB836 million). Details of the recoverable amount calculation are disclosed in Note 23.

(d) Deferred income tax asset

As at 31 December 2009, deferred income tax assets of RMB2,815 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 39). 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 for the period in which such a reversal takes place.

(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.

4. Key Sources of Estimation Uncertainty *(continued)*

(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 28.

(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 38. 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.

5. 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 35 and 36, net of cash and cash equivalents, and total equity of the Group.

The Directors review the capital structure on a semi-annual 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.

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 contract expose the Group to currency risk.

5. Capital Risk Management and Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Currency risk (continued)

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

	Liabilities		Assets	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
USD	**1,708**	1,324	**8,092**	13,373
EURO	**507**	515	**148**	97
HKD	**—**	58	**83**	158
AUD	**—**	—	**3,008**	3,897
Others	**1,517**	1,018	**2,309**	1,394

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 1% (2008: 6%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 1% (2008: 6%) 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 1% (2008: 6%) change in foreign currency rates.

The management adjusted the sensitivity rate from 6% to 1% for assessing foreign currency risk after considering the financial market conditions during the current year.

	2009	2008
	RMB million	RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**76**	722
if RMB strengthens against foreign currencies	**(76)**	(722)

A change of 1% (2008: 6%) in exchange rate of each foreign currency against RMB does not affect other components of equity.

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, fixed-rate bank fixed deposits, other loans and receivables and interest rate swaps. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowings, obligations under finance lease, and interest rate swaps. 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 for the whole year. A 27 (2008: 216) 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.

5. Capital Risk Management and Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk (continued)

The management adjusted the sensitivity rate from 216 basis points to 27 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2009	2008
Reasonably possible change in interest rate	**27 basis points**	216 basis points

	2009 RMB million	2008 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(74)**	(599)
as a result of decrease in interest rate	**74**	599

The sensitivity analysis in interest rate does not affect other components of equity.

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 24 and 30 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 6% (2008: 30%) in the current year due to change in market conditions.

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:

	2009	2008
Reasonably possible change in equity price	**6%**	30%

The management adjusted the sensitivity rate from 30% to 6% for assessing other price risk after considering the financial market conditions during the current year.

	2009 RMB million	2008 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	**3**	21
as a result of decrease in equity price	**(3)**	(21)
Increase (decrease) in other components of equity		
as a result of increase in equity price	**41**	122
as a result of decrease in equity price	**(41)**	(122)

5. Capital Risk Management and Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

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 individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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 RMB19,053 million (2008: RMB3,493 million) and RMB22,212 million (2008: RMB7,803 million) and represented 28% (2008: 7%) and 34% (2008: 15%) of the total trade receivables respectively.

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 any concentration of credit risk as no single customer accounted for more than 10% of the Group's total revenue or trade receivables 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 to 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.

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 2009, the Group has available unutilised short-term bank loan facilities of RMB144,641 million (2008: RMB75,562 million).

5. Capital Risk Management and Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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 curve 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 2009								
Trade and other payables *(Note)*	**116,256**	**950**	**469**	**152**	**40**	**149**	**118,016**	**117,844**
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**
	158,028	**12,697**	**3,929**	**1,656**	**1,876**	**18,047**	**196,233**	**174,331**
At 31 December 2008								
Trade and other payables *(Note)*	81,700	1,005	298	44	33	130	83,210	83,108
Borrowings	39,866	6,487	2,419	960	912	13,387	64,031	53,423
Obligations under finance lease	226	202	107	—	—	—	535	486
Financial guarantee contracts	8,667	—	—	—	—	—	8,667	37
	130,459	7,694	2,824	1,004	945	13,517	156,443	137,054

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.*

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.

5. Capital Risk Management and Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

The following table details the Group's remaining contractual 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 ear 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 2009								
Trade and other receivables *(Note)*	**64,315**	**6,998**	**5,259**	**3,134**	**1,537**	**1,667**	**82,910**	**81,914**
Other loans and receivables	**2,348**	**816**	**88**	**188**	**30**	**1,211**	**4,681**	**4,008**
Restricted cash	**2,329**	**—**	**—**	**—**	**—**	**—**	**2,329**	**2,329**
Cash and cash equivalents	**49,277**	**—**	**—**	**—**	**—**	**—**	**49,277**	**49,277**
	118,269	**7,814**	**5,347**	**3,322**	**1,567**	**2,878**	**139,197**	**137,528**
At 31 December 2008								
Trade and other receivables *(Note)*	51,315	4,678	2,913	793	261	1,533	61,493	60,897
Other loans and receivables	1,054	606	126	102	15	404	2,307	1,806
Restricted cash	2,530	—	—	—	—	—	2,530	2,530
Cash and cash equivalents	46,846	—	—	—	—	—	46,846	46,846
	101,745	5,284	3,039	895	276	1,937	113,176	112,079

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

5. Capital Risk Management and Financial Instruments *(continued)*

The following table details the Group's liquidity analysis for its derivative financial instruments, interest rate swaps and foreign exchange forward contract. 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 2009								
Net cash outflows of interest rate swaps	**(2)**	**(17)**	**(17)**	**(16)**	**(15)**	**(36)**	**(103)**	**(92)**
At 31 December 2008								
Net cash inflows (outflows) of interest rate swaps	27	(76)	2	2	3	9	(33)	(34)

	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)**

5. 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:

	2009 RMB million	2008 RMB million
Financial assets at fair value through profit and loss:		
Held-for-trading financial assets	**81**	141
Loans and receivables:		
Other loans and receivables	**4,008**	1,806
Trade and other receivables	**81,914**	60,897
Restricted cash	**2,329**	2,530
Cash and cash equivalents	**49,277**	46,846
	137,528	112,079
Available-for-sale financial assets	**4,536**	3,929
Financial liabilities at fair value through profit and loss:		
Held-for-trading financial liabilities	**98**	80
Financial liabilities measured at amortised cost:		
Trade and other payables	**117,844**	83,108
Borrowings	**55,863**	53,423
Financial guarantee contracts	**35**	37
	173,742	136,568

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 instruments (including foreign exchange forward contracts and interest rate swaps) 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;

- 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; and

- 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 2009 unlisted equity investments amounting to RMB3,079 million (2008: RMB2,965 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.

5. 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:

	2009		2008	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Other loans and receivables	4,008	4,008	1,806	1,681
Fixed-rate bank borrowings	958	1,021	1,142	1,052
Fixed-rate other borrowings	228	225	228	226

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).

	31/12/2009			
	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 year.

6. Revenue

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

	2009 RMB million	2008 RMB million
Revenue from:		
Rendering of services		
— Construction contracts	**299,106**	201,466
— Other services	**10,335**	6,641
Sale of properties	**5,278**	3,805
Sale of goods	**18,767**	13,117
	333,486	225,029

7. Segment Information

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. In contrast, the predecessor Standard (IAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. However, segment information reported to the board of directors (being the chief operating decision maker of the Group) for the purposes of resource allocation and assessment of 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.

The Group's operating segments are as follows:

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

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

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

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

(v) Railway and road investment and operation projects, mining, raw material trading and other ancillary business ("Other segments").

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. Amounts reported for the prior year have been restated in conformity with the current year's presentation.

7. 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 segments RMB million	Total segments RMB million
Year ended 31 December 2009						
External revenue	**309,279**	**6,797**	**7,618**	**5,458**	**15,288**	**344,440**
Inter-segment revenue	**2,986**	**184**	**1,151**	**21**	**2,204**	**6,546**
Other operating income	**1,275**	**26**	**467**	**56**	**103**	**1,927**
Inter-segment other operating income	**—**	**—**	**—**	**—**	**64**	**64**
Segment revenue	**313,540**	**7,007**	**9,236**	**5,535**	**17,659**	**352,977**
Segment results						
Profit before taxation	**8,132**	**603**	**490**	**706**	**330**	**10,261**
Segment results included:						
Share of profits (losses) of jointly controlled entities	**13**	**(1)**	**29**	**—**	**—**	**41**
Share of (losses) profits of associates	**(288)**	**1**	**4**	**—**	**(35)**	**(318)**
Interest income	**972**	**15**	**8**	**8**	**31**	**1,034**
Interest expenses	**(1,681)**	**(110)**	**(30)**	**(43)**	**(503)**	**(2,367)**
Year ended 31 December 2008						
External revenue	208,270	4,652	6,195	3,934	9,298	232,349
Inter-segment revenue	1,833	89	749	—	1,398	4,069
Other operating income	1,303	4	225	32	706	2,270
Inter-segment other operating income	—	—	—	—	27	27
Segment revenue	211,406	4,745	7,169	3,966	11,429	238,715
Segment results						
Profit before taxation	258	425	699	590	528	2,500
Segment results included:						
Share of profits (losses) of jointly controlled entities	49	—	(3)	—	(2)	44
Share of (losses) profits of associates	(1)	16	5	29	(1)	48
Interest income	1,660	8	9	10	10	1,697
Interest expenses	(2,197)	(123)	(44)	(3)	(1)	(2,368)

7. 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:

	2009 RMB million	2008 RMB million
Segment revenue	352,977	238,715
Inter-segment elimination	(6,610)	(4,096)
Reconciling items:		
Reclassification of business tax *(Note (a))*	(10,954)	(7,320)
Reclassification of other operating income *(Note (b))*	(1,927)	(2,270)
Total consolidated revenue, as reported	333,486	225,029
Segment results	10,261	2,500
Inter-segment elimination	(1,617)	(567)
Reconciling items:		
Gain on disposal of partial interests in subsidiaries *(Note (c))*	—	316
Land appreciation tax *(Note (d))*	55	53
Others	—	(2)
Total consolidated profit before taxation, as reported	8,699	2,300

Notes:

(a) *Business 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 is classified as other income in the consolidated statement of comprehensive income.*

(c) *Gain on disposal of partial interests in subsidiaries is recorded in capital reserve in segment reporting and is adjusted to other gains and losses in the consolidated statement of comprehensive income.*

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

7. Segment Information *(continued)*

Segment assets and liabilities

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

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other segments RMB million	Total segments RMB million
At 31 December 2009						
ASSETS						
Segment assets	**217,656**	**6,412**	**13,112**	**36,551**	**46,643**	**320,374**
Segment assets included:						
Interests in jointly controlled entities	**416**	**42**	**186**	**—**	**190**	**834**
Interests in associates	**3,327**	**6**	**38**	**—**	**409**	**3,780**
LIABILITIES						
Segment liabilities	**178,515**	**4,506**	**9,162**	**27,094**	**32,886**	**252,163**
At 31 December 2008						
ASSETS						
Segment assets	183,536	4,978	12,346	27,610	26,884	255,354
Segment assets included:						
Interests in jointly controlled entities	358	—	127	53	203	741
Interests in associates	2,876	138	43	412	70	3,539
LIABILITIES						
Segment liabilities	157,889	3,253	8,784	14,483	15,049	199,458

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.

7. 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:

	2009 RMB million	2008 RMB million
Total segment assets	**320,374**	255,354
Inter-segment elimination	**(11,409)**	(5,812)
Reconciling items:		
Deferred income tax assets	**2,815**	2,554
Shares conversion scheme of subsidiaries (note (e))	**(171)**	(171)
Others	**—**	(6)
Total consolidated assets, as reported	**311,609**	251,919
Total segment liabilities	**252,163**	199,458
Inter-segment elimination	**(8,247)**	(9,693)
Reconciling items:		
Deferred income tax liabilities	**451**	398
Current income tax liabilities	**1,077**	870
Land appreciation tax payable included in current income tax liabilities	**(23)**	(32)
Others	**—**	(6)
Total consolidated liabilities, as reported	**245,421**	190,995

Notes:

(e) 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.

7. 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 segments RMB million	Consolidated RMB million
Year ended 31 December 2009						
Capital expenditure:						
Property, plant and equipment	10,087	355	834	485	781	12,542
Investment properties	—	—	—	—	252	252
Intangible assets	7	4	31	—	5,492	5,534
Mining assets	—	—	—	—	25	25
Acquisition of subsidiaries	1	—	—	—	4	5
Total	10,095	359	865	485	6,554	18,358
Depreciation and amortisation:						
Property, plant and equipment	3,623	126	175	41	146	4,111
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
	3,755	132	190	48	393	4,518
(Profit) loss on disposal and write-off of property, plant and equipment	(12)	1	1	1	(15)	(24)
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	266	3	17	4	41	331
Impairment loss on other loans and receivables	9	—	—	—	8	17
Impairment loss on inventories	2	—	4	3	—	9

7. Segment Information *(continued)*

Other segment information *(continued)*

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other segments RMB million	Consolidated RMB million
Year ended 31 December 2008						
Capital expenditure:						
Property, plant and equipment	5,174	274	634	174	1,316	7,572
Investment properties	10	—	—	61	31	102
Intangible assets	133	24	—	19	6,535	6,711
Mining assets	—	—	—	—	146	146
Acquisition of subsidiaries	—	—	—	397	89	486
Total	5,317	298	634	651	8,117	15,017
Depreciation and amortisation:						
Property, plant and equipment	2,306	105	272	25	248	2,956
Lease prepayments	102	3	7	16	15	143
Investment properties	—	—	—	—	22	22
Intangible assets	13	—	—	1	57	71
Mining assets	—	—	—	—	4	4
	2,421	108	279	42	346	3,196
Loss (profit) on disposal and write-off of property, plant and equipment	4	(15)	1	—	(12)	(22)
Profit on disposal and write-off of lease prepayments	(24)	—	—	—	—	(24)
Impairment loss on property, plant and equipment	7	—	—	—	(6)	1
Allowance for foreseeable loss on construction contracts	168	—	—	—	—	168
Impairment loss on trade and other receivables	43	2	16	(1)	10	70
Impairment loss on other loans and receivables	(1)	—	—	—	(10)	(11)
Impairment loss on inventories	3	—	13	—	5	21

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 a major customer (including its controlled entities) arising from infrastructure construction is approximately RMB172,531 million (2008: RMB100,929 million), which contributed over 10% of the total revenue of the Group.

8. OTHER INCOME

	2009 **RMB million**	2008 RMB million
Dividend income	**33**	105
Government subsidies *(Note (a))*	**227**	82
Compensation income *(Note (b))*	**103**	88
Relocation compensation from government	**5**	83
Discount on acquisition of additional interests in subsidiaries	**—**	3
Amortisation of financial guarantee contracts	**2**	50
Income from sundry operations *(Note (c))*	**383**	618
Waiver of trade and other payables	**27**	23
Others	**123**	116
	903	1,168

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 the grants and 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) Compensation income represents the amount received or receivable from the counter-parties in connection with termination of certain property development projects in the PRC.

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

9. Other Gains and Losses

	2009 RMB million	2008 RMB million
Gains on disposal of:		
Property, plant and equipment	**24**	22
Mining assets	**—**	1
Lease prepayments	**178**	24
Interests in associates	**—**	2
Investment properties	**10**	—
Available-for-sale financial assets	**100**	59
Impairment loss (recognised) reversed on:		
Available-for-sale financial assets	**(38)**	(227)
Trade and other receivables	**(331)**	(70)
Other loans and receivables	**(17)**	11
Fair value increase (decrease) on held-for-trading financial assets	**67**	(282)
Gain on disposal of subsidiaries *(Note 41)*	**276**	51
Gain on disposal of partial interests in subsidiaries *(Note)*	**—**	316
Foreign exchange gains (losses), net	**1,088**	(4,139)
	1,357	(4,232)

Note: *During the year ended 31 December 2008, the Group disposed of 5% interest in 蘇尼特左旗芒來礦業有限責任公司 and 26% interest in 蘇尼特左旗小白楊礦業有限責任公司 respectively for an aggregate consideration of RMB380 million and it resulted in a gain on disposal of partial interests in subsidiaries of RMB316 million.*

10. Interest Income and Expenses

	2009 RMB million	2008 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**609**	1,174
Imputed interest on retention receivables	**325**	330
Other loans and receivables	**123**	77
Total interest income	**1,057**	1,581
Interest expense on:		
Bank borrowings:		
Wholly repayable within five years	**2,126**	2,562
Not wholly repayable within five years	**735**	464
Short-term debentures	**53**	115
Other long-term loans	**181**	62
Other short-term loans	**243**	184
Finance leases	**49**	26
	3,387	3,413
Imputed interest expense on retention payables	**85**	58
Bank charges	**107**	82
Total borrowing costs	**3,579**	3,553
Less: Amount capitalised	**(1,255)**	(1,181)
Total interest expenses	**2,324**	2,372

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

	2009	2008
Capitalisation rate	**4.00% to 9.25%**	3.72% to 9.67%

11. Income Tax Expense

	2009 **RMB million**	2008 RMB million
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	**1,505**	1,130
Land Appreciation Tax ("LAT")	**55**	53
Underprovision in prior years	**39**	32
Deferred tax *(Note 39)*	**(308)**	(584)
	1,291	631

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. Subsidiaries which were either exempt from EIT or entitled to preferential tax rates due to their involvement in projects that were supported by the government and development projects in the western part of Mainland China will continue to 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% (2008: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to different preferential tax rates of 15% or 20% (2008:15% or 18%).

The Company has not received confirmation from the relevant authority in relation to the "high-technology enterprise" qualification up to 31 December 2009. Therefore, the statutory EIT rate of 25% is applied in calculating the current year tax and deferred tax of the Company.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the Company's subsidiaries incorporated in Hong Kong as these subsidiaries had no assessable profits subject to Hong Kong Profits Tax during both years.

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.

11. 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:

	2009 RMB million	2008 RMB million
Profit before taxation	**8,699**	2,300
Tax at domestic income tax rate of 25% (2008: 25%)	**2,175**	575
Tax effect of:		
Non-deductible expenses	**135**	128
Non-taxable income	**(13)**	(32)
Tax losses not recognised as deferred tax assets	**219**	720
Utilisation of tax losses not previously recognised as deferred tax assets	**(653)**	(38)
Other deductible temporary difference not recognised as deferred tax assets	**12**	135
Utilisation of other deductible temporary difference	**(41)**	(23)
Preferential tax rates on income of group entities	**(329)**	(237)
Share of profits of jointly controlled entities	**(10)**	(11)
Share of (losses) profits of associates	**80**	(12)
Deferred tax changes resulting from changes in applicable tax rates	**(135)**	(485)
LAT	**55**	53
Tax effect of LAT	**(14)**	(13)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment	**(39)**	(44)
Income tax credits on certain research and development expenditure	**(193)**	(119)
Underprovision in respect of prior years	**39**	32
Others	**3**	2
	1,291	631

12. Profit for the Year

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

	2009 RMB million	2008 RMB million
Depreciation and amortisation of:		
Property, plant and equipment	**4,111**	2,956
Lease prepayments	**157**	143
Investment properties	**49**	22
Intangible assets (included in administrative expenses)	**18**	22
Intangible assets (included in cost of sales)	**178**	49
Mining assets	**5**	4
Total depreciation and amortisation	**4,518**	3,196
Auditor's remuneration	**54**	53
Impairment loss recognised on:		
Property, plant and equipment (included in administrative expenses)	**9**	1
Interests in jointly controlled entities (included in administrative expenses)	**—**	5
Goodwill (included in administrative expenses)	**—**	3
Inventories (included in cost of sales)	**9**	21
Allowance for foreseeable loss on construction contracts	**71**	168
Operating lease rentals in respect of		
Rented premises	**297**	188
Plant and machinery	**21,073**	7,331
Rental income from investment properties		
Gross rental	**(155)**	(130)
Direct operating expenses (including depreciation of investment properties)	**69**	44
Net rental	**(86)**	(86)
Research and development expenditure (included in administrative expenses)	**650**	316
Cost of raw materials and consumables	**147,975**	108,178

13. 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 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' remunerations	—	1,653	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	—	2,103	674	2,452	5,229

13. Emoluments of Directors, Supervisors and Employees *(continued)*

Directors' and Supervisors' Emoluments *(continued)*

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 2008					
Director					
Shi Dahua	—	205	81	500	786
Li Changjin	—	205	80	263	548
Bai Zhongren	—	174	77	258	509
Wang Qiuming	—	174	65	258	497
He Gong	—	267	—	—	267
Zhang Qinglin	—	267	—	—	267
Wang Taiwen	—	267	—	—	267
Gong Huazhang	—	267	—	—	267
Sun Patrick	—	267	—	—	267
Directors' remunerations	—	2,093	303	1,279	3,675
Supervisor					
Gao Shutang	—	174	80	258	512
Zhang Xixue	—	76	62	175	313
Zhou Yuqing	—	77	62	174	313
Lin Longbiao	—	70	62	174	306
Ji Zhihua	—	78	62	180	320
Total	—	2,568	631	2,240	5,439

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.

13. 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:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits-in-kind	3,881	3,794
Contribution to retirement benefit scheme	215	102
Discretionary bonus *(note)*	15,514	9,023
	19,610	12,919

Their emoluments were within the following band:

	2009	2008
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	2	2
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	1	—
HK$3,500,001 to HK$4,000,000	—	1
HK$4,000,001 to HK$4,500,000	1	—
HK$6,000,001 to HK$6,500,000	1	—

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

Employee Compensation and Benefits

	2009 RMB million	2008 RMB million
Salaries, wages and bonuses	13,591	10,644
Contribution to pension plans *(Note 38)*	1,982	1,587
Retirement and supplemental pension benefit obligations *(Note 38)*		
— interest cost	283	385
— actuarial losses recognised in the year	64	—
— termination and early retirement benefits	26	70
Housing benefits (note)	847	724
Welfare, medical and other benefits-in-kinds	2,502	1,712
Compensation for termination of employment	5	40
	19,300	15,162

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.

14. Dividend

No dividend was paid or proposed by the Company during the year ended 31 December 2008.

Pursuant to the Provisional Regulations Relating to Corporate Reorganisation of Enterprise and Related Management of State-owned Capital and Financial Treatment issued by the Ministry of Finance and a resolution passed in the first meeting of shareholder of the Company in 2007, the Company is required to make a distribution to CRECG, the Company's then sole promoter, in an amount equals to the consolidated net profit of the Company, as determined in accordance with the PRC accounting standards, for the period from the date of assessment of the valuation of the Group's assets on 31 December 2006 to the date of incorporation of the Company on 12 September 2007 (the "Special Distribution"). In 2008, the Directors determined this amount to be RMB2,404,896,000 based on audited financial information. Up to 31 December 2008, the Company did not have any reserve available for distribution. As such, the Special Distribution to CRECG has not been recognised in the year ended 31 December 2008. The Directors, having considered the management financial information available, consider that the Company would have reserve available for distribution by 31 December 2009. Accordingly, the Special Distribution to CRECG is recognised as a distribution during the year ended 31 December 2009.

Details of the Special Distribution are set out in the Company's announcement dated 24 April 2008.

The final dividend of RMB0.063 in respect of the year ended 31 December 2009 (2008: nil) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

15. Earnings Per Share

Basic earnings per share for the year ended 31 December 2009 is calculated by dividing the profit attributable to owners of the Company of RMB6,887 million (2008: RMB1,350 million) by 21,299,900,000 shares (2008: 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.

16. 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 2009	7,776	15,126	5,182	2,349	1,024	2,370	2,630	36,457
Exchange adjustments	3	(9)	(3)	3	—	1	—	(5)
Additions	445	6,253	1,319	527	321	718	2,959	12,542
Transfer from properties held for sale/properties under development for sale	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 *(Note 40)*	—	—	2	—	3	—	—	5
Disposal of subsidiaries *(Note 41)*	(26)	(7)	(67)	(51)	(1)	(14)	(769)	(935)
Write-offs/other disposals	(234)	(565)	(312)	(120)	(59)	(420)	(698)	(2,408)
Transfer to investment properties	(118)	—	—	—	—	—	—	(118)
Transfer to lease prepayments	—	—	—	—	—	—	(195)	(195)
At 31 December 2009	8,582	20,895	6,150	2,874	1,291	2,684	2,902	45,378
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	2,020	6,311	2,636	1,149	478	1,166	12	13,772
Exchange adjustments	1	(3)	(2)	2	—	—	—	(2)
Provided for the year	289	2,455	632	235	122	378	—	4,111
Transfer from investment properties	4	—	—	—	—	—	—	4
Impairment loss recognised in profit or loss	—	2	—	1	—	6	—	9
Disposal of subsidiaries *(Note 41)*	(8)	(2)	(21)	(7)	—	(1)	—	(39)
Eliminated on write-offs/ other disposals	(84)	(461)	(260)	(89)	(54)	(170)	—	(1,118)
Transfer to investment properties	(6)	—	—	—	—	—	—	(6)
At 31 December 2009	2,216	8,302	2,985	1,291	546	1,379	12	16,731
CARRYING VALUES								
At 31 December 2009	6,366	12,593	3,165	1,583	745	1,305	2,890	28,647

16. 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 2008	6,837	12,415	4,369	2,189	809	2,329	1,328	30,276
Exchange adjustments	(6)	(46)	(17)	(12)	—	(4)	—	(85)
Additions	294	3,186	979	206	253	240	2,414	7,572
Transfer from properties held for sale/properties under development for sale	99	—	—	—	—	—	275	374
Transfer within property, plant and equipment	828	329	75	98	1	20	(1,351)	—
Acquisition of subsidiaries *(Note 40)*	16	—	4	3	—	3	1	27
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	(1)	—	(1)
Write-offs/other disposals	(112)	(758)	(228)	(135)	(39)	(216)	(37)	(1,525)
Transfer to investment properties	(180)	—	—	—	—	(1)	—	(181)
At 31 December 2008	7,776	15,126	5,182	2,349	1,024	2,370	2,630	36,457
DEPRECIATION AND IMPAIRMENT								
At 1 January 2008	1,833	5,400	2,247	1,029	371	1,084	5	11,969
Exchange adjustments	(2)	(26)	(6)	(7)	—	(2)	—	(43)
Provided for the year	277	1,519	590	222	139	209	—	2,956
Impairment loss recognised in profit or loss	—	—	—	—	—	(6)	7	1
Eliminated on write-offs/other disposals	(42)	(582)	(195)	(95)	(32)	(118)	—	(1,064)
Transfer to investment properties	(46)	—	—	—	—	(1)	—	(47)
At 31 December 2008	2,020	6,311	2,636	1,149	478	1,166	12	13,772
CARRYING VALUES								
At 31 December 2008	5,756	8,815	2,546	1,200	546	1,204	2,618	22,685

16. 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 (2008: RMB1 million) be recognised for items physically damaged or obsolete in the consolidated statement of comprehensive income as disclosed in Note 12.

The carrying values of infrastructure construction equipment include amounts of RMB874 million (2008: RMB417 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 RMB338 million (2008: RMB393 million). Other short-term loans are secured by certain property, plant and equipment with an aggregate carrying value of RMB108 million (2009: nil) as at 31 December 2008.

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

	2009 RMB million	2008 RMB million
Under long lease	164	40
Under medium-term lease	6,202	5,716
	6,366	5,756

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB602 million (2008: RMB519 million) at 31 December 2009. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

17. Lease Prepayments

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

	2009 RMB million	2008 RMB million
At beginning of the year	**6,422**	6,197
Acquisition of subsidiaries *(Note 40)*	**—**	332
Additions	**125**	252
Transfer from intangible assets *(Note 19)*	**—**	5
Transfer from property, plant and equipment	**195**	—
Transfer from properties held for sale/properties under development for sale	**3**	59
Transfer to properties under development for sale	**—**	(246)
Disposals	**(137)**	(34)
Disposal of subsidiaries *(Note 41)*	**(4)**	—
Released to profit or loss as expenses	**(157)**	(143)
At end of the year	**6,447**	6,422
Analysed for reporting purpose as:		
— Non-current	**6,269**	6,314
— Current	**178**	108
	6,447	6,422
Analysis of periods of land use rights in Mainland China:		
Under long lease	**391**	197
Under medium-term lease	**6,056**	6,225
	6,447	6,422

The underlying land use rights of lease prepayments with carrying amounts of RMB323 million (2008: RMB581 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 RMB89 million (2008: RMB141 million) at 31 December 2009. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

18. Investment Properties

	2009 **RMB million**	2008 RMB million
COST		
At beginning of the year	**1,502**	857
Additions	**252**	102
Acquisition of subsidiaries *(Note 40)*	**—**	370
Transfer from property, plant and equipment	**118**	181
Transfer from properties held for sale	**48**	—
Transfer to property, plant and equipment	**(17)**	—
Disposal	**(73)**	(8)
At end of the year	**1,830**	1,502
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**130**	63
Provided for the year	**49**	22
Transfer from property, plant and equipment	**6**	47
Transfer to property, plant and equipment	**(4)**	—
Eliminated on disposals	**(12)**	(2)
At end of the year	**169**	130
CARRYING VALUES		
At end of the year	**1,661**	1,372

The fair value of the investment properties with carrying amount of RMB1,661 million (2008: RMB1,372 million) is RMB1,992 million (2008: RMB1,440 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 RMB922 million (2008: RMB374 million).

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

19. Intangible Assets

	Allocated land RMB million *(Note)*	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 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
COST							
At 1 January 2008	6	7,071	62	5	29	50	7,223
Additions	—	6,659	—	—	48	4	6,711
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	(2)	(2)
Transfer to lease prepayments	(5)	—	—	—	—	—	(5)
Write-offs/other disposals	(1)	(115)	—	(1)	(4)	—	(121)
At 31 December 2008	—	13,615	62	4	73	52	13,806
AMORTISATION AND IMPAIRMENT							
At 1 January 2008	—	—	24	3	14	28	69
Provided for the year	—	20	29	—	13	9	71
Eliminated on disposal of subsidiaries *(Note 41)*	—	—	—	—	—	(1)	(1)
Eliminated on write-offs/ other disposals	—	—	—	—	(2)	—	(2)
At 31 December 2008	—	20	53	3	25	36	137
CARRYING VALUES							
At 31 December 2008	—	13,595	9	1	48	16	13,669

Note: *Allocated land is the right to use certain land injected by the PRC government in prior years as capital contribution and the cost of the land at the date of contribution was determined in accordance with the prevailing government rules and regulations. These land use rights carry land use right certificates which do not have defined period of usage.*

19. Intangible Assets *(continued)*

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.

The rights in respect of toll road income under four (2008: four) concession agreements with an aggregate carrying amount of RMB11,938 million (2008: RMB12,024 million) are pledged against certain banking facilities of the Group.

The intangible assets, other than the allocated land which does not have finite lease period and is stated at cost less impairment and service concession arrangements which are amortised on a units-of-usage basis, are amortised on 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

20. Mining Assets

	2009 RMB million	2008 RMB million
Exploration and evaluation costs	1,340	1,107
Additions	25	146
Acquisition of subsidiaries *(Note 40)*	—	89
Disposal of subsidiaries *(Note 41)*	(70)	—
Disposal	—	(2)
Less: amortisation	(12)	(7)
	1,283	1,333

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

	2009 RMB million	2008 RMB million
Investing cash outflow	(25)	(146)

21. Interests in Jointly Controlled Entities

	2009 RMB million	2008 RMB million
Cost of unlisted investments	684	608
Share of post-acquisition losses, net of dividends received	(36)	(53)
Accumulated impairment loss recognised	(8)	(8)
	640	547
Additional investments in jointly controlled entities *(Note)*	194	194
	834	741

Note: Pursuant to the joint venture agreements relating to certain jointly controlled entities which are engaged in the mining business, in addition to the committed capital contribution by the Group to the established jointly controlled entities, the Group has committed to bear the preliminary cost of jointly controlled entities including but not limited to the cost of feasibility study, cost of exploration and cost of the development plant, at predetermined limits, as investments in these jointly controlled entities. Any excess of the actual preliminary cost over the predetermined limits will be borne by the respective jointly controlled entities.

As at 31 December 2009, all related mines are still at the exploration stage and no development of the mines has been commenced yet.

Details of the Group's additional commitments are set out in Note 44.

Details of Group's principal jointly controlled entities at 31 December 2009 are set out in Note 47.

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

	2009 RMB million	2008 RMB million
Assets and liabilities		
Total assets	4,142	3,222
Total liabilities	3,179	2,087
Net assets	963	1,135
Group's share of net assets of jointly controlled entities	648	555

	2009 RMB million	2008 RMB million
Results		
Revenue	1,380	872
Profit before taxation	131	73
Income tax expense	(22)	—
Profit for the year	109	73
Group's share:		
Profit before taxation	51	44
Income tax expense	(10)	—
Profit for the year	41	44

22. Interests in Associates

	2009 RMB million	2008 RMB million
Cost of unlisted investments	**4,058**	3,507
Share of post-acquisition (losses) profits and other comprehensive income, net of dividends received	**(275)**	35
Accumulated impairment loss recognised	**(3)**	(3)
	3,780	3,539

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

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

	2009 RMB million	2008 RMB million
Assets and liabilities		
Total assets	**34,012**	24,491
Total liabilities	**24,563**	16,848
Net assets	**9,449**	7,643
Group's share of net assets of associates	**3,783**	3,542
Results		
Revenue	**6,420**	4,433
(Loss) profit before taxation	**(179)**	239
Income tax expense	**(71)**	(50)
(Loss) profit for the year	**(250)**	189
Other comprehensive income	**29**	3
Group's share:		
(Loss) profit before taxation	**(251)**	66
Income tax expense	**(67)**	(18)
(Loss) profit for the year	**(318)**	48
Other comprehensive income	**10**	1

23. Goodwill

	2009 RMB million	2008 RMB million
At beginning of year	**836**	779
Acquisition of additional interests in subsidiaries	**—**	60
Acquisition of subsidiaries *(Note 40)*	**2**	—
Disposal of subsidiaries *(Note 41)*	**(2)**	—
Impairment loss recognised in the year	**—**	(3)
At end of year	**836**	836

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

	2009 RMB million	2008 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.	**19**	19
China Railway Trust Co., Ltd.	**206**	206
Other subsidiaries	**27**	27
	836	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 budgets for the following five years, and a discount rate of 15% (2008: 11%). 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% (2008: 7%). 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.

24. Available-for-sale Financial Assets

	2009 RMB million	2008 RMB million
Unlisted PRC government bonds, at market prices	**—**	3
Unlisted open-end equity funds, at market prices	**35**	27
Unlisted entrusted products, at fair value	**625**	454
Listed equity investments in the PRC, at market prices	**797**	480
Unlisted equity investments, at cost less impairment	**3,079**	2,965
	4,536	3,929

In 2008, the interest rates of the PRC government bonds ranged from 3.14% to 3.6% per annum.

The unlisted entrusted products are investment products relating to property development projects and energy projects in Mainland China, the nature of which includes equity related items and debt related items. The fair value of the equity related entrusted products is determined with reference to market prices; the fair value of debt related 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.

Details of the unlisted available-for-sale financial assets disposed of during the year are as follows:

	2009 RMB million	2008 RMB million
Carrying amount on disposal through:		
Other disposals	**24**	32

25. Other Loans and Receivables

	2009 RMB million	2008 RMB million
Short-term loans and receivables	**1,940**	897
Long-term loans and receivables	**2,095**	929
	4,035	1,826
Less: Impairment on receivables	**(27)**	(20)
Total other loans and receivables	**4,008**	1,806
Less: Amount due within one year included in current assets	**(1,928)**	(892)
Amount due after one year	**2,080**	914

At 31 December 2009, other loans and receivables amounting to nil (2008: RMB57 million) do not carry interest, the remaining other loans and receivables carry fixed-rate interests within a range of 4.86% to 36% (2008: 4% to 30%) per annum.

25. Other Loans and Receivables *(continued)*

At 31 December 2009, other loans and receivables amounting to RMB156 million (2008: RMB349 million) are secured by equity investments, RMB153 million (2008: RMB55 million) are secured by property, plant and equipment, RMB2 million (2008: RMB107 million) are secured by lease prepayments and RMB160 million (2008: nil) are guaranteed by a third party.

Movements in impairment on receivables are as follows:

	2009 **RMB million**	2008 RMB million
At beginning of the year	**20**	38
Impairment loss recognised (reversed) during the year	**17**	(11)
Written-off	**(10)**	(7)
At end of the year	**27**	20

26. Properties Held for Sale/Properties under Development for Sale

Properties held for sale amounting to RMB72 million (2008: RMB86 million) have been pledged to secure banking facilities granted to the Group.

Properties under development for sale amounting to RMB3,524 million (2008: RMB2,120 million) have been pledged to secure banking facilities granted to the Group.

Properties under development for sale amounting to RMB4,886 million (2008: RMB5,333 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.

27. Inventories

	2009 **RMB million**	2008 RMB million
Raw materials and consumables	**19,594**	14,848
Work in progress	**1,579**	1,300
Finished goods	**2,656**	2,334
	23,829	18,482

28. 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.

	2009 RMB million	2008 RMB million
Trade and bills receivables	69,239	51,593
Less: impairment	(1,118)	(908)
	68,121	50,685
Other receivables (net of impairment)	16,788	13,396
Advance to suppliers	17,664	14,258
	102,573	78,339
Less: Amount due after one year included in non-current assets	(1,313)	(79)
Amount due within one year included in current assets	101,260	78,260

Most of the Group's customers are from central and local government or government-related entities, 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 RMB24,179 million (2008: RMB14,521 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:

	2009 RMB million	2008 RMB million
Less than six months	38,472	26,621
Six months to one year	15,373	14,436
One year to two years	9,741	6,687
Two years to three years	3,189	2,217
More than three years	1,346	724
	68,121	50,685

The Group's major customers are PRC government agencies and other government-related entities.

28. Trade and Other Receivables *(continued)*

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

	2009 RMB million	2008 RMB million
Six months to one year	27	14
One year to two years	3	18
	30	32

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:

	2009 RMB million	2008 RMB million
At beginning of the year	1,344	1,307
Impairment loss recognised during the year	331	70
Written-off	(35)	(32)
Decrease through disposal of subsidiaries	(3)	(1)
At end of the year	1,637	1,344
Attributable to:		
Trade and bills receivables	1,118	908
Other receivables	519	436
	1,637	1,344

Included in trade and bills receivables are bills discounted with recourse amounting to RMB375 million (2008: RMB308 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 35).

As at 31 December 2008, trade receivables of RMB1,098 million (2009: nil) were pledged against bank borrowings of the Group.

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

	2009 RMB million	2008 RMB million
Contract costs incurred plus recognised profits less recognised losses	965,044	679,796
Less: Progress billings	(952,281)	(670,108)
	12,763	9,688
Analysed for reporting purpose:		
Amounts due from customers for contract work	31,052	25,197
Amounts due to customers for contract work	(18,289)	(15,509)
	12,763	9,688

30. Held-for-trading Financial Assets (Liabilities)

Held-for-trading financial assets

	2009 RMB million	2008 RMB million
Equity securities listed in Mainland China, at quoted prices	13	54
Equity securities listed in Hong Kong, at quoted prices	46	25
Listed mutual funds, at quoted prices	—	11
Unlisted debentures with floating interest and maturity date on 31 December 2009	—	5
Derivative financial instruments — interest rate swaps *(Note (a))*	6	46
Derivative financial instruments — foreign exchange forward contract *(Note (b))*	16	—
	81	141

Held-for-trading financial liabilities

	2009 RMB million	2008 RMB million
Derivative financial instruments — interest rate swaps *(Note (a))*	98	80
	98	80

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) *During the year, the Group entered into a foreign exchange forward contract to sell USD and buy South African Rand. The contract will mature in 2010.*

31. Restricted Cash

	2009 RMB million	2008 RMB million
Restricted cash denominated in:		
RMB	**2,252**	2,500
USD	**17**	6
Other currencies	**60**	24
	2,329	2,530

The restricted cash held in dedicated bank accounts under the names of the group entities are for the issue of performance bonds to customers or the pledge to banks to secure other short-term banking facilities granted to the Group and are therefore classified as current assets. The restricted cash held in dedicated bank accounts carry interest at prevailing market interest rates.

32. Cash and Cash Equivalents

	2009 RMB million	2008 RMB million
Bank balances and cash denominated in:		
RMB	**41,566**	30,356
USD	**3,946**	12,094
Other currencies	**3,765**	4,396
	49,277	46,846

Bank balances carry interest at market rates which range from 0.36% to 3.6% (2008: 0.4% to 3.9%) 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.

33. Share Capital

	2009 & 2008 Number of shares '000	2009 & 2008 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

33. Share Capital *(continued)*

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 the Company's Articles of Association.

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

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

34. Trade and Other Payables

	2009 RMB million	2008 RMB million
Trade and bills payables	**94,502**	67,075
Advance from customers	**38,485**	24,118
Accrued payroll and welfare	**1,731**	1,942
Other taxes	**4,402**	3,542
Deposit received in advance	**115**	120
Dividend payables	**2,562**	165
Other payables	**19,205**	14,674
	161,002	111,636
Analysed for reporting purposes as:		
Non-current	**339**	366
Current	**160,663**	111,270
	161,002	111,636

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB3,497 million (2008: RMB2,170 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 following is an aged analysis of trade and bills payables at the reporting date, based on invoice date:

	2009 RMB million	2008 RMB million
Less than one year	**84,297**	58,670
One year to two years	**7,199**	6,403
Two years to three years	**2,194**	1,316
More than three years	**812**	686
	94,502	67,075

35. Borrowings

	2009 RMB million	2008 RMB million
Bank loans:		
Secured	11,327	11,165
Unsecured	27,114	38,224
	38,441	49,389
Short-term debentures, unsecured	3,800	600
Other short-term loans, secured	—	42
Other short-term loans, unsecured	6,150	1,986
Other long-term loans, unsecured	7,472	1,406
	55,863	53,423
Analysed for reporting purposes:		
Non-current	27,151	16,829
Current	28,712	36,594
	55,863	53,423

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

	2009 RMB million	2008 RMB million
Fixed-rate bank loans repayable		
Within one year	213	181
More than one year but within two years	156	212
More than two years but within three years	116	214
More than three years but within four years	196	123
More than four years but within five years	121	119
More than five years	156	293
	958	1,142

	2009 RMB million	2008 RMB million
Floating-rate bank loans repayable		
Within one year	18,549	33,785
More than one year but within two years	3,313	3,836
More than two years but within three years	2,397	1,601
More than three years but within four years	505	219
More than four years but within five years	971	173
More than five years	11,748	8,633
	37,483	48,247

35. Borrowings *(continued)*

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

	2009 RMB million	2008 RMB million
Fixed rate other long-term loans repayable		
More than one year but within two years	—	228
Floating-rate other long-term loans repayable		
More than one year but within two years	7,323	999
More than two years but within three years	—	15
More than three years but within four years	23	—
More than four years but within five years	—	23
More than five years	126	141
	7,472	1,178

Bank loans carry interest at rates which range from 0.75% to 9.5% (2008: 2.4% to 11.6%) per annum during the year.

Short-term debentures were issued at fixed rates ranging from 1.65% to 7.1% (2008: fixed rate at 7.1%) per annum.

Other short-term loans carry interest at rates which range from 3.72% to 14.4% (2008: 5.6% to 10.5%) per annum.

Other long-term loans carry interest at rates which range from 2.2% to 13.0% (2008: 2.0% to 7.5%) 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 2009	877	447	34
At 31 December 2008	1,015	515	20

As at 31 December 2009, there were overdue short-term bank borrowings amounting to RMB5 million (2008: nil) due to disputes in the related construction contracts. Up to the date of issue of the consolidated financial statements, the negotiations are still in progress.

36. 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 from 28 December 2007 to 18 January 2013 (2008: 3 years from 24 April 2007 to 15 July 2011). Interest rates underlying all obligations under finance lease are set as floating 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	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Amounts payable under finance lease				
Within one year	**342**	226	**328**	220
In more than one year but not more than two years	**252**	202	**231**	182
In more than two years but not more than five years	**35**	107	**30**	84
	629	535	**589**	486
Less: future finance charges	**(40)**	(49)	**—**	—
Present value of lease obligations	**589**	486	**589**	486
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(327)**	(220)
Amount due for settlement after twelve months			**262**	266

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

37. Financial Guarantee Contracts

	2009 **RMB million**	2008 RMB million
At beginning of the year	**37**	87
Amortisation for the year	**(2)**	(50)
At end of the year	**35**	37
Analysed for reporting purpose as:		
Non-current	**33**	35
Current	**2**	2
	35	37

The balances represent the unamortised fair value of financial guarantees, details of which are disclosed in Note 43.

38. 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 RMB1,982 million (2008: RMB1,587 million).

At 31 December 2009, 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 RMB185 million (2008: RMB213 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:

	2009 RMB million	2008 RMB million
Present value of unfunded defined benefit obligations	**9,322**	9,940
Net actuarial losses not recognised	**(1,688)**	(1,569)
Net liability arising from defined benefit obligations	**7,634**	8,371
Less: Amount due within one year	**(936)**	(1,003)
Amount due after one year	**6,698**	7,368

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2009 RMB million	2008 RMB million
At beginning of the year	**9,940**	9,054
Interest cost	**283**	385
Actuarial losses recognised in the year	**64**	—
Additions *(Note)*	**26**	70
Benefits paid	**(1,110)**	(1,119)
Actuarial losses not recognised	**119**	1,550
At end of the year	**9,322**	9,940

Note: Additions were resulted from employees who had joined the early retirement plans in 2009 and 2008 respectively.

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.

38. Retirement and Other Supplemental Benefit Obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	2008
Discount rate	3.75%	3.00%
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 (2008: RMB1 million).

(ii) the accumulated post-employment benefit obligation for medical costs amounted to RMB27 million (2008: RMB32 million).

39. Deferred Taxation

The following are the major deferred income tax (liabilities) assets recognised and movements thereon during the year:

	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 book value RMB million	Mining assets RMB million	Others RMB million	Total RMB million
At 1 January 2008	156	223	13	1,355	(262)	32	(253)	73	1,337
Effect of change in tax rate charged to profit or loss	—	(10)	(1)	494	—	—	—	2	485
Credit (charge) to profit or loss	123	79	6	(191)	—	(3)	—	85	99
Charge to other comprehensive income	—	—	—	—	235	—	—	—	235
At 31 December 2008	279	292	18	1,658	(27)	29	(253)	160	2,156
Effect of change in tax rate charged to profit or loss	120	4	—	4	—	—	—	7	135
Credit (charge) to profit or loss	50	46	1	(151)	—	—	—	227	173
Charge to other comprehensive income	—	—	—	—	(100)	—	—	—	(100)
At 31 December 2009	449	342	19	1,511	(127)	29	(253)	394	2,364

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.

39. 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:

	2009 RMB million	2008 RMB million
Deferred income tax assets	**2,815**	2,554
Deferred income tax liabilities	**(451)**	(398)
	2,364	2,156

Details of the Group's unused tax losses and other deductible temporary differences are as follows:

	2009 RMB million	2008 RMB million
Tax losses recognised for deferred income tax assets	**1,803**	1,645
Tax losses unrecognised for deferred income tax assets	**1,712**	3,468
Total tax losses	**3,515**	5,113
Other deductible temporary differences unrecognised for deferred income tax assets	**646**	764
Tax losses unrecognised for deferred income tax assets that will expire in		
2009	**—**	38
2010	**49**	147
2011	**48**	186
2012	**107**	217
2013	**631**	2,880
2014	**877**	—
Total	**1,712**	3,468

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.

40. Acquisition of Subsidiaries

(a) Acquisition of businesses

During the year, 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' carrying amount and 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
Minority 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
Net cash (outflow) inflow arising on acquisition:	
Cash consideration paid	(6)
Cash and cash equivalents acquired	3
	(3)

40. Acquisition of Subsidiaries *(continued)*

(a) Acquisition of businesses *(continued)*

In 2008, the Group acquired a 51% interest in 山東渝州長安汽車銷售有限公司 for a consideration of RMB4 million and a 70% interest in 北京西聯萬博商業管理有限責任公司 for a consideration of RMB1 million. Further, as a result of change in articles of association, a 50%-owned-jointly controlled entity, 成都華鐵國際儲運有限公司, became a subsidiary of the Group as the Group can control the board of directors of this entity.

	2008 Acquirees' carrying amount and fair value RMB million
Fair value of net assets acquired:	
Property, plant and equipment	17
Lease prepayments	9
Other prepayments	1
Inventories	1
Trade and other receivables	35
Cash and cash equivalents	3
Trade and other payables	(30)
Borrowings	(5)
Net assets acquired	31
Minority interests	(13)
Total consideration	18
Satisfied by:	
Cash	5
Interest in jointly controlled entity	13
	18
Net cash (outflow) inflow arising on acquisition:	
Cash consideration paid	(5)
Cash and cash equivalents acquired	3
	(2)

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

	2009 **RMB million**	2008 RMB million
Revenue	**8**	562
(Loss) profit for the year	**(7)**	1

40. Acquisition of Subsidiaries *(continued)*

(a) Acquisition of businesses *(continued)*

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

	2009 RMB million	2008 RMB million
Revenue	**14**	676
Loss for the year	**(14)**	—

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

(b) Acquisition of assets through acquisition of subsidiaries

During the year, 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.

	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**
Minority interests	**(60)**
Total consideration	**445**
Satisfied by:	
Cash	**315**
Deposit for investment	**130**
	445
Net cash (outflow) inflow arising from acquisition:	
Cash consideration paid	**(315)**
Cash and cash equivalents acquired	**3**
	(312)

40. Acquisition of Subsidiaries *(continued)*

(b) Acquisition of assets through acquisition of subsidiaries *(continued)*

In 2008, the Group acquired certain assets through acquisition of a 100 % interest in 成都市溫江區泰基地產有限責任公司 for a consideration of RMB5 million, a 67% interest in 四川建升房地產開發有限公司 for a consideration of RMB20 million, a 60% interest in 龍岩東方虹展礦業有限公司 for a consideration of RMB20 million, a 51% interest in 珠海鳳凰泰富房地產開發有限公司 for a consideration of RMB54 million, a 92% interest in 青島中金渝能置業有限公司 for a consideration of RMB92 million, a 100% interest in 林西縣滙豐礦業有限責任公司 for a consideration of RMB2 million, a 100% interest in 克什克騰旗滙豐礦業有限責任公司 for a consideration of RMB20 million, a 100% interest in 克什克騰旗天博礦業有限責任公司 for a consideration of RMB15 million, an additional 63% interests in associates, 成都市盈庭置業有限公司 and 成都市金馬瑞城投資有限公司, for a consideration of RMB16 million and RMB60 million respectively and they became wholly owned subsidiaries of the Company, an additional 50% interests in jointly controlled entities, 成都中鐵名人實業發展有限公司 and 雲南丹軍綠色發展有限公司, for a consideration of RMB245 million and RMB21 million respectively and they became wholly owned subsidiaries of the Company. Further, as a result of change in articles of association, a 50%-owned-jointly controlled entity, 廣廈重慶一建房地產開發有限公司, became a subsidiary of the Group as the Group can control the board of directors of this entity. 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:

	2008 RMB million
Fair value of net assets acquired:	
Property, plant and equipment	10
Investment properties	370
Lease prepayments	323
Mining assets	89
Inventories	2
Properties under development for sale	1,540
Properties held for sale	110
Trade and other receivables	384
Other prepayments	2
Cash and cash equivalents	354
Trade and other payables	(1,542)
Borrowings	(673)
Net assets acquired	969
Minority interests	(95)
Total consideration	874
Satisfied by:	
Cash	520
Interests in jointly controlled entities	93
Interests in associates	18
Revaluation recognised in capital reserve	193
Deposits paid (included in other receivables)	4
Consideration payable (included in other payables)	46
	874
Net cash (outflow) inflow arising from acquisition:	
Cash consideration paid	(520)
Cash and cash equivalents acquired	354
	(166)

41. Disposal of Subsidiaries

During the year, the minority 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.

In 2008, the Group disposed of 93.45% interest in 成都中鐵錦華置業有限公司 for a consideration of RMB63 million, 45% interest in 四川大通鐵路電氣工程有限公司 for a consideration of RMB1 million, 80% interest in 衡陽市振興勞務有限公司 for a consideration of RMB1 million.

The net assets of these subsidiaries at the date of disposal were as follows:

	2009 RMB million	2008 RMB million
Net assets disposed of:		
Property, plant and equipment	**896**	1
Lease prepayments	**4**	—
Intangible assets	**—**	1
Mining assets	**70**	—
Interest in an associate	**60**	—
Inventories	**249**	288
Trade and other receivables	**126**	148
Cash and cash equivalents	**197**	45
Trade and other payables	**(610)**	(447)
Borrowings	**(441)**	(20)
	551	16
Minority interests	**(189)**	(2)
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**	51
Total consideration	**494**	65
Satisfied by:		
Cash	**494**	64
Other receivables	**—**	1
Total consideration	**494**	65
Net cash inflow (outflow) arising on disposal:		
Cash received	**494**	64
Cash and cash equivalents disposed of	**(197)**	(45)
	297	19

42. Major Non-cash Transactions

In addition to the dilution of interests in 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 set out in Note 41, during the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB743 million (2008: RMB350 million).

43. Contingent Liabilities

	2009 RMB million	2008 RMB million
Pending lawsuits *(Note)*	**351**	315

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.

In addition to the above, the Group has provided guarantees to banks in respect of banking facilities of 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 37. The maximum exposure of these financial guarantees to the Group is as follows.

	2009 RMB million	**2009 Expiry period**	2008 RMB million	2008 Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,713**	**2010–2027**	5,757	2009–2027
Other government-related entities	**790**	**2010–2011**	926	2009–2011
Property purchasers	**3,836**	**2010–2011**	1,545	2009–2011
Investees of the Group	**176**	**2010–2016**	219	2009–2016
Other independent parties	**—**		220	2009
	10,515		8,667	

44. Commitments

Capital expenditure

	2009 RMB million	2008 RMB million
Acquisition of property, plant and equipment contracted but not provided for	**4,454**	9,829
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:

	2009 RMB million	2008 RMB million
Capital contribution to jointly controlled entities	**20,455**	21,216

In addition to the above, the Group has additional commitments to invest on the preliminary cost of certain jointly controlled entities not exceeding certain predetermined limits as set out in Note 21. Details of the Group's additional commitments are as follows:

	2009 RMB million	2008 RMB million
The predetermined limits of the commitment to the preliminary costs of jointly controlled entities	**1,964**	1,964
Less: Accumulated amount contributed by the Group	**(194)**	(194)
	1,770	1,770

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 12. The investment properties held for rental purposes are expected to generate rental yields of 6% – 8.56% (2008: 6% – 10%) 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:

	2009 RMB million	2008 RMB million
Within one year	**128**	98
In the second to fifth year inclusive	**368**	191
After five years	**330**	167
	826	456

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:

	2009 RMB million	2008 RMB million
Within one year	**298**	329
In the second to fifth year inclusive	**200**	49
Over five years	**36**	30
	534	408

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 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:

	2009 RMB million	2008 RMB million
Transactions with CRECG and its subsidiaries not comprising the Group ("CRECG Group")		
Revenue from construction contracts	**267**	—
Revenue from other services	**1**	—
Service expenses paid	**88**	76
Rental fee	**46**	38
Transactions with jointly controlled entities		
Revenue from construction contracts	**80**	191
Revenue from sale of property, plant and equipment	**87**	—
Revenue from sale of goods	**8**	7
Interest income	**8**	—
Transactions with associates		
Revenue from construction contracts	**533**	1,072
Interest income	**7**	—
Service expenses paid	**51**	32
Purchases	**16**	39
Transactions with other government-related entities		
Revenue from construction contracts	**116,174**	112,672
Revenue from design and other services	**9,995**	6,164
Purchases	**20,982**	34,416
Interest income on bank balances	**130**	850
Interest expenses on bank borrowings	**603**	899

45. Related Party Transactions *(continued)*

Balances with related parties

	2009 RMB million	2008 RMB million
Balances with the CRECG Group		
Trade receivables	**26**	50
Trade payables	**4**	9
Other payables	**38**	164
Advance from customers	**63**	—
Other borrowings	**—**	20
Dividend payables	**2,405**	—
Balances with jointly controlled entities		
Trade receivables	**175**	116
Other receivables	**464**	364
Advance from customers	**—**	35
Loans receivables	**102**	—
Dividend receivables	**16**	5
Balances with associates		
Trade receivables	**490**	438
Other receivables	**265**	133
Advance to suppliers	**134**	118
Trade payables	**6**	23
Other payables	**69**	64
Advance from customers	**11**	125
Loans receivables	**828**	—
Balances with other government-related entities		
Trade receivables	**27,226**	29,759
Other receivables	**10,870**	8,110
Bank balances	**2,636**	29,696
Trade payables	**13,688**	9,695
Other payables	**18,996**	5,692
Bank borrowings	**22,631**	19,400
Other borrowings	**15,636**	464

In addition, the Group provided guarantees to banks in respect of banking facilities of associates and other government-related entities, 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:

	2009 RMB'000	2008 RMB'000
Basic salaries, allowances and other benefits-in-kind	2,033	2,052
Contributions to pension plans	884	858
Discretionary bonus	2,852	3,265
	5,769	6,175

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.

46. Particulars of Principal Subsidiaries

As at 31 December 2009, the Company had the following principal subsidiaries:

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 2009 %	2008 %	Principal activities
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	RMB1,436,223	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	RMB1,553,690	Registered	100	100	Infrastructure construction
中鐵四局集團有限公司 China Railway NO.4 Engineering Group Co., Ltd.	PRC	RMB1,574,586	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	RMB1,275,542	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 2009 %	2008 %	Principal activities
中鐵八局集團有限公司 China Railway NO.8 Engineering Group Co., Ltd.	PRC	RMB1,103,285	Registered	100	100	Infrastructure construction
中鐵九局集團有限公司 China Railway NO.9 Engineering Group Co., Ltd.	PRC	RMB937,797	Registered	100	100	Infrastructure construction
中鐵十局集團有限公司 China Railway NO.10 Engineering Group Co., Ltd.	PRC	RMB1,050,943	Registered	100	100	Infrastructure construction
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	RMB1,290,932	Registered	100	100	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group (CRCG) Co., Ltd.	PRC	RMB1,053,613	Registered	100	100	Infrastructure construction
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB1,109,347	Registered	100	100	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	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
中鐵大橋勘測設計院有限公司 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	RMB60,795	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
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

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 2009 %	2008 %	Principal activities
中鐵菏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	**85**	85	Investment and management
廣西全興高速公路發展有限公司 Guangxi Quanxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**75**	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
中鐵信託有限責任公司 China Railway Trust Co., Ltd.	PRC	RMB1,200,000	Registered	**93**	93	Financial trust management
華鐵工程諮詢有限責任公司 Huatie Engineering Consulting Co., Ltd.	PRC	RMB20,000	Registered	**100**	100	Construction management
中鐵置業集團有限公司 China Railway Real Estate Group	PRC	RMB2,100,000	Registered	**100**	100	Property development
中鐵資源有限公司 China Railway Resources Co., Ltd.	PRC	RMB1,500,000	Registered	**100**	100	Mining
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
中鐵國際經濟合作有限公司 China Railway International Economic Cooperation Co., Ltd.	PRC	RMB500,000	Registered	**100**	100	Infrastructure construction
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
中鐵隧道裝備製造有限公司 China Railway Tunneling Equipment Co., Ltd.	PRC	RMB100,000	Registered	**100**	N/A	Tunnel specialised equipment manufacturing

46. Particulars of Principal Subsidiaries *(continued)*

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 2009, the Group had outstanding issued debt securities:

Name	Face value of debt securities	Maturity date
China Railway Group Limited	RMB700 million	24 May 2010
	RMB1,000 million	16 June 2010
China Railway NO.2 Engineering Group Co., Ltd.	RMB800 million	15 March 2010
	RMB700 million	15 September 2010
China Railway NO.8 Engineering Group Co., Ltd.	RMB200 million	3 November 2010
China Railway Electrification Engineering Group Co., Ltd.	RMB400 million	23 March 2010

At 31 December 2008, the following subsidiaries had outstanding issued debt securities:

Name of subsidiary	Face value of debt securities	Maturity date
China Railway NO.4 Engineering Group Co., Ltd.	RMB600 million	31 January 2009

47. Particulars of Principal Jointly Controlled Entities

At 31 December 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 2009 %	2008 %	Principal activities
綠砂礦業有限責任公司 Luisha Ming Co., Ltd.	Democratic Republic of Congo	**72** ***(Note)***	72 *(Note)*	Mining and exploration
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

Note: Pursuant to contractual agreement between the shareholders, the Group does not have control of 綠砂礦業有限責任公司 but is in a position to exercise control over this entity jointly with another joint venture partner.

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 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 2009 %	2008 %	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 2009, the following significant events took place:

(a) On 9 September 2009, the Company received notice from China Securities Regulatory Commission approving the issue and open offer of corporate bonds not exceeding RMB12 billion in Mainland China within 24 months from the approval date.

The first tranche of the corporate bonds of principal amount of RMB6,000 million were issued in public by the Company on 3 March 2010, at a fixed rate at 4.48% per annum for a five-year bond amounting to RMB1,000 million and a fixed rate at 4.88% per annum for a ten-year bond amounting to RMB5,000 million respectively. The corporate bonds are guaranteed by CRECG.

(b) On 8 March 2010, the Group entered into an Equity Transfer Agreement with CRECG regarding the acquisition of a 100% equity interest in 中鐵港航工程局有限公司 held by CRECG to the Group. Pursuant to the agreement, the consideration for the equity referred to above is approximately RMB409 million by reference to the valuation report prepared by 中水資產評估有限公司, an independent firm of professional qualified valuer. This transaction was not yet completed at the date of this report.

(c) The final dividend of RMB0.063 in respect of the year ended 31 December 2009 per share has been approved at the meeting of board of directors held on 26 April 2010, which is subject to approval by the shareholders in general meeting.

Significant Events

1. Material litigation and arbitration

Progress of the material litigation (which had previously been disclosed by the Company in its 2008 Annual Report), in respect of the guarantee provided by China Railway Construction Group (CRGC) Co., Ltd. ("China Railway Construction") for the loan of RMB220 million of Shenzhen Wanghai Yikang Industry Development Co., Ltd. ("Wanghai Yikang") lent by Shenzhen Development Bank Co., Ltd., Bao'an Sub-branch during the reporting period is as follows:

On 19 January 2009, China Railway Construction entered into a written agreement with Shenzhen Lvgem Co., Ltd. ("Lvgem Group"), Shenzhen Lvgem Estate Development Co., Ltd. ("Lvgem Estate Development"), Shenzhen Jinshunlai Investment Co., Ltd. ("Shenzhen Jinshunlai"), Wanghai Yikang and Wanghai Yikang Restructuring Office relating to the release of China Railway Construction from its guarantee responsibility or the replacement of the guarantor, and the counter-guarantee. The parties to the agreement agreed to replace the guarantee provided by China Railway Construction for the loan of RMB220 million of Wanghai Yikang lent by Shenzhen Development Bank, by pre-selling the properties of the Zhong Cheng Tian Yi project owned by Lvgem Estate Development to Shenzhen Development Bank or by other manner, and Bao'an Sub-branch shall issue the letter of release from the guarantee responsibility to China Railway Construction. Lvgem Group, Lvgem Estate Development and Shenzhen Jinshunlai had undertaken joint liabilities to provide counter-guarantee to China Railway Construction until the guarantee responsibility of China Railway Construction has been released. If China Railway Construction discharges its guarantee responsibility to Bao'an Sub-branch, China Railway Construction shall be entitled to claim for the full amount so discharged from any of the three counterparties to the aforementioned agreement.

On 20 February 2009, Bao'an Sub-branch delivered the Letter of Release of Guarantee to China Railway Construction regarding such guarantee and the main contents are as follows: Bao'an Sub-branch has released China Railway Construction from its joint and several liabilities in respect of its guarantee for the aforementioned loan and China Railway Construction shall cease to undertake the guarantee responsibility affirmed in the Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35 issued by Guangdong Provincial High People's Court and the Civil Written Order (2008) Min Yi Zhong Zi No. 89 issued by the Supreme People's Court, with effect from 20 February 2009. And such release is unconditional and irrevocable.

As a result, the responsibility of China Railway Construction under the guarantee provided for the loan of RMB220 million to Bao'an Sub-branch for Wanghai Yikang had been released and the litigation was concluded.

Save as the litigation mentioned above, the Company has no other material litigation and arbitration during the reporting period.

2. Events regarding bankruptcy and restructuring

During the reporting period, there was no event regarding bankruptcy and restructuring of the Company.

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	46,073,043.00	77.95	22,783,677.10
2	Stock investment	600100	Tsinghua Tongfang	3,040,000.00	247,000	4,626,310.00	7.83	2,173,600.00
3	Stock investment	000050	Shenzhen Tianma (A)	1,724,414.75	466,200	3,100,230.00	5.25	1,668,996.00
4	Stock investment	600171	Shanghai Belling	1,390,000.00	250,000	1,970,000.00	3.33	580,000.00
5	Stock investment	601186	CRCC	653,760.00	72,000	658,080.00	1.11	(64,800.00)
6	Stock investment	601601	CPIC	420,000.00	14,000	358,680.00	0.61	203,000.00
7	Stock investment	600202	Harbin Air Conditioning	129,399.74	15,600	293,904.00	0.50	163,384.00
8	Stock investment	601099	Pacific Securities	628,800.00	15,000	272,850.00	0.46	79,800.00
9	Stock investment	601398	Industrial and Commercial Bank of China	406,500.00	50,000	272,000.00	0.46	103,250.00
10	Stock investment	600050	China Unicom	422,800.00	35,000	255,150.00	0.43	81,452.00
Other securities investments held at the end of the period				828,054.00	/	1,223,226.50	2.07	748,513.09
Gains/losses on disposal of securities investments in the reporting period				/	/	/	/	
Total				120,978,223.81	/	59,103,473.50	100.00	28,520,872.19

(2) Shares issued by other listed companies held by the Company

Unit: RMB

Stock code	Simplified stock name	Amount of initial investment	Percentage of interests in the company (%)	Carrying value at the end of the period	Gain/loss in the reporting period	Changes in equity of owners in the reporting period	Accounting item	Source of shares
601328	Bank of Communications	62,783,015.40	0.07	336,003,498.05	7,192,553.26	165,665,895.83	Available-for-sale financial assets	Purchase from market
600100	Tsinghua Tongfang	185,600,000.00	1.06	81,162,596.62	52,943,498.04	28,692,421.31	Available-for-sale financial assets	Purchase from market
000050	Shenzhen Tianma (A)	179,073,697.10	4.74	181,160,962.50	—	97,527,255.00	Available-for-sale financial assets	Purchase from market
000518	Sihuan Bioengineering	5,000,000.00	0.83	35,497,912.50	—	16,891,518.75	Available-for-sale financial assets	Purchase from market
601601	CPIC	7,644,000.00	0.7792	150,443,919.36	1,800,000.00	83,723,919.36	Available-for-sale financial assets	Purchase from market
601989	China Shipbuilding Industry	7,785,043.92	0.0159	8,238,644.04	—	453,600.12	Available-for-sale financial assets	Purchase from market
600999	China Merchants Securities	4,233,267.00	0.0038	4,013,410.23	—	-219,856.77	Available-for-sale financial assets	Purchase from market
601169	Bank of Beijing	2,000.00	0.0009	2,000.00	8,863.93	—	Long-term equity investment	Purchase from market
Total		452,121,023.42	/	796,522,943.30	61,944,915.23	392,734,753.60	/	/

3. Shares issued by other listed companies and financial institutions held by the Company *(continued)*

(3) Shares issued by non-listed financial institutions held by the Company

Name of Investee	Amount 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.	1,156,046,706.35	—	92.69	1,156,046,706.35	223,492,618.73	–63,038,756.82	Long-term equity investment	Capital injection/ establishment
China Railway Hezhong Pawnbroking Co., Ltd. (Chengdu)	58,000.00	—	58	58,000.00	19,701,544.13	—	Long-term equity investment	Establishment
China Golden Valley International Trust & Investment Co., Ltd.	15,067,000.00	—	7	16,850,500.00	—	—	Long-term equity investment	Establishment
Greatwall Securities Co., Ltd.	102,000,000.00	17,000,000	0.82	96,457,687.47	2,210,000.00	—	Long-term equity investment	Purchase
Western Securities Co., Ltd.	10,000,000.00	10,000,000	1	10,000,000.00	—	—	Long-term equity investment	Purchase
Western Trust Co., Ltd.	9,094,630.00	9,094,630	1.39	9,094,630.00	—	—	Long-term equity investment	Purchase
Bank of Chengdu	3,000,000.00	—	0.11	3,000,000.00	3,000,000.00	—	Long-term equity investment	Purchase
Bank of Chengdu	2,000.00	—	0.01	2,000.00	—	—	Long-term equity investment	Acquisition
Total	1,295,268,336.35	36,094,630	/	1,291,509,523.82	248,404,162.86	–63,038,756.82	/	/

(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 as at the end of the period (share)	Total amount of funds utilized (RMB)	Gain on investment (RMB)
Purchase	China Merchants Securities		139,557	136,557	4,326,267.00	
Purchase	China Shipbuilding Industry		1,097,884	1,054,884	8,102,383.92	
Purchase	Royal Dairy		500	500	10,050.00	
Purchase	Meteno		500	500	13,000.00	
Purchase	Jiuzhou Electric		500	500	16,500.00	
Purchase	Lopsking		500	500	11,000.00	
Purchase	China International Travel		4,000		47,120.00	
Purchase	Beilu Pharmaceutical		2,000		35,720.00	
Purchase	Enjoyor		1,000		20,000.00	
Purchase	Zhongli Sci-Tech		500		23,000.00	
Purchase	Haid Group		1,500		42,000.00	
Purchase	Zhonglian Electric		1,000		30,000.00	
Purchase	PRET		1,500		33,750.00	
Purchase	JME		1,000		19,000.00	
Purchase	China CNR		56,000		311,360.00	
Purchase	Fuanna		1,500		45,000.00	
Purchase	Xinpeng Industrial		1,500		29,070.00	
Purchase	Sichuan Express		278,710		1,003,356.00	
Purchase	China State Construction		2,965,514		12,395,848.52	
Purchase	Everbright Securities		113,218		2,386,635.44	

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 as at the end of the period (share)	Total amount of funds utilized (RMB)	Gain on investment (RMB)
Purchase	Accelink Technologies		500		8,000.00	
Purchase	Saturday		1,000		18,000.00	
Purchase	Metallurgical Corporation		71,000		384,820.00	
Purchase	Bosun Tools		500		5,750.00	
Purchase	Lummy Pharmaceutical		500		8,250.00	
Purchase	Hanwei Electronics		500		13,500.00	
Purchase	Ultrapower Software		500		29,000.00	
Purchase	Sunner Development		500		9,875.00	
Purchase	Gifore		500		8,875.00	
Purchase	Chase Sun Pharmaceutical		500		30,000.00	
Purchase	Orient Landscape		1,000		58,600.00	
Purchase	Cisri-Gaona		500		9,765.00	
Purchase	Flush		500		26,400.00	
Purchase	Sanjin Pharmaceutical		500		9,900.00	
Purchase	Tianrun Crankshaft		500		7,000.00	
Purchase	Baolingbao		500		10,280.00	
Purchase	Success Electronic		500		7,940.00	
Purchase	EVE Energy		500		9,000.00	
Purchase	MYS		500		12,680.00	
Purchase	Yahgee		500		8,410.00	
Purchase	SGC		1,000		6,950.00	
Purchase	Tianlong Photoelectric		500		9,090.00	
Disposal (the shares acquired from initial public offering)	China Merchants Securities, etc.		3,557,942			4,098,919.28
Disposal	Yihua Timber Industry	13,050,000	13,050,000			57,681,379.84
Disposal	THTF	10,400,000	6,066,706	4,333,294		52,215,498.04
Disposal	WM	7,550,013	7,550,013			22,274,015.25
Disposal	WHZB	597,936	597,936			7,505,363.78

All of the above shares purchased during the reporting period were acquired from initial public offering, the total investment gain from disposal of which amounted to RMB4,098,919.28.

4. Asset transactions

(1) Acquisition of assets

Unit: RMB'000

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
Sichuan Guanyu Investment Co., Ltd. and Sichuan Dongyi Industry Co., Ltd.	Sichuan Chuangyu Investment Co., Ltd.	1 October 2009	2,400	(17)	N/A	No	Registered capital	Yes	Yes	less than 1	N/A
Chengdu Taichang Real Estate Development Co., Ltd.	Zigong Hanchang Real Estate Development Co., Ltd.	31 May 2009	8,000	0	N/A	No	Registered capital	Yes	Yes	0	N/A
Jiugui Liquor Co., Ltd.	China Railway Jinqiao Shiji Shanshui Property Co., Ltd.	1 August 2009	240,000	(1,969)	N/A	No	At the fair value on the date of acquisition	Yes	Yes	less than 1	N/A
Zhang Hui and Ye Ning	Shaanxi Qiancenglang Real Estate Development Co., Ltd.	10 April 2009	205,300	0	N/A	No	At the fair value on the date of acquisition	Yes	Yes	0	N/A

(2) Disposal of assets

Unit: RMB'000

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
Zhou Wei	Baoji Yanlong Travel Service Co., Ltd.	31 March 2009	89	(61)	4	No	At the fair value on the date of sale	Yes	Yes	less than 1	N/A
Shanxi Tongzhiren Materials &Trade Group Co., Ltd.	Shanxi Hezhong Ruitong	18 November 2009	66,621	0	57,703	No	Asset valuation	Yes	Yes	0	N/A
Shandong Mingrui Real Estate Development Co., Ltd.	Shandong China Railway Urban Construction Co., Ltd.	9 January 2009	168,330	0	(10,036)	No	Contract price as agreed by both parties	Yes	Yes	0	N/A
Guiyang Minghui Industry Co., Ltd.	Guiyang Tongxing Property Management Co., Ltd.	31 May 2009	150	14	108	No	Contract price as agreed by both parties	Yes	Yes	less than 1	N/A
6 individuals including Wang Jiawan	Deyang Sanyi Property Management Co., Ltd.	1 January 2009	718	0	(70)	No	Contract price as agreed by both parties	Yes	Yes	less than 1	N/A
Wang Pu	Western Metallurgy & Trading Co., Ltd.	30 June 2009	1,400	0	(718)	No	Contract price as agreed by both parties	Yes	Yes	0.00	N/A
Beijing Jingtie Beifang Investment Management Co., Ltd.	Bejing Fenghuai Sleeper Co., Ltd.	1 January 2009	8,902	0	1,175	No	At the fair value on the date of sale	Yes	Yes	0.00	N/A
Shenzhen Honglin Technology Co., Ltd.	Cifeng China Railway Resources Co., Ltd.	25 December 2009	226,000	(2,420)	190,848	No	Not less than the valuation price	Yes	Yes	2.8	N/A
Zigong Yuanda Real Estate Development Co., Ltd.	Zigong Hanchang Real Estate Development Co., Ltd.	30 November 2009	21,538	(317)	13,855	No	Contract price as agreed by both parties	Yes	Yes	less than 1	N/A

4. Asset transactions *(continued)*

(3) Asset swap

None

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 Company

RMB'000

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	Shi Dahua	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 Company

Please refer to note 46 to the Financial Statements for particulars of the subsidiaries of the Company.

6. Significant related party transactions of the Company during the reporting period *(continued)*

(3) Joint ventures and associates of the Company

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
Congo Highway Management Corporation	Joint venture	N/A
Congo (Kinshasa) International Mining Co., Ltd.	Joint venture	N/A
Chongqing Yulin Expressway Co., Ltd.	Joint venture	70936923-5
Lvsha Mining Co., Ltd.	Joint venture	N/A
MKM Mining Co., Ltd.	Joint venture	N/A
Chinese New Turnout Technologies Co., Ltd.	Joint venture	66222715-9
Chengdu Huaxindazu Property Development Co., Ltd.	Associate	72031220-5
Huludao Binhai New District Investment Co., Ltd.	Associate	742779033
Tianjin Binhai Tourist Resort Development Co., Ltd.	Associate	103650049
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
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 Corporation	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
Inner Mongolia Guobai Railway Co., Ltd.	Associate	66095563-8
Shenzhen Baochuang Construction Material Co., Ltd.	Associate	715237474
Nanchang Railway Tianji Property Development Co., Ltd. — Qingyun Mingzhu Development Department	Associated entity	N/A

6. Significant related party transactions of the Company during the reporting period *(continued)*

(4) Other related parties of the Company

Name of other related parties	Relationship with the Company	Institution code
Zhitie Mechanical Engineering Co., Ltd.	Associate of controlling shareholder	10217318-0
Sichuan Chuangyu Investment Co., Ltd. *(Note 1)*	Original associate	66531414-8
China Railway Hongda Asset Management Center	An unlisted company of the CRECG Group	71093478-0
China Railway Port and Waterway Engineering Bureau Limited *(Note 2)*	An unlisted company of the CRECG Group	19038339-8
China Airport Construction Group Corporation *(Note 3)*	An unlisted company of the CRECG Group	10205420-2
Henan Pingzheng Expressway Development Co., Ltd *(Note 4)*	An unlisted company of the CRECG Group	76781469-1

Note 1: Sichuan Chuangyu Investment Co., Ltd. was originally an associated company of the Group, and has been consolidated into the Group's financial statements due to the change in the controlling relationships during the year.

Note 2: According to the Reply to Relevant Issues on Transfer of Assets of Guangdong Zhonghai Engineering Construction Bureau under China Resources National Corporation (Guozi Pingjia No. [2008]1175) issued by the SASAC, the SASAC decided to transfer Guangdong Zhonghai Engineering Construction Bureau (which changed its name to China Railway Port and Waterway Engineering Bureau Limited in 2009, hereinafter referred to "CRPW") under China Resources National Corporation as a whole to CRECG, the ultimate controlling shareholder of the Company, at nil consideration in 2008, and the Company reserved its option and pre-emptive right to acquire CRPW from CRECG at any time pursuant to the Non-competition Agreement entered into between the Company and CRECG on 18 September 2007. As of the date of approval of the financial report, CRECG and the Company has entered into the Equity Transfer Agreement in relation to the transfer of 100% equity interest in CRPW held by it for a consideration of RMB408,640,900.

Note 3: According to the Reply to Relevant Issues on Transfer of Assets of China Airport Construction Group Corporation under China Resources National Corporation (Guozi Pingjia No. [2009]1300) issued by the SASAC, the SASAC decided to transfer China Airport Construction Group Corporation ("CACGC") under China Resources National Corporation as a whole to CRECG at nil consideration in 2009, and the Company reserved its option and pre-emptive right to acquire CACGC from CRECG at any time pursuant to the Non-competition Agreement entered into between the Company and CRECG on 18 September 2007. As of 31 December 2009, CACGC has not completed its corporate restructuring.

Note 4: Henan Pingzheng Expressway Development Co., Ltd (hereinafter known as "Henan Pingzheng") is a subsidiary acquired by CRECG from a third party in 2009. The company is only engaged in operation and management of the specified expressway.

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

RMB'000

Related parties	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 (%)
China Airport Construction Group Corporation	Public tender	267,195	less than 1	—	—
Inner Mongolia Guobai Railway Co., Ltd.	Public tender	156,786	less than 1	469,311	less than 1
Lince Railway Co., Ltd.	Public tender	154,374	less than 1	399,263	less than 1
Yunnan Longrun Real Estate Co., Ltd.	Public tender	131,222	less than 1	—	—
Chengdu Huaxindazu Property Development Co., Ltd.	Public tender	90,838	less than 1	204,146	less than 1
Congo Highway Management Corporation	Public tender	79,632	less than 1	190,844	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

RMB'000

Related parties	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: Amount	Amount of previous period: Percentage of transaction value to the same type of transaction (%)
Congo (Kinshasa) International Mining Co., Ltd.	Transaction prices and bargaining method are the same as those of non-related parties	**82,835**	**less than 1**	—	less than 1
Chinese New Turnout Technologies Co., Ltd.	Transaction prices and bargaining method are the same as those of non-related parties	**8,479**	**less than 1**	6,689	less than 1
Lvsha Mining Co., Ltd.	Transaction prices and bargaining method are the same as those of non-related parties	**2,807**	**less than 1**	—	less than 1
MKM Mining Co., Ltd.	Transaction prices and bargaining method are the same as those of non-related parties	**1,316**	**less than 1**	—	less than 1
China Railway Hongda Asset Management Center	Transaction prices and bargaining method are the same as those of non-related parties	**1,121**	**less than 1**	165	less than 1

Receipt of services and purchase of materials

RMB'000

Related parties	Pricing method and decision-making procedure of the related party transaction	Amount of the year: Amount	Amount of the year: Percentage of transactions value to the same type of transaction (%)	Amount of previous period: Amount	Amount of previous period: Percentage of transactions value to the same type of transaction (%)
The Third Railway Survey and Design Institute Group Corporation	Public tender	**50,613**	**less than 1**	31,916	less than 1
Shanghai China Railway Shanqiao Railway Equipment Company Limited	Transaction prices and method of bargaining are the same as those with non-related parties	**10,442**	**less than 1**	—	—
Jiangsu Zhongtai Steel Structure Co., Ltd.	Transaction prices and method of bargaining are the same as those with non-related parties	**5,181**	**less than 1**	26,835	less than 1
China Railway Port and Waterway Engineering Bureau Limited	Income sharing according to the proportion of budget cost	**1,464**	**less than 1**	—	—
Shanghai Tierun Construction Engineering Co., Ltd.	Transaction prices and method of bargaining are the same as those with non-related parties	**—**	**—**	12,000	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

RMB'000

Name of lessor	Name of lessee	Leased assets	Commencement date of the lease	Expiry date of the lease	Lease charges	Determination basis for lease income
China Railway Hongda Asset Management Center	China Railway Group Limited	Office building and others	2009-01	2009-12	46,156	Pricing by negotiation

(3) Related party guarantees

RMB'000

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
China Railway Group Limited	Inner Mongolia Guobai Railway Co., Ltd.	430,000	2008-11	2020-11	No
China Railway NO.2 Engineering Group Co., Ltd.	Huludao Binhai New District Investment Co., Ltd.	120,000	2007-04	2009-01	Yes

(4) Borrowing and lending from/to related parties

RMB'000

Related parties	Amount	Commencement date	Due date	Balance of the year
Current year:				
Borrowing				
Guiyang Xinglong Changqingteng Property Development Co., Ltd.	46,495	2009-08	2010-08	9,580
Lending				
Sicomines SARL	828,281	2009-09	2019-10	828,281
Congo Highway Management Corporation	102,287	2009-01	2011-09	102,287
Previous year:				
Borrowing				
China Railway Engineering Corporation	20,000	2008-08	2009-02	20,000
Lending				
—	—	—	—	—

6. Significant related party transactions of the Company during the reporting period *(continued)*

(5) Related party transactions *(continued)*

(5) Asset transfer and debt restructuring of related parties

RMB'000

Related parties	Particulars of related party transaction	Type of related party transaction	Pricing principle of related party transaction	Amount of the year: Amount	Amount of the year: Percentage of total transactions to the same type of transaction (%)	Amount of last year: Amount	Amount of last year: Percentage of total transactions to the same type of transaction (%)
Baoji CSR Times Engineering Machinery Co., Ltd.	Disposal of fixed assets	Disposal of fixed assets	Trading on appraised value	**16,159**	**100**	—	—

(6) Remuneration of key management personnel

RMB'000

Item	Amount of the year	Amount of last year
Remuneration of key management personnel	**5,769**	6,175

(7) Other related party transactions

RMB'000

Particulars of transaction	Related parties	Amount of the year	Amount of last year
Receipt of integrated services	China Railway Hongda Asset Management Center	**87,521**	76,405
Interest income	Congo Highway Management Corporation	**7,500**	—
Interest income	Sicomines SARL	**7,169**	—

6. Significant related party transactions of the Company during the reporting period *(continued)*

(6) Amount due from/due to related parties

RMB'000

Items	Related Parties	At the end of the year	At the beginning of the year
Account receivables	Yunnan Fuyan Expressway Co., Ltd.	156,247	258,997
	Inner Mongolia Guobai Railway Co., Ltd.	102,464	—
	Lince Railway Co., Ltd.	96,872	19,215
	Congo (Kinshasa) International Mining Co., Ltd.	84,871	—
	Congo Highway Management Corporation	84,508	114,734
	Chengdu Huaxindazu Property Development Co., Ltd.	43,613	112,973
	Chengdu Longquanyi District Land Recondition Co., Ltd.	34,132	41,306
	Yunnan Longrun Real Estate Co., Ltd.	30,818	—
	Henan Pingzheng Expressway Development Co., Ltd	25,516	49,998
	Chongqing Dianzhong Expressway Co., Ltd.	25,415	5,609
	Lvsha Mining Co., Ltd.	2,807	—
	Chinese New Turnout Technologies Co., Ltd.	1,324	1,368
	MKM Mining Co., Ltd.	1,316	—
	China Railway Hongda Asset Management Center	635	—
		690,538	604,200
Other receivables	Congo (Kinshasa) International Mining Co., Ltd.	338,615	247,333
	Huludao Binhai New District Investment Co., Ltd	149,021	—
	Lvsha Mining Co., Ltd.	52,385	17,665
	Inner Mongolia Guobai Railway Co., Ltd.	51,804	—
	MKM Mining Co., Ltd.	30,925	15,867
	Chongqing Yulin Expressway Co., Ltd.	18,553	17,500
	Congo Highway Management Corporation	16,965	50,008
	Shaanxi Beichen Property Development Co., Ltd.	14,633	13,953
	Lince Railway Co., Ltd.	12,175	—
	Shenzhen Baochuang Construction Material Co., Ltd.	9,904	—
	Baoji CSR Times Engineering Machinery Co., Ltd.	8,302	—
	Joint venture of Paul Y. and China Railway — Garbage Processing Project	5,984	15,053
	Chengdu Yuantong Railway Engineering Co., Ltd.	5,682	6,708
	Guiyang Baiyun Tiewujian Property Development Co., Ltd.	5,000	5,000
	China Railway Hongda Asset Management Center	102	—
	Sicomines SARL	2,461	15,462
	Guiyang Xinglong Changqingteng Property Development Co., Ltd.	—	36,915
	Chongqing Dianzhong Expressway Co., Ltd.	2,434	796
	Chengdu China Railway No. 2 Group Yongjingtang Printing Co., Ltd.	3,600	3,600
	Sichuan Chuangyu Investment Co., Ltd.	—	50,808
		728,545	496,668
Long-term receivables *(Note)*	Sicomines SARL	828,281	—
	Congo Highway Management Corporation	102,287	—
		930,568	—
Dividend receivable	Congo Highway Management Corporation	16,097	5,489

6. Significant related party transactions of the Company during the reporting period *(continued)*

(6) Amount due from/due to related parties *(continued)*

RMB'000

Items	Related Parties	At the end of the year	At the beginning of the year
Prepayments	Yunnan Longrun Real Estate Co., Ltd.	**118,442**	118,442
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**15,474**	—
	The Third Railway Survey and Design Institute Group Corporation	**96**	—
		134,012	118,442
Account payables	China Railway Hongda Asset Management Center	**4,264**	9,053
	Shanghai Tierun Construction Engineering Co., Ltd.	**3,011**	8,000
	Inner Mongolia Guobai Railway Co., Ltd.	**2,434**	—
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**64**	14,583
		9,773	31,636
Receipts in advance	China Railway Hongda Asset Management Center	**38,854**	—
	China Airport Construction Group Corporation	**23,847**	—
	Lince Railway Co., Ltd.	**10,612**	—
	Tianjin Binhai Tourist Resort Development Co., Ltd.	**—**	125,459
	Congo Highway Management Corporation	**—**	34,843
	Chinese New Turnout Technologies Co., Ltd.	**—**	131
		73,313	160,433
Other payables	China Railway Hongda Asset Management Center	**32,870**	102,677
	Nanchang Railway Tianji Property Development Co., Ltd. — Qingyun Mingzhu Development	**27,000**	27,000
	Suzhou Huxin Real Estate Development Co., Ltd.	**24,300**	10,800
	Guiyang Xinglong Changqingteng Property Development Co., Ltd.	**9,580**	—
	Shanghai Tierun Construction Engineering Co., Ltd.	**8,206**	8,206
	CRECG	**5,100**	53,770
	Chengdu Huaxindazu Property Development Co., Ltd.	**—**	10,503
	Chengdu Longquanyi District Land Recondition Co., Ltd.	**—**	7,000
	Zhitie Mechanical Engineering Co., Ltd.	**—**	7,381
		107,056	227,337
Short-term borrowings	CRECG	**—**	20,000
Dividend payable	CRECG	**2,404,896**	—

Note: The two long-term receivables are of loan nature, balances of which at the end of the year are disclosed in Note 45 Related Party Transactions — Balances with related parties to the financial statements.

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

RMB0'000

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 Group Limited	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	No	Associate
China Railway Group Limited	The same entity	Inner Mongolia Guobai Railway Co., Ltd.	43,000.00	24/11/2008	24/11/2008	30/11/2020	Suretyship of joint and several liability	No	No	—	No	No	Associate
China Railway NO.2 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	450,000.00	5/4/2007	5/4/2007	5/4/2011	Suretyship of joint and several liability	No	No	—	No	No	Associate
China Railway Erju Co., Ltd.	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	37,333.40	28/12/2007	28/12/2007	28/12/2010	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO.2 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	17,000.00	24/12/2004	24/12/2004	23/12/2016	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Feidong Rainbow New City project	12,000.00	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.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng project	6,900.00	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.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yankuang Group Co., Ltd	5,235.30	3/2/2004	3/2/2004	2 years after completion of project	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan Jiulongwan project	27.20	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.5 Engineering Group Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Xinglong Fengdan Bailu project	7,488.60	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway NO.5 Engineering Group Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Xinglong Urban Park and Xinglong Zhujiang Wan Pan	3,274.20	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	

7. Material contracts and their performance *(continued)*

(2) Guarantee *(continued)*

RMB0'000

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.5 Engineering Group Co., Ltd.	Wholly-owned controlling subsidiary	Property owners of Guangsha Xinyuewan	263.00	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.7 Engineering Group Co., Ltd.	Wholly-owned subsidiary	China Henan International Cooperation Group Co., Ltd	434.00	19/4/2006	19/4/2006	Completion of project	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe project	51,931.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.8 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Ruijing Mingcheng project	27,814.00	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.8 Engineering Group Co., Ltd.	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 Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijing Lanting	6,606.00	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.8 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Dragon Town project	6,052.70	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 Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Longjun project	4,484.00	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.8 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongqi Xinyuan project	749.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway NO.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Donghai Chuncheng project	4,370.00	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.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Huayang Nianhua project	1,739.20	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.10 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Shengshi Longcheng project	380.00	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 Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	566.00	6/8/2007	6/8/2007	27/5/2010	Suretyship of joint and several liability	No	No	–	No	No	

7. Material contracts and their performance *(continued)*

(2) Guarantee *(continued)*

RMB0'000

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 Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China SFECO Group	22,533.10	28/12/2007	28/12/2007	28/12/2010	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China SFECO Group	13,519.80	27/06/2008	27/06/2008	27/06/2011	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Construction Group (CRCG) Co., Ltd.	Wholly-owned subsidiary	Property owners of Bei'an Gongguan in Lanzhou	235.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Electrification Engineering Group Co., Ltd.	Wholly-owned subsidiary	Clients of Yijing Garden project	9,671.00	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 Electrification Engineering Group Co., Ltd.	Wholly-owned subsidiary	Clients of Siji Huacheng project	3,601.00	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 Noble Holiday Garden project	144,393.90	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Hanlanting (Jingshunanli) project	42,162.00	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 Xi'an Bingfen Nanjun	11,676.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of underground parking space and business of southern square of the Beijing West Railway Station	3,568.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Yidu International	2,483.30	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 Real Estate Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Shuiying Jiazhou Garden	1,199.00	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)*

RMB0'000

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 Eryuan Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Yishabeila project	11,300.40	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	
China Railway Eryuan Engineering Group Co., Ltd.	Wholly-owned subsidiary	Property owners of Suoer International project	1,180.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	—	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	223,526.94
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	1,051,479.80
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	41,792.55
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	323,781.61
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	1,375,261.41
Percentage of aggregate guarantee to net assets of the Company (%)	20.72
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	571,300.00
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	758,147.81
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	1,329,447.81
Statement on the contingent joint and several liability in connection with unexpired guarantee	

Statement on guarantee: *China Railway Sunite Railway Co., Ltd changed its name into Inner Mongolia Guobai Railway Co., Ltd. and increased capital by issuing additional shares in 2009, which resulted in loss of ultimate control of Railway Resources (a subsidiary of the Company) over the company, and therefore the relevant guarantee was transferred from "guarantee provided to subsidiaries" category to "guarantee provided to associates" category.*

7. Material contracts and their performance *(continued)*

(3) Financial trust management

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

(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 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
2	China Railway NO.1 Engineering	Jilin Highway Group Co., Ltd.	Section 24 of Hunchun Wulanhaote Highway	2008-08-06	114,827	26 months
3	China Railway Major Bridge Engineering	Shandong Luqiao Group Expressway Co., Ltd (Qingdao)	Section 11 of Qingdao Bay Bridge	2007-04-26	56,988	36 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 Electrification Engineering	Nanjing Metro Co., Ltd.	PPP Investment Projects of Nanjing Subway South Extended Line	2007-04-29	142,000	30 months
3	China Railway Tunnel	Wuhan Metro Group Co., Ltd.	Construction of Section 12 of Wuhan Metro Line 2 (Phase I)	2008-05-12	110,027	29 months

7. Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(2) Survey, Design and Consulting Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Yuli Railway Co., Ltd	Survey and Design of the New Chongqing-Lichuan Railway	2008-12-28	49,032	96 months
2	China Railway Eryuan Engineering	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	Agreement on Construction Works (Survey and Design) between Shaoguan (not inclusive) and Huadu (not inclusive) for the Wuhua Section of the New Wuhan-Guangzhou Passenger Railway (with supplemental agreement)	2005-12-28	35,600	76 months
3	China Railway Eryuan Engineering	State Railway Autonomous Institute of Venezuela	Survey and Design of Venezuela's State Railway Network Project (LA ENCRUCIJADA-CUA Section)	2008-10-31	26,302	13 months
4	China Railway Eryuan Engineering	Southeast Coast Railway Fujian Co., Ltd.	Construction Works (Survey and Design) of the New Fuzhou- Xiamen Railway Line	2006-11-18	25,003	51 months
5	China Railway Eryuan Engineering	Hainan Donghuan Railway Co., Ltd.	Construction Works of the New Hainan Donghuan Railway and Supporting Facilities	2007-07-28	24,521	48 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 Shanhaiguan Bridge	Ningbo Tongtu Company	Construction Contract of Ningbo Mingzhou Bridge	2008-05-21	49,677	28 months
2	China Railway Shanhaiguan Bridge	Shandong High-Speed Qingdao Expressway Co., Ltd	Contract of Processing and Manufacturing of Phase I and II of Steel Box Girder for Qingdao Bay Bridge	2008-07-03	45,386	23 months
3	China Railway Turnout & Bridge	Construction Headquarters of Jiangsu Yangtze River Highway Bridge	Manufacturing of Middle Steel Tower on Suspension Bridge of Taizhou Yangtze River Highway Bridge (Section C04)	2008-04-22	24,513	16 months
Turnout						
1	China Railway Turnout & Bridge	Zhengzhou-Xi'an Passenger Railway Line Co., Ltd.	Zhengxi Passenger Railway Turnout	2008-07-10	52,794	13 months
2	China Railway Turnout & Bridge	Southeast Coast Railway Fujian Co., Ltd.	Wenfu Railway Turnout	2008-07-06	20,865	14 months
Construction (Track) Machinery						
1	China Railway Shanhaiguan Bridge	China Railway United International Containers Co., Ltd	Rail-mounted Gantry Crane for 40-ton Container	2008-06-06	13,535	20 months
2	China Railway Turnout & Bridge	Shanghai Maglev Transportation Development Co., Ltd.	Development of maglev turnout and related services contract	2008-12-25	3,115	12 months

7. Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Bridge Living Capital	Wuhan City, Hubei Province	Residential	105.54
2	Qingdao International Trade Centre	Qingdao City, Shandong Province	Complex	33.47
3	Xi'an China Railway Changfeng	Xi'an City, Shaanxi Province	Residential	62.70
4	Shujun	Chengdu City, Sichuan Province	Residential	32.69
5	China Railway Ruicheng, Xinjie	Chengdu City, Sichuan Province	Residential	35.13
6	An Qing Xin Cheng Dong Yuan Hua Yuan	Anqing City, Anhui Province	Residential	62.80

(5) Other Businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period (month)	Operation (repurchase) term (year)
BOT							
1	China Railway	Guangxi Department of Communications	Contract of Build-Operate -Transfer Project of the Guangxi Cenxi-Xingye Expressway Project	2005-8-26	516,361	36	28
2	China Railway	Yunnan Department of Communications	BOT Project of Funing (Yunan)-Guangnan, Guangnan-Yanshan Expressway	2005-12-29	644,000	36	27
3	China Railway NO. 2 Engineering	Yulin Bureau of Communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10-29	517,000	36	30

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. 4 Engineering	Lanxin Railway Xinjiang Co., Ltd	Master Construction Contract of Civil Construction Phase LXTJ4 of the Second Dual Line of the New Lanxin Railway (Hami-Urumqi Section)	2009-12	883,335	38 months
2	China Railway NO. 3 Engineering	Hangyong Railway Passenger-line Co., Ltd.	Master Construction Contract of Civil Works for Section HYZQ-1 of the New Hangzhou-Ningbo Passenger Railway Line	2009-3-31	620,160	34 months
3	China Railway NO. 2 Engineering	Lanxin Railway Xinjiang Co., Ltd	Master Construction Contract of Civil Construction Phase LXTJ5 of the Second Dual Line of the New Lanxin Railway (Hami-Urumqi Section)	2009-12	582,548	35 months
Highway						
1	China Railway Major Bridge Engineering	Shenzhen Expressway Company Limited	Contract of Guangshen Coastal Expressway (Shenzhen Section) Project 2nd contracted section	2009-03-20	185,165	28 months
2	China Railway Major Bridge Engineering	Henan Taohuagu Huanghe Bridge Investment Co., Ltd	Contract for Phase TJ-6 of Taohuagu Huanghe Bridge of Wuzhi-Xixia Expressway	2009-12-01	81,802	30 months
3	China Railway NO. 10 Engineering	Headquarters of Ningbo High-grade Highway Construction	Contract for Phase 5 of Ningbo Chuanshan-Haosifang Highway project	2009-12	74,112	30 months
Municipal Works						
1	China Railway Southern Company	Shenzhen Metro Co., Ltd.	Master Construction Contract of Hub Engineering Projects of Shenzhen North Station (Phase B1) (Master Construction)	2009-09-26	258,200	40 months
2	China Railway Major Bridge Engineering	Guangdong Southeast Inter-city Rail Transport Co., Ltd	Contract for Phase SZH-1 of Construction of Guangzhou-Dongguan-Shenzhen Inter-city Rail Transport project	2009-11-16	170,414	19 months
3	China Railway Construction	Qingdao Zhongjin Yuneng Property Co., Ltd.	Construction of Qingdao International Trade Centre	2009-06-22	156,613	35 months

7. Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(2) Survey, Design and Consulting Services Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum RMB'0,000	Construction period
1	China Railway Eryuan Engineering	Guiyang-Guangzhou 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 Engineering Consulting	Preparatory Team of Nanguang Railway Company	Survey and Design Contract of the Guiping-Zhaoqing section of the new Nanning-Guangzhou railway	2009-02	39,300	46 months
3	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

(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 Shanhaiguan Bridge	Highways Administration Bureau of the Liaoning Provincial Communications Department	Manufacture and installation of steel box girders and steel anchor beams for Liaohe large bridge in Liaoning Provincial Coastal Highway	2009-02-18	24,918	22 months
2	China Railway Shanhaiguan Bridge	Communication Engineering Construction Bureau of Jiangsu Province	Manufacture of steel box girders for Chongqi Yangtze River Bridge	2009-07-04	19,791	17 months
Turnout						
1	China Railway Shanhaiguan Bridge	Coastal Railway Company	Purchasing contract of turnouts for the Ningbo-Taizhou-Wenzhou Coastal Railway project	2009-03-17	31,925	3 months
2	China Railway Turnout & Bridge	Shanghai-Nanjing Inter-city Railway Co., Ltd	Shanghai-Nanjing Inter-city Railway Turnout	2009-07-27	30,470	6 months
Construction (Track) Machinery						
1	China Railway Equipment	Hebei Finance Lease Co., Ltd	Purchasing Contract for shield	2009-08-16	12,000	spot transaction
2	China Railway Turnout & Bridge	Chongqing Huayu Electrical & Instruments Factory	Manufacture and installation of third and fifth joint turnout for project system and equipments of Phase I of Chongqing Rail Transport Line 3	2009-07-27	3,844	12 months

7. Material contracts and their performance *(continued)*

(4) Other material contracts *(continued)*

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Tamiya — Wuliang Village	Pixian, Chengdu	Residential, commercial	26.12
2	China Railway — Ruijing Lanting	Wenjiang, Sichuan	Residential, commercial	13.01
3	China Railway Real Estate — Shiji Shanshui	Shishou, Hubei	Residential, commercial	60.00
4	China Railway — Noble International	Baotou, Inner Mongolia	Residential	27.25
5	A parcel of land located at #5 of Shanghai Shibei Industrial Park	Shanghai	Office premises	19.02
6	Shenyang Shengfeng Renjie Coast Project I	Daoyi, Shen Bei New District, Shenyang	Residential, commercial	46.00

(5) Other Businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum RMB'0,000	Construction period
1	China Railway NO. 5 Engineering	People's Government of Pixian	Class A land development project of Pixian	2009-12-30	559,500	72 months
2	China Railway NO. 5 Engineering	People's Government of Jinniu District, Chengdu	Land recondition of Jinniu District, Chengdu	2009-07	282,200	36 months
3	China Railway	Management Committee of Meizhou Bay Economic Development Zone of Putian City	Mazucheng project of Putian, Fujian Province	2009-07-22	250,000	36 months

8. 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 pre-emptive 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. 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 or public reprimand by any stock exchange.

10. Other significant events

During the reporting period, certain provisions of the Articles of Association have been amended pursuant to the applicable requirements of CSRC and relevant stock exchanges and based on the Company's actual need. The amendments were considered and approved at the 2009 annual general meeting of the Company held on 25 June 2009, details of which were disclosed on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 26 June 2009 and the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Information on Major Properties

1. Properties held for investment

Name of buildings	Location	Use	Tenure	Interest of the Group (%)
Guest House Building	No. 12 Hualongdao, Hedong District, Tianjin Municipal	Commercial	Short term lease	100
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City, Shaanxi Province	Commercial	Medium term lease	100
Tianfu Hotel	No. 11 Building 7, Hezhou Road North, Hecheng District, Huaihua City, Hunan Province	Commercial	Medium term lease	100
The Original Office of China Railway No. 1 Engineering	No. 1 North Part of Yanta Road, Beilin District, Xi'an City, Shaanxi Province	Commercial (lease as office space)	Short term lease	100
The Expert Outpatient Building of China Railway No. 1 Engineering Group Co., Ltd.	No. 319 East Part of Nan Er Huan Road, Xi'an City, Shaanxi Province	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
Shenzhen Noble Holiday Garden	North-east Corner of Conjunction between Moon Bay Road and Western Corridor, Nanshan District, Shenzhen City, Guangdong Province	Residential	69,217.33	265,546.89	Under construction (already sold)	2009	60%
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%
Qingdao International Trade Centre	No. 8 Hong Kong Central Road, Qingdao City, Shandong province	Complex	18,229.2	332,400	Under construction	2011	92%
Xi'an China Railway Changfeng	South to keji 8th Road, West to Zhangba 4th Road, 4th Road, High-tech District, Xi'an City, Shaanxi Province	Residential	141,507.37	627,000	Under construction (already sold)	2013	100%
Xinjie	No.55, Taipingyuan Henger Road, Wuhou District, Chengdu City, Sichuan Province	Residential	137,900	352,691	Under construction (already sold)	2011	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.	PPP:	"Private Build-Public Lease-Private Operate" mode
9.	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.
10.	Open:	the expiry date of a guarantee agreement is a time limit on or upon which certain conditions of the related project have been satisfied, rather than a specified date.
11.	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.
12.	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

SHI Dahua *(Chairman)*
LI Changjin
BAI Zhongren

Non-executive director

WANG Qiuming

Independent non-executive directors

HE Gong
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

YAO Guiqing *(Chairman)*
JI Zhihua
ZHANG Xixue
ZHOU Yuqing
LIN Longbiao

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

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

Nomination committee

SHI Dahua *(Chairman)*
LI Changjin
HE Gong
GONG Huazhang
WANG Taiwen

Safety, health and environmental protection committee

LI Changjin *(Chairman)*
BAI Zhongren
HE Gong
WANG Taiwen
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 Auditor
Deloitte Touche Tohmastu Certified Public Accountants Limited
8/F, Deloitte Tower
The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing, PRC

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

Legal advisors

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

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

Shares registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing information

A Shares

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

H Shares

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

Principal bankers

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

Company website

http://www.crec.cn

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