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

2008 Annual Report

RAILWAY CONSTRUCTION

COMPLETED A TOTAL TRACK LAYING LENGTH OF RAILWAY MAIN LANE OF 4,362 KILOMETERS IN 2008

HIGHWAY CONSTRUCTION

COMPLETED A TOTAL LENGTH OF HIGHWAY CONSTRUCTION OF 1,570 KILOMETERS IN 2008

MUNICIPAL WORKS

COMPLETED A TOTAL LENGTH OF LIGHT RAILWAYS AND SUBWAY LINES CONSTRUCTION OF 350 KILOMETERS IN 2008

NEW CONTRACTS

NEW CONTRACTS ENTERED INTO BY THE GROUP IN 2008 REACHED RMB428.45 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 third largest construction contractor in the world, based on total contracting revenue, and a Fortune Global 500 company. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining.

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

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

Financial Summary

Income Statement Summary

	For the year ended 31 December					Change
	2008	2007	2006 RMB million	2005	2004	**2008 vs 2007** (%)
Revenue						
Infrastructure Construction	**203,299**	168,562	140,399	99,204	77,249	20.6
Survey, Design and Consulting Services	**4,354**	3,394	4,124	3,480	2,780	28.3
Engineering Equipment and Component Manufacturing	**6,944**	5,193	4,095	3,814	3,024	33.7
Property Development	**3,805**	3,282	1,879	1,622	863	15.9
Others	**10,696**	8,122	6,278	4,747	4,018	31.7
Inter-segment Elimination	**(4,069)**	(11,162)	(3,207)	(1,444)	(1,105)	N/A
Total	**225,029**	177,391	153,568	111,423	86,829	26.9
Gross Profit	**16,495**	12,732	11,921	9,192	7,207	29.6
Profit before Taxation	**2,300**	3,384	3,387	750	564	(32.0)
Profit for the Year	**1,669**	2,835	2,739	460	408	(41.1)
Profit attributable to Equity Holders of the Company	**1,350**	2,488	2,046	171	463	(45.7)
Basic earnings per Share (RMB)	**0.063**	0.186	0.160	0.013	0.036	(66.1)

Balance Sheet Summary

	As at 31 December					Change
	2008	2007	2006 RMB million	2005	2004	**2008 vs 2007** (%)
Assets						
Current Assets	**192,404**	172,242	117,932	81,351	64,579	11.7
Non-current Assets	**59,515**	44,083	25,161	21,987	20,457	35.0
Total Assets	**251,919**	216,325	143,093	103,338	85,036	16.5
Liabilities						
Current Liabilities	**165,548**	136,520	117,509	80,133	62,275	21.3
Non-current Liabilities	**25,447**	20,064	15,071	13,959	14,525	26.8
Total Liabilities	**190,995**	156,584	132,580	94,092	76,800	22.0
Total Equity	**60,924**	59,741	10,513	9,246	8,236	2.0
Total Equity and Liabilities	**251,919**	216,325	143,093	103,338	85,036	16.5

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 2008 annual report of China Railway Group Limited on behalf of the Board of Directors.

As the first year since the successful listing of China Railway, 2008 was an extraordinary and exceptional year for the reform and development of China Railway. During the year, all employees of the Group worked hand in hand and overcame numerous challenges, which enabled us to achieve significant development in our manufacturing operation, enhance our corporate governance and increase our social influence. The Group actively responded to the severe challenges brought by the unprecedented natural disasters and the global financial crisis during the year and managed to achieve good performance in various works and make new breakthroughs in corporate reform by taking the opportunities arising from the government's efforts in increasing domestic demand and infrastructure construction and by pointing to the right direction on corporate strategy development.

1. Financial Results

China Railway continued to develop rapidly in 2008 and recorded overall growth in major financial and business indicators. The value of new contracts entered into by the Group in 2008 reached RMB428.45 billion, representing an increase of 72.4% over 2007. Total revenue amounted to RMB225.029 billion, representing an increase of 26.9% over 2007. Profit attributable to equity holders of the Company decreased by 45.7% year-on-year to RMB1.350 billion. However, profit attributable to equity holders of the Company increased by 100.6% year-on-year to RMB5.487 billion if excluding the exchange loss on the proceeds from the H share offering.

These achievements are the fruits of the dedication and innovation by all levels of management, the hard work and selfless efforts of all employees of the Group, and the unwavering support of our shareholders.

2. Business Development

In 2008, the Group continued to promote the coordinated development of the "upstream, middle-stream and downstream" of the construction industry. On the basis of the consolidation and expansion of traditional business segments, the Group actively nurtured and developed new business segments. The Group also established subsidiaries such as China Railway International, China Railway Science & Industry Group Corp., China Railway Resources Development Limited and China Railway South Investment & Development Co., Ltd. by integrating its resources. Accordingly, a main business focused and an industry structure and layout which promoted diversification within a limited and related field has been preliminarily formed. The establishment of a comprehensive industry structure and layout has further strengthened synergies among different segments and highlighted the advantages of the integration of the construction industry.

As the Group's infrastructure construction business continued to expand, the total value of new contracts in the rail market for the whole year reached RMB230.319 billion, representing an increase of 150.3% over 2007. The value of new contracts in non-rail markets such as highway, municipal works and urban rail also recorded year-on-year growth, of which highway projects and urban rail transportation projects took up 13% and 52.6% of the domestic market share, respectively. The above development has further reinforced the Group's status as the largest construction contractor in the PRC and demonstrated the Group's integrated and comprehensive business capabilities.

In terms of survey and design services business, the Group accelerated its expansion into non-rail markets, and the increased number of subsidiaries receiving Class-A qualification has further enhanced our integrated design capabilities and market competitiveness. The Group's core competitiveness was further enhanced through the further improvement of the quality and the technology level of its engineering consulting services which further reinforced our leading position in the survey, design and consulting services industry.

As to the engineering equipment and component manufacturing business, the Group comprehensively promoted the reallocation of resources within the industrial segments and established China Railway Science & Industry Group Co., Ltd., an integrated enterprise covering manufacturing, research and development, which principally engaged in the manufacturing of engineering equipment, erection equipment and steel structure and the provision of logistics management services. Through the reallocation, we have formed an industrial enterprise with core advantages, such as distinguished main business, reasonable structure, mutual complementarity and resources sharing.

The Group had timely adjusted the sales and marketing strategy of the property segment and initiated several projects including the establishment of the Qingdao International Trade Center and Shijiazhuang Party School. Meanwhile, a number of projects developed earlier had been launched into the market and achieved favorable results. As a result, "China Railway Real Estate"has become an emerging brand name.

While reinforcing an advantage position in its traditional businesses, the Group also actively expanded into a variety of other related businesses by leveraging on its established business platform and overall advantage. The Group has successfully developed a series of BT and BOT projects (which constituted investment and operation projects of highway, municipal works and subway). In addition, the Group has actively participated in high-profit businesses such as resources and mining. In 2008, the Group fully integrated its resources projects and established China Railway Resources Development Limited, thereby strengthening the scale advantages of its resources development segment, improving resources efficiency and enhancing market competitiveness. The implementation of such measures will safeguard the sustainable development of the Group in the future.

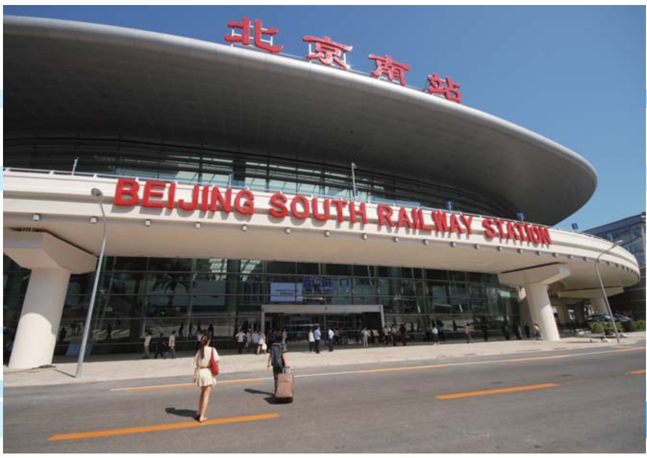
3. Corporate Governance

As a company dual-listed in Shanghai and Hong Kong, the Group is committed to continuously improving its corporate governance structure and regulating its operation in strict compliance with laws and regulations, including the Company Law, the Securities Law and the Corporate Governance Standards for Listed Companies, as well as the rules promulgated by the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. In 2008, in accordance with the new regulatory requirements published by regulatory authorities, the Group further strengthened and optimized its internal control system and enhanced its corporate governance system and other management systems by formulating various new policies. At the same time, based on the standard requirement of the China Securities Regulatory Commission, the Group initiated a special corporate governance campaign at the end of June 2008, which involved five phases, namely corporate governance study session, self-inspection and self-correction, public assessment and review, on-site examination, and rectification and improvement. Through the above efforts, the Group identified potential problems and deficiencies in its business operations and corporate governance and earnestly took responsive and corrective measures, thereby effectively promoting the optimization of the Group's corporate governance structure.

The Company's diligence has gained positive recognition from capital markets and the Company has won various important awards, such as "Hong Kong Corporate Governance Excellence Awards — Honourable Mention", "Most Competitive Hong Kong Listed Companies", "Golden Bull Award Top 100 Companies", "Top 100 Companies in Terms of Revenue", "Top 100 A-share Companies in Terms of Market Value", "Top 100 Companies in Terms of Growth Potential", "2008 Golden Tripod Award for Listed Companies in Chinese Securities Market" and "Innovative Awards of Value Companies". In addition, the Company was awarded the "Best Ranked Company for Finance Disclosure Practice" and "Best Investor Relationship — Highest Ranking Company in the Asia-pacific Region" of IR Global Ranking (IRGR).

4. Prospective Outlook

To actively cope with the financial crisis triggered by the US sub-prime mortgage crisis, the Chinese government has implemented proactive fiscal policies and moderately loosen monetary policies, and formulated ten measures to further increase domestic demand and promote economic growth, including accelerating projects relating to people's well-being, infrastructure, eco-system construction and post-quake reconstruction and so on. The government also conveyed a strong policy signal on rapid and stable economic growth. It is preliminarily estimated that by the end of 2010, the investment from the government shall increase by approximately RMB4 trillion. The emphasis of and investment from the government has offered the domestic construction industry an excellent development opportunity and provided construction enterprises with extensive room for growth.



As the largest integrated construction contractor in the PRC, the Group will firmly seize the opportunity brought by the boom in the construction industry and continued to "adhere to one thought", which is to insist on the coordinated development of the "upstream, middle-stream and downstream" of the construction industry and continuously strengthen the integrated advantage of the construction industry, thereby establishing an industry structure and layout which promoted diversification within a limited and related field; "Properly execute the two enhancement strategy" by strengthening the supervision on investment and financing projects, capital projects such as BT and BOT, property and resources development projects; strengthen realignment of organizational structure to fully implement horizontal and refined project management; and "implement the three focuses strategy" by centralizing the management and utilization of finance and capital, the tender and procurement of bulk materials and the procurement and allocation of large-scale equipment. All of the above factors further exerted the Group's advantages, optimized resources allocation and enhanced the quality of the Group's operation. While continuing to maintain the Group's advantages in its traditional infrastructure construction business, the Group will also strive to expand the scope of its infrastructure construction business by expanding into the businesses of port, navigation, airport and environmental project construction. As for the survey and design services business, the Group will speed up its penetration into non-rail markets, so as to further improve the quality of engineering consulting services and techniques, as well as further strengthening our leading position in the survey, design and consulting services industry. In addition, the Group will endeavor to enhance the overall utilization efficiency of industrial resources and further accelerate the development of industrial and manufacturing business, with an aim to boost and further expand our market share.

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
28 April 2009

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	12,417,510,000	58.30	—	—	—	—	—	12,417,510,000	58.30
2. Shares held by state-owned legal persons				—					
3. Shares held by other domestic investors	1,402,550,000	6.58	—	—	—	–1,402,550,000	–1,402,550,000	—	—
Of which:									
Shares held by domestic non-state-owned legal persons	1,402,550,000	6.58	—	—	—	–1,402,550,000	–1,402,550,000	—	—
Shares held by domestic natural persons									
4. Shares held by foreign investors	550,172,000	2.58	—	—	—	–550,172,000	–550,172,000	—	—
Of which:									
Shares held by foreign legal persons	550,172,000	2.58	—	—	—	–550,172,000	–550,172,000	—	—
Shares held by foreign natural persons									
Total number of shares with selling restrictions	14,370,232,000	67.46	—	—	—	–1,952,722,000	–1,952,722,000	12,417,510,000	58.30
(2) Tradable shares without selling restrictions									
1. RMB-denominated ordinary shares	3,272,450,000	15.37	—	—	—	+1,402,550,000	+1,402,550,000	4,675,000,000	21.95
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	3,657,218,000	17.17	—	—	—	+550,172,000	+550,172,000	4,207,390,000	19.75
4. Others									
Total number of tradable shares without selling restrictions	6,929,668,000	32.54	—	—	—	+1,952,722,000	+1,952,722,000	8,882,390,000	41.70
(3) Total	21,299,900,000	100.00						21,299,900,000	100.00

(2) Details of Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of 2008	Number of shares with selling restrictions expired in 2008	Number of additional shares with selling restrictions in 2008	Number of shares with selling restrictions at the end of 2008	Reasons for selling restrictions	Expiry date of selling restrictions
CRECG	12,417,510,000	—	—	12,417,510,000	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
A Shares placed off-line	1,402,550,000	–1,402,550,000	—	—	Subject to a lock-up period of three months from the date of listing of the A Shares	3 March 2008
Corporate investors of H Shares	550,172,000	–550,172,000	—	—	Subject to a lock-up period of twelve months from the date of listing of the H Shares	7 December 2008
Total	14,370,232,000	–1,952,722,000	—	12,417,510,000	—	—

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 amounts to 17,475,000,000 shares, of which CRECG holds 12,800,000,000 A Shares, accounting for 73.25% of the total issued share capital of the Company and the public shareholders hold 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 includes 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 amounts to 21,299,900,000 shares, of which CRECG holds 12,417,510,000 A Shares, representing 58.30% of the total issued share capital of the Company, the public shareholders hold 4,675,000,000 A Shares, representing 21.95% of the total issued share capital of the Company; and the shareholders of H Shares hold 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 1,137,922 shareholders, of which 1,103,690 were holders of A Shares (including CRECG) and 34,302 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	58.30	12,417,510,000	—	12,417,510,000	—
2	HKSCC Nominees Limited *(Note 1)*	Other	19.44	4,139,935,043	+35,766,043	—	—
3	Bank of Communications — Yi Fang Da 50 Index Security Investment Fund	Other	0.29	61,800,740	+61,800,740	—	—
4	Industrial and Commercial Bank of China — Exchange-traded Open-ended SSE 50 Index Security Investment Fund	Other	0.22	47,127,592	+47,127,592	—	—
5	China Life Insurance Company Limited — Bonus — Individual Bonus — 005L — FH002 Hu	Other	0.22	46,740,639	+30,471,639	—	—
6	Bank of China — Invesco Great Wall Top Revenue Open-ended Security Investment Fund	Other	0.18	37,417,156	+19,617,156	—	—
7	China Construction Bank — ABN AMRO TEDA Fair Value Excellent Pick Security Investment Fund	Other	0.17	35,184,483	+23,579,483	—	—
8	Industrial and Commercial Bank of China — Bosera Elaborate Pick Security Investment Fund	Other	0.16	33,999,866	+33,999,866	—	—
9	Bank of China — Jia Shi SSE-SZSE Index Security Investment Fund	Other	0.15	32,360,885	+32,360,885	—	—
10	Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Fund	Other	0.14	30,689,015	+8,069,278	—	—

Statement on the connected relations and concerted actions between the above shareholders	CRECG, the largest shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. The Company is not aware of any connected relation and concerted action among other shareholders listed as the top ten 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 of the Company as at 31 December 2008.

3. *Shareholdings of the top ten shareholders without selling restrictions*

Number	Name of shareholder	Total number of shares held without selling restrictions	Type of shares
1	HKSCC Nominees Limited	4,139,935,043	Overseas listed foreign share
2	Bank of Communications — Yi Fang Da 50 Index Security Investment Fund	61,800,740	RMB-dominated ordinary share
3	Industrial and Commercial Bank of China — Exchange-traded Open-traded SSE 50 Index Security Investment Fund	47,127,592	RMB-dominated ordinary share
4	China Life Insurance Company Limited — Bonus — Individual Bonus — 005L — FH002 Hu	46,740,639	RMB-dominated ordinary share
5	Bank of China — Invesco Great Wall Top Revenue Open-end Security Investment Fund	37,417,156	RMB-dominated ordinary share
6	China Construction Bank — ABN AMRO TEDA Fair Value Excellent Pick Security Investment Fund	35,184,483	RMB-dominated ordinary share
7	Industrial and Commercial Bank of China — Bosera Elaborate Pick Security Investment Fund	33,999,866	RMB-dominated ordinary share
8	Bank of China — Jia Shi SSE-SZSE 300 Index Security Investment Fund	32,360,885	RMB-dominated ordinary share
9	Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Fund	30,689,015	RMB-dominated ordinary share
10	Bank of China — Dacheng Fortune Management 2020 Lifecycle Fund	30,299,885	RMB-dominated ordinary share
Statement on the connected relations and concerted actions between the above shareholders			Unknown

Note: The numbers shown in the table are based on the register of members of the Company as at 31 December 2008.

4. *Number of shares held by and selling restrictions of the top ten shareholders with selling restrictions*

Unit: Shares

Number	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions: Trading commencement date	Details of approved tradable shares with selling restrictions: Additional number of approved tradable shares	Selling restrictions
1	CRECG	12,417,510,000	3 December 2010	—	Subject to a lock-up period of 36 months from the date of listing of the A Shares

Note: As at 31 December 2008, CRECG is the sole shareholder with selling restrictions.

(2) Controlling Shareholder and Ultimate Controller

1. Controlling shareholder

Name of controlling shareholder:	CRECG
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.

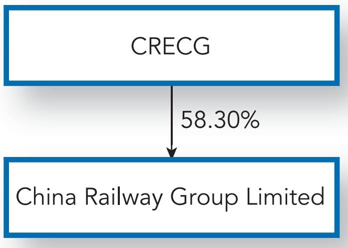
2. Ultimate controller

CRECG is the ultimate controller of the Company.

3. Changes in the controlling shareholder and the ultimate controller

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

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



(3) Other Shareholders with 10% or above Shareholding

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

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 other industries such as property and resources and mining in order to increase our profitability.

In 2008, the principal business of the Group continued to grow steadily. Total revenue was RMB225.029 billion, representing an increase of 26.9% over 2007. The value of new contracts for the year amounted to RMB428.45 billion, a record high figure which exceeded RMB400 billion for the first time with the growth rate reaching 72.4%. The Group fulfilled its commitment to shareholders with the remarkable operating results of its principal businesses.

1. Industry Development Overview

As the global financial crisis continued to worsen and spread, the Chinese government has unveiled a RMB4 trillion economic stimulus program to combat against the serious impact of the financial crisis on the economy of the PRC. Of this economic stimulus program, constructions of railways, highways, airports and urban and rural grids constituted the largest proportion with a total planned investment of RMB1.8 trillion. The total investment originally proposed in the Eleventh Five-Year Plan by the Ministry of Railways was RMB1.25 trillion. In response to new demand for railway construction, the State Council approved the proposal for increasing railway construction funds to RMB2 trillion. Meanwhile, the Ministry of Communications is also ruminating over a RMB5 trillion investment plan over the next 3 to 5 years, according to which the "Five Vertical and Seven Horizontal" project is expected to be completed ahead of schedule and the investment in port and wharf constructions is expected to be expanded. All these have presented great opportunities for the manufacturing and operation businesses of the Group in the coming years.

(1) Infrastructure Construction

During 2008, which was the third year of the country's Eleventh Five-Year Plan, the Chinese government continued to give impetus to infrastructure construction, such as railway construction, on a large scale basis, with the investment in completed construction amounting to RMB1,722.9 billion, representing an increase of 47.5% from RMB1,168 billion in 2007. Given the global financial crisis and the slowdown in domestic economic growth, the Ministry of Railways of the PRC increased infrastructure investment, enlarged construction scale and accelerated construction progress. As a result, completed infrastructure investment increased by more than RMB150 billion year-on-year to over RMB330 billion with a growth of 86%, accounted for 108% of the total railway infrastructure investment completed during the Tenth Five-Year Plan period. With regard to railway construction in 2008, track laying for new tracks and double-track railway lines of 4,415 kilometers and 3,405 kilometers were completed, respectively. According to the State's Eleventh Five-Year Plan, by 2010, total operating length of domestic railway lines will grow from 75,000 kilometers in 2005 to over 90,000 kilometers, representing a year-on-year increase of approximately 20%. During the same period, the length of new railway lines will reach 17,000 kilometers, which is 2.3 times of that of the Tenth Five-Year Plan period.

In 2008, completed investment in highway and waterway infrastructure construction amounted to RMB793 billion nationwide, of which RMB664.5 billion were regarding highway construction. In 2008, the length of new highways amounted to 100,000 kilometers, of which 6,433 kilometers were new expressways, leading to the total length reaching 60,300 kilometers, ranking second in the world.

(2) Survey, Design and Consulting Services Business

In 2008, 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 RMB43.583 billion in 2008, which continued to maintain a strong momentum.

(3) Engineering Equipment and Component Manufacturing Business

Spurred by the growth in the PRC transportation infrastructure industry, the transportation equipment manufacturing industry maintained stable growth in 2008 and became one of the best performing sectors in the whole industry. In 2008, the industrial value-added output of the transportation equipment manufacturing industry increased by 30% as compared to 2007.

(4) Property Development Business

In 2008, 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 2008, the sold floor area of the PRC commercial properties decreased by 18.3% year-on-year to 491,483,800 square meters with a decrease of 48.8 percentage points in growth rate.

2. Business Development Overview

The Group's principal business includes infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. In 2008, the Group realized operating revenue of RMB225.029 billion, representing a year-on-year increase of 26.9%. The value of new contracts amounted to RMB428.45 billion, representing a year-on-year increase of 72.4%, among which RMB24.52 billion was from overseas business. As of 31 December 2008, the Group's contract backlog amounted to RMB420.75 billion, representing an increase of 94.4% as compared to that of 31 December 2007.

(1) Infrastructure Construction

In 2008, 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 2008, revenue from the Group's infrastructure construction business was RMB203.299 billion, representing a year-on-year increase of 20.6%; the value of new contracts was RMB383.48 billion, representing a year-on-year increase of 71.5%. As of 31 December 2008, the Group's contract backlog of the infrastructure construction business was RMB399.225 billion, representing an increase of 93.8% as compared to that of 31 December 2007.

i. Railway Construction

In 2008, the Group completed new railway construction contracts of RMB230.32 billion, including track laying of 4,362 kilometers of main railway lines (new tracks and double-track) and 3,697 kilometers of the main line of the electrified railway network, further strengthening the Group's leading position in the railway construction market. In 2008, the Group acted as the principal contractor of the construction of the Beijing-Tianjin Inter-city Passenger Railway line, the first world-class high-speed railway that the PRC owns full intellectual property right. The Group also designed and acted as the sole contractor of the Beijing South Railway Station, the first high quality, modernized and comprehensive mega transportation hub in the PRC. The station features many self-developed innovative techniques including passenger flow simulation, audio management, combined heating, power and cooling supply of plus sewage source heat pump, solar panels for power generation as well as a passenger service system. Furthermore, the Group participated in and completed a number of railway passenger lines construction projects, such as the Hefei-Nanjing railway, the Qingdao-Jinan railway and the Hefei-Wuhan railway.

ii. Highway Construction

In 2008, the Group achieved favorable results in highway construction. The value of new contracts amounted to RMB46.99 billion and the Group's market share in domestic highway market increased by 28.7% from the previous year to 13%. The Group had completed highway construction totaling 1,570 kilometers, of which, 1,190 kilometers were expressways. In 2008, the Group mainly participated in and had completed the Cenxing Expressway, the Taijin Expressway, the Shiman Expressway and other expressway construction projects.

iii. Municipal Works and Other Construction

With the acceleration of urbanization in the PRC, the urban rail transportation market continued to grow. In 2008, the Group continued to expand and develop its municipal works construction projects and achieved favorable economic benefits. In 2008, the value of new contracts in municipal works and other construction completed by the Group amounted to RMB106.17 billion, and the Group's market share in the urban rail transportation projects nationwide reached 52.6%. In 2008, the Group participated in the construction of 350 kilometers of city light rails and subways, and laid 516 kilometers of tracks, including the construction of the cross harbor bridge A (Xinglin Bridge) in conjunction with the Xiamen Railway, Phase 1 construction of Line 10 of the Beijing Subway, the construction of Shenyang's Wu'ai Tunnel 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 industry leading technologies, the Group undertook a number of survey, design and consulting services projects in 2008, thereby strengthening the Group's leading position in the industry. In 2008, revenue from the Group's survey, design and consulting services business was RMB4.354 billion, representing a year-on-year growth of 28.3%; the value of new contracts amounted to RMB3.81 billion, representing a growth of 6.8% year-on-year. As of 31 December 2008, the Group's contract backlog of the survey, design and consulting services business was RMB6.843 billion, representing an increase of 12.2% as compared to that of 31 December 2007. In 2008, the Group provided design and consulting services to a number of construction projects, including the Hangzhou Bay Sea-Crossing Bridge, the world's longest sea crossing bridge; the Beijing-Tianjin Inter-city Passenger Railway Line; the Beijing South Railway Station, the Jiaoji Railway Passenger Line and so on.

(3) Engineering Equipment and Component Manufacturing Business

In 2008, revenue from the Group's engineering equipment and component manufacturing business was RMB6.944 billion, representing a year-on-year growth of 33.7%; the value of new contracts amounted to RMB8.47 billion, representing a year-on-year growth of 46.7%. As of 31 December 2008, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB5.535 billion, representing a decrease of 26.9% as compared to that of 31 December 2007. In 2008, the Group completed the launch of the nation's first self-developed and manufactured composite soil pressure balance shield, a major project of the State's "863 Scheme"; the self-developed passenger line turnout and high-speed turnout of the Group had reached the world advanced level; the ballastless track laying equipment developed by the Group, which had attained national advanced level, had been successfully applied to the construction of the first high-speed railway in the PRC — Beijing-Tianjin Inter-city Passenger Railway Line; 34 of our technical items including "ballastless track two-way transportation vehicle" were granted national utility model patent rights and four of our technical items such as "Magnetic suspension joint turnout and switching method"were granted national invention patent rights.

(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 and had achieved outstanding results. In 2008, revenue from the Group's property development business was RMB3.805 billion, representing a year-on-year increase of 15.9%. As of 31 December 2008, the Group held land reserve of 4.348 million square meters, representing a significant increase from 2007. In 2008, property development projects completed by the Group included Good Hope International Apartment (好望角國際公寓) in Zhengzhou City of Henan Province, Golden Bridge Bay Garden (金橋港灣花園) in Wuhan City of Hubei Province.

(5) Other Businesses

Leveraging on the platform established by existing businesses, the Group actively engaged in BT and BOT investment and operation projects for railways and highways, exploitation of mineral resources, materials trade and other businesses. In addition to the continued exploitation of existing mines, the Group has formed overseas joint venture to explore overseas mineral resources and to initiate overseas infrastructure projects based on the innovative approach of "projects in exchange of resources". In 2008, the Group also participated and completed a number of investment projects, including the BOT projects for the Yunan Fuyan Expressway and the Guangxi Cenxi-Wuzhou Expressway, the Shandong Deshang Expressway, and the BT project for the Beijing Subway Olympic Branch Line.

3. Technology Research Development and Technological Achievements

In 2008, 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, resulting in 574 new technological research projects with a total investment amount of RMB770 million.

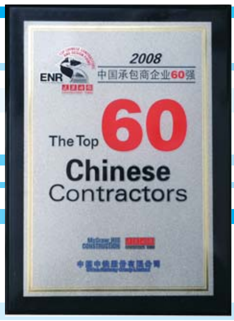
In respect of technologies related to the maintenance and construction of high-speed railways, plateau railways, bridges, tunnels and electrified railways, the manufacturing of railway turnouts, as well as survey and design, the Group attained a number of technological achievements which were leading internationally and had reached international advanced standards in 2008. During the year, 54 items passed technological evaluation and assessment in various provinces and cities, of which eight led the international standards, 26 reached international advanced standards, 17 led the domestic standards and three reached domestic advanced standards. During the year, the Group received four prizes of the National Advanced Science and Technology Prizes, with one grand prize, one Grade I and two Grade II prizes. The Group also received 41 technological advancement awards and 103 awards of Engineering Methods at the provincial and ministerial level, along with 204 items being granted patent rights.

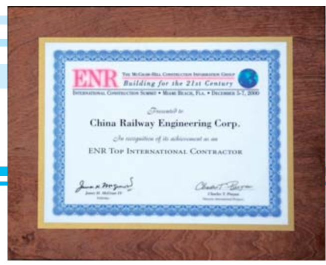
Achievements in self-developed and innovative technological research greatly enhanced the Group's technical advancement, strengthened the Group's leading position in relevant domestic domains, and substantially increased the Group's technical strength and core competitiveness. The Group was among the first enterprises in the PRC to be granted reputable titles such as "Innovative Enterprise", "Top 500 Chinese Enterprises with Advanced Information Technology" and "National Advanced Construction Enterprise with Technological Advancement and Innovation".

4. Outlook

In 2008, in the midst of the global financial crisis, the Chinese government decisively carried out expansion policy to prevent economic recession. The government has announced ten measures to increase domestic demand and economic growth with a total investment of RMB4 trillion. In addition, the government has specified that it will accelerate the construction of major infrastructure projects such as railway, highway and airport, which aimed at driving economic growth with infrastructure construction. The government's strategy of ensuring economic growth by increasing domestic demand will spur the demand for infrastructure construction considerably, thereby further providing ample room and favorable opportunities for the Group's business development. Meanwhile, 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 strengthen the coordination in the globalized operation among its subsidiaries and further exert the overall strengths and synergies of the Company. Furthermore, on the precondition of strengthening control over exchange risk, legal risk, tax risk and other risks, the Group will further intensify the development of the African and Southeast Asian market, while 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

Management Discussion and Analysis

1. Overview

In the year of 2008, despite the severe challenges brought by the unprecedented natural disasters and the global financial crisis during the year, the Group managed to make new breakthroughs in principal businesses by firmly grasping the opportunities of the government's increased efforts in boosting domestic demand and infrastructure construction. As our business continued to expand in 2008, the Group's revenue increased by 26.9% year-on-year to RMB225.029 billion. However, due to the exchange loss of the proceeds from the H-share offering, the Group's net profit decreased by 41.1% year-on-year to RMB1.669 billion and the net profit attributable to equity holders of the Company decreased by 45.7% year-on-year to RMB1.350 billion. Without taking into account the exchange loss of the proceeds from the H-share offering, the Group realized net profit of RMB5.806 billion and net profit attributable to equity holders of the Company of RMB5.487 billion, increasing by 88.4% and 100.6% year-on-year, respectively.

A comparison of the financial results for 2008 and 2007 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 26.9% from RMB177.391 billion for 2007 to RMB225.029 billion for 2008. 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 2008, the value of new contracts increased by 72.4% year-on-year to RMB428.45 billion. As compared with 2007, contract backlog increased by 94.4% to RMB420.75 billion in 2008.

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 2008, the Group's cost of sales increased by 26.6% to RMB208.534 billion from RMB164.659 billion for 2007 due to the expansion of the overall business of the Group. In 2008, gross profit of the Group increased by RMB3.763 billion or 29.6% to RMB16.495 billion from RMB12.732 billion for 2007. The overall gross profit margin for 2008 was 7.3%, similar to 7.2% of 2007.

Other Income

The Group's other income primarily consists of income from the acquisition or disposal of assets as well as profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials. In 2008, the Group's other income increased by 38.9% year-on-year to RMB1.168 billion from RMB841 million. The increase of other income was primarily due to the increase of the revenue from sales of materials, amongst others.

Other Gains and Losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables and available-for-sale financial assets, foreign exchange losses, increase/decrease in the fair value of held-for-trading financial assets, gains on disposal of interests in subsidiaries and gains and losses on disposal of fixed assets. The other losses of RMB4.232 billion in 2008 was primarily due to the exchange loss of the proceeds from the H share offering of RMB4.137 billion (2007: RMB247 million), decrease in the fair value of held-for-trading financial assets of RMB282 million (2007: increase by RMB166 million) and the gains from the partial disposal of the shareholdings in two mining companies of RMB316 million (2007: RMB518 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 2008, the Group's selling and marketing expenses amounted to RMB933 million, roughly the same as the RMB932 million of 2007. With the marketing expenses as a percentage of the total revenue dropping from 0.5% for 2007 to 0.4% for 2008, 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 and depreciation and amortization of its assets related to administration. In 2008, the Group's administrative expenses increased by 6.6% to RMB9.499 billion from RMB8.913 billion of last year. Administrative expenses as a percentage of revenue dropped from 5.0% for 2007 to 4.2% for 2008, 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 2008, the interest income increased by 61.0% to RMB1.581 billion from RMB982 million for 2007. The increase in the interest income was primarily due to: 1) the retention receivables increased to RMB14.521 billion for 2008 from RMB10.395 billion for 2007, and the accrued interest income correspondingly increased to RMB330 million for 2008 from RMB191 million for 2007 as a result of the expansion of the Group's business scale; 2) the interest income increased to RMB1.174 billion for 2008 from RMB556 million for 2007 as a result of the completion of the initial public offering of the Company in the fourth quarter of 2007.

Interest Expenses

In 2008, the interest expenses increased by 28.2% to RMB2.372 billion from RMB1.850 billion for 2007, primarily attributable to the increase in the principal amount of borrowings as a result of the increased requirement for working capital due to the Group's expansion of business scale.

Profit before Taxation

As a result of the foregoing factors, the profit before income tax for 2008 decreased by 32.0% or RMB1.084 billion from RMB3.384 billion for 2007 to RMB2.300 billion.

Income Tax Expense

In 2008, the income tax expense increased by 14.9% to RMB631 million from RMB549 million for 2007. The effective tax rate of the Group increased from 16.2% for 2007 to 27.4% for 2008 primarily attributable to the increase of the operating profit of subsidiaries.

Minority Interests

Minority interests for 2008 amounted to RMB319 million, which is roughly the same as compared to the amount of RMB347 million for 2007.

Profit Attributable to the Equity Holders of the Company

As a result of the foregoing factors, the profit attributable to the equity holders of the Company for 2008 decreased by 45.7% to RMB1.350 billion from RMB2.488 billion for 2007. The profit margin of the profit attributable to equity holders of the Company decreased from 1.4% for 2007 to 0.6% for 2008.

3. Segment Results

The revenue, results and operating profit margin of each segment of the Group's business for the year ended 31 December 2008 are set forth in the table below.

Business Segments	Segment Revenue RMB million	Growth Rate (%)	Operating Profit[1] RMB million	Growth Rate (%)	Operating Profit Margin[2] (%)	Segment Revenue as a Percentage of Total (%)	Operating profit as a Percentage of Total (%)
Infrastructure Construction	203,299	20.6	4,399	126.2	2.2	88.7	65.5
Survey, Design and Consulting Services	4,354	28.3	494	111.1	11.3	1.9	7.4
Engineering Equipment and Component Manufacturing	6,944	33.7	779	363.7	11.2	3.0	11.6
Property Development	3,805	15.9	566	12.7	14.9	1.7	8.4
Other Businesses	10,696	31.7	477	(25.1)	4.5	4.7	7.1
Adjustment[3]	(4,069)		(1)				
Total	**225,029**	**26.9**	**6,714**	**111.1**	**3.0**	**100.0**	**100.0**

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

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

3 *Inter-segment transactions are eliminated.*

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 2008, the revenue from the infrastructure construction business accounted for 88.7% of the total revenue of the Group (2007: 89.4%). In 2008, segment revenue from the Group's infrastructure construction business increased by 20.6% year-on-year to RMB203.299 billion. Operating profit margin of the infrastructure construction segment increased to 2.2% for 2008 from 1.2% for 2007, which was primarily due to the decrease in raw material cost and management expenses as a result of lowered raw material prices and the various cost control measures taken by the Group, such as the centralization of raw material procurement and enhancement of project management. In addition, the improvement of budget estimate of railway projects also contributed to the increase in operating profit margin.

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 2008, segment revenue of survey, design and consulting services increased by 28.3% to RMB4.354 billion from RMB3.394 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 operating profit for 2008 increased to RMB494 million from RMB234 million for 2007 and the operating profit margin for the segment increased to 11.3% as compared with 6.9% for 2007, mainly attributable to lowered management expenses as a result of satisfactory project management.

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 2008, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 33.7% year-on-year to RMB6.944 billion from RMB5.193 billion. Operating profit margin increased from 3.2% for 2007 to 11.2% for 2008. The increase in operating revenue and cost is attributable to the increased demand for specialized turnouts used for passenger lines and high-speed railways, special equipment for bridge erection and bridge steel structures. The increase in operating profit margin is due to the decrease in administrative expenses resulting from effective cost control.

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 2008, revenue from property development business increased by 15.9% to RMB3.805 billion from RMB3.282 billion for 2007. Operating profit increased by 12.7% to RMB566 million from RMB502 million for 2007, while operating profit margin decreased slightly from 15.3% for 2007 to 14.9% for 2008. The slight decrease in operating profit margin for 2008 is primarily due to the slow down of the property market's growth as dragged down by the change in macro economic situation. Nevertheless, such impact was partly offset by the sales of projects with relatively low land costs and high selling prices, such as the southern square of the Beijing West Railway Station and the Noble Garden in Shenzhen, in the first half of 2008.

Other businesses

Segment revenue from other businesses increased by 31.7% from RMB8.122 billion in 2007 to RMB10.696 billion. Operating profit margin decreased from 7.8% for 2007 to 4.5% for 2008. The increase in revenue was due to the increase in trading of materials, while the decrease in operating profit margin was primarily due to the losses incurred by the BOT projects newly launched in 2008 which are still in the early stage of operation.

4. Cash Flow

In 2008, the net cash generated from operating activities amounted to RMB780 million, representing a significant improvement from the net cash flow used in operating activities of RMB57 million for 2007, which was primarily attributable to: 1) the Group's profit before taxation (excluding the exchange loss of the proceeds from the H share offering) increased significantly from RMB3.631 billion for 2007 to RMB6.437 billion for 2008; 2) the Group continued to strengthen management on trade receivables while continuously expanding its business scope and achieved satisfactory results. In 2008, the net cash used in investing activities of the Group amounted to RMB20.183 billion, representing an increase of 29.5% from RMB15.589 billion for 2007. The increase of the net cash used in investing activities was primarily attributable to: 1) the cash used for the purchase of property, plant and equipment increased by RMB745 million; 2) the investment in BOT projects increased by RMB3.056 billion; 3) the RMB1.950 billion loss incurred by foreign exchange investment. In 2008, the net cash generated from financing activities of the Group amounted to RMB11.614 billion, representing a decrease of RMB31.394 billion from 2007. The decrease in net cash generated from financing activities was primarily attributable to: 1) the net cash of RMB42.298 billion raised through the Company's initial public offering in the fourth quarter of 2007; 2) the increase in the Group's net borrowings by RMB12.508 billion for 2008.

Capital Expenditure

The capital expenditure of the Group primarily comprises of 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 2008, particularly purchase of advanced equipment such as tunnel boring machines and investment in BOT projects, which will benefit the Group's continued efforts to expand its business and improve its competitiveness.

The following table sets forth the Group's capital expenditure (including acquisition of subsidiaries) by business segments in 2008.

For the year ended 31 December 2008	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property RMB million	Others RMB million	Total RMB million
Fixed assets, plant and equipment	5,174	274	634	174	1,316	7,572
Investment property	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

Working Capital

	As at 31 December	
	2008 RMB million	2007 RMB million
Inventories	**18,482**	10,448
Cost of property development	**17,996**	11,246
Trade and bills receivables	**50,685**	40,484
Trade and bills payables	**67,075**	54,132
Turnover of inventory (days)	**25**	21
Turnover of trade and bills receivables (days)	**73**	73
Turnover of trade and bills payables (days)	**105**	107

The Group's inventories and cost of property development increased by 76.9% and 60.0% respectively from RMB10.448 billion and RMB11.246 billion as at the end of 2007 to RMB18.482 billion and RMB17.996 billion as at the end of 2008. 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 25 days in 2008 remained at the similar level as in 2007. At the end of 2008, the Group's trade and bills receivables increased by 25.2% from RMB40.484 billion as at the end of 2007 to RMB50.685 billion as at the end of 2008, among which, the balance of retention receivables as at the end of 2008 significantly increased by 39.7% from RMB10.395 billion as at the end of 2007 to RMB14.521 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 19.0% (2007: 17.4%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables	As at 31 December	
	2008 RMB million	2007 RMB million
Less than six months	**26,621**	17,849
Six months to one year	**14,436**	15,585
One year to two years	**6,687**	5,296
Two years to three years	**2,217**	1,157
More than three years	**724**	597
Total	**50,685**	40,484

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 23.9% from RMB54.132 billion as at the end of 2007 to RMB67.075 billion. The number of turnover days of 105 days in 2008 remained at the similar level as in 2007. 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 12.5% (2007:11.6%) of the total payables.

Trade and bills payables	As at 31 December **2008** **RMB million**	 2007 RMB million
Less than one year	**58,670**	47,833
One year to two years	**6,403**	4,730
Two years to three years	**1,316**	964
More than three years	**686**	605
Total	**67,075**	54,132

5. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2008 and 31 December 2007. 68.5% of our debts were short-term debts (as at 31 December 2007: 73.6%). The Group is generally capable of making timely repayments.

	As at 31 December **2008** **RMB million**	 2007 RMB million
Bank loans		
Secured	**11,165**	6,599
Unsecured	**38,224**	28,158
Total	**49,389**	34,757
Short-term debentures, unsecured	**600**	2,657
Other short-term borrowings, secured	**42**	—
Other short-term borrowings, unsecured	**1,986**	680
Other long-term borrowings, unsecured	**1,406**	672
Total	**53,423**	38,766
Long-term borrowings	**16,829**	10,239
Short-term borrowings	**36,594**	28,527
Total	**53,423**	38,766

Bank loans carry interest rates ranging from 2.4% to 11.6% (2007: 5.0% to 7.4%) per annum. Short-term debentures carry a fixed interest rate of 7.1% (2007: zero-coupon bonds issued at discount prices or fixed annual interest rate of 3.0% to 7.0%) per annum. Other short-term borrowings carry interest rates ranging from 5.6% to 10.5% (2007: 4.1% to 10.9%) per annum. Other long-term borrowings carry interest rates ranging from 2.0% to 7.5% (2007: 4.0% to 8.0%) per annum.

As at 31 December 2008 and 31 December 2007, the Group's bank loans comprised fixed-rate bank loans amounting to RMB1.142 billion and RMB509 million, respectively, and floating-rate bank loans amounting to RMB48.247 billion and RMB34.248 billion, respectively.

The following table sets forth the maturity of the Group's bank loans and other long-term borrowings as at 31 December 2008 and 31 December 2007.

	As at 31 December	
	2008 RMB million	2007 RMB million
Within one year	**33,966**	25,190
More than one year, but within two years	**4,048**	2,847
More than two years, but within three years	**1,815**	1,833
More than three years, but within four years	**342**	220
More than four years, but within five years	**292**	162
More than five years	**8,926**	4,505
Total bank loans	**49,389**	34,757
More than one year, but within two years	**1,227**	341
More than two years, but within three years	**15**	232
More than three years, but within four years	**—**	4
More than four years, but within five years	**23**	41
More than five years	**141**	54
Total other long-term borrowings	**1,406**	672

The following table sets forth the carrying amounts of the Group's borrowings by denominated currencies as at 31 December 2008 and 31 December 2007. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in US dollars and Euros.

	Borrowings in US dollars RMB million	Borrowings in Euros RMB million	Borrowings in other currencies RMB million
As at 31 December 2008	**1,015**	**632**	**20**
As at 31 December 2007	645	750	68

As at 31 December 2008, approximately RMB11.165 billion (as at 31 December 2007: RMB6.600 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB17.284 billion (as at 31 December 2007: RMB3.150 billion). As at 31 December 2008, the Group had unutilized credit facilities with an aggregate amount of approximately RMB75.562 billion (as at 31 December 2007: RMB70.221 billion).

In 2008, the Group's gearing ratio (total liabilities/total assets) was 75.8%, an increase of 3.4 percentage points as compared with 2007; the Group's total borrowings/(total borrowings and total equity) ratio was 46.7%, an increase of 7.4 percentage points as compared with 2007. 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. As a result of the changes in the financial market during 2008, the efficiency and return rate of the funds can be increased through the utilization of bank loans with a lower funding cost as the Group's working capital. 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. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in US dollars and Hong Kong dollars.

6. Contingent Liabilities

The contingent liabilities related to legal claims are set forth in the table below:

	As at 31 December	
	2008	2007
	RMB million	RMB million
Pending lawsuit by a bank *(note (a))*	**—**	220
Pending lawsuits — others *(note (b))*	**315**	195
	315	415

Notes:

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

After negotiation, the Group's guarantee in respect of the bank loan was released unconditionally by the bank in February 2009.

(b) *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 utilised by certain related companies and third parties. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the unamortised fair value of these financial guarantees. The maximum exposure of these financial guarantees to the Group is as follows.

	As at 31 December		As at 31 December	
	2008	**2008**	2007	2007
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities utilised by:				
Jointly controlled entity and associate	**5,757**	**2009–2027**	5,150	2008–2027
A former jointly controlled entity	**—**	**—**	300	2008
Other state-owned enterprises	**926**	**2009–2011**	1,157	2008–2011
Property purchasers	**1,545**	**2009–2011**	1,001	2008–2010
Investees of the Group	**219**	**2009–2016**	210	2008–2016
Other independent parties	**220**	**2009**	523	2008
	8,667		8,341	

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 Group's business largely depends on the investment by the PRC government in transportation and other infrastructure and is affected by the level of growth in the national and regional economies in the PRC and the general level of growth in the relevant industries. Increasingly significant competition in the markets and the fluctuation of raw material prices could adversely affect our business. Our overseas operations are subject to foreign economic and political uncertainties.

Operational Risk

For the infrastructure construction business, our ability to obtain favorable prices is limited, our costs and scope of work might not be estimated or controlled accurately and we might not be able to engage labour subcontractors in construction work. Our property development business might be exposed to risks associated with the development, sales and quality of the properties.

Management Risk

The Group's complicated organizational structure and 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 and PRC government policies of preferential taxation, and real estate industry could adversely impact on the Group.

Financial Risk

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

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 revenue and operating cash flows are substantially independent of changes in market interest rates as we have no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at floating rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not have any interest rate hedging policy. However, the management continuously monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Exchange Risk

The Group's functional currency is the Renminbi as most of its transactions are settled in Renminbi. However, the Group uses foreign currencies to settle its invoices from overseas operations, purchases of machinery and equipment from overseas suppliers and for certain expenses. In addition, some of the Group's bank borrowings and the proceeds raised through the public offering of H Shares at the end of 2007 were denominated in foreign currencies. The Renminbi is not freely convertible into other foreign currencies as it is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Fluctuations in foreign exchange currency rates could adversely affect the Group by effectively decreasing any revenues from the Group's sales which are denominated in foreign currencies and increasing the Group's borrowings which are denominated in foreign currencies. For the purpose of the proceeds raised through the public offering of H Shares, the Group mitigates the impacts caused by fluctuations in exchange rates by depositing such proceeds in multiple currencies. Meanwhile, the Group's application to convert part of the proceeds raised through the public offering of H Shares into Renminbi and remit such proceeds back to the PRC has been approved by the relevant authorities of the PRC. 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 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)

57, senior economist, 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 and Executive Director of the Company, as well as general manager of CRECG.

LI Changjin (李長進)

50, professor level senior engineer, 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 and chairman of SICOMINES SARL. 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)

48, professor level senior engineer, Executive Director, Vice-President and Chief Economist of the Company, and also vice-chairman of Taiyuan-Zhongwei (Yinchuan) 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 Co., Ltd. from November 2006 to January 2008. 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)

56, senior economist, 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)

65, professor level senior engineer, Independent Non-executive Director of the Company. 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 has been an Independent Non-executive Director of the Company since September 2007.

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

ZHANG Qinglin (張青林)
(Independent Non-executive Director)

ZHANG Qinglin (張青林)

66, professor level senior engineer, Independent Non-executive Director of the Company. Mr. Zhang is also an external director of China National Real Estate Development Group Corporation, member of the Tenth National Committee of the Chinese People's Political Consultative Conference, head of China Construction Supervision Association, head of Project Management Committee (項目管理和經營管理委員會) of China Construction Industry Association and part-time professor of Institute of International Engineering Project Management of Tsinghua University. He served as secretary to the Communist Party Committee and deputy general manager (equivalent to a deputy minister of Central Authority of the State) of the China State Construction Engineering Corporation from 1993 to 2004. Mr. Zhang was an external director of CRECG from October 2006 to September 2007. Since September 2007, he has been an Independent Non-executive Director of the Company.

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

GONG Huazhang (貢華章)

63, professor level senior accountant, Independent Non-executive Director of the Company. Mr. Gong is also chairman of China Petroleum Finance Co., Ltd., independent director of China Southern Airlines Company Limited, director of China Yangtze Power Co., Ltd., independent director of Nanyang Commercial Bank Limited, 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 and a professor of National Accounting Institute (Beijing). He became Chief Accountant of China National Petroleum Corporation in February 1999. From August 2000 to April 2007, Mr. Gong was a director, chief accountant and member of the Party Committee of China National Petroleum Corporation. From November 1999 to March 2008, he was a director of PetroChina Company Limited. He has been an Independent Non-executive Director of the Company since September 2007.

WANG Taiwen (王泰文)

62, senior political engineer, 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 2002 to May 2004, he served as 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.

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

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

SUN Patrick (辛定華)

50, members of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, Independent Non-executive Director of the Company. Mr. Sun is also executive director and chief executive officer of Value Convergence Holdings Limited, and independent non-executive director and chairman of Solomon Systech International Limited. He was a member of 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. He also served as honorary chief director of the Chamber of Hong Kong Listed Companies Limited, President and Head of Investment Banking for Hong Kong of JPMorgan. He was an 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.

2. Supervisors

GAO Shutang (高樹堂)
(Chairman of the Supervisory Committee)

GAO Shutang (高樹堂)

60, senior political engineer, Chairman of the Supervisory Committee of the Company. Mr. Gao is also director of CRECG. From May 2001 to September 2006, he was the deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He was also chairman of China Railway Electrification Engineering Group Co. from December 2003 to January 2008. He has been a director of CRECG and director of China Railway Hongda Asset Management Center since September 2006 and the Chairman of the Supervisory Committee of the Company since September 2007.

JI Zhihua (季志華)

47, professor level senior engineer, Supervisor and Deputy Chief Engineer of the Company, as well as 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.

JI Zhihua (季志華) *(Supervisor)*

ZHANG Xixue (張喜學) *(Supervisor)*

ZHANG Xixue (張喜學)

56, senior political engineer, 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.

Biography of Directors, Supervisors and Senior Management *(continued)*

ZHOU Yuqing (周玉清) *(Supervisor)*

ZHOU Yuqing (周玉清)

58, senior political engineer, 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)

51, senior accountant, 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.

LIN Longbiao (林隆彪) *(Supervisor)*

3. Senior Management

Biographical details of Mr. Li Changjin and Mr. Bai Zhongren who are the directors and senior management of the Company are mentioned above.

LI Jiansheng (李建生) *(Vice-President)*

LI Jiansheng (李建生)

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

LIU Hui (劉輝) *(Vice-President)*

LIU Hui (劉輝)

49, professor level senior engineer, 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.

YAO Guiqing (姚桂清)

54, senior economist, Vice-President, Deputy Secretary to the Communist Party Committee and Chairman of the Labour Union of the Company. Mr. Yao is also 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 has been deputy secretary to the Communist Party Committee and chairman of the labour union of CRECG, and Vice-President, deputy secretary to the Communist Party Committee and Chairman of the Labour Union of the Company since September 2007.

YAO Guiqing (姚桂清) *(Vice-President)*

MA Li (馬力) *(Vice-President)*

MA Li (馬力)

51, senior engineer, 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.

Biography of Directors, Supervisors and Senior Management *(continued)*

ZHOU Mengbo (周孟波) *(Vice-President)*

ZHOU Mengbo (周孟波)

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

DAI Hegen (戴和根)

43, senior economist, 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 a Vice-President of the Company since September 2007.

DAI Hegen (戴和根) *(Vice-President)*

DUAN Xiubin (段秀斌) *(Vice-President)*

DUAN Xiubin (段秀斌)

55, senior engineer, and 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 been 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)
(Secretary to the Board of Directors)

YU Tengqun (于騰群)

39, senior economist, lawyer and corporate legal advisor, Secretary to the Board of the Company. Mr. Yu is also a member of Association of State-owned Enterprise Youth, 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.

TAM Chun Chung (譚振忠)

36, 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 13 years of experience in the accounting and audit field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002. Mr. Tam graduated from the Chinese University of Hong Kong in December 1994 majoring in accounting.

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

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 2008 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 net profit of the Group for the year ended 31 December 2008 was RMB1.669 billion. Nevertheless, due to the Company has no sufficient distributable reserves for profit distribution as at 31 December 2008, according to relevant laws and regulations, the Company does not recommend profit distribution for 2008.

Donations

Donations made by the Group during the year amounted to RMB19.11 million (2007: RMB18.20 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 2008, pursuant to the relevant laws and regulations, the Company's accumulated loss amounted to approximately RMB1.919 billion, and therefore has no distributable reserves.

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.

During the financial year, approximately RMB7.616 billion raised from the A share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB2.117 billion was used for equipment purchase;
- Approximately RMB500 million was used for the residential property development project named An Qing Xin Cheng Dong Yuan Hua Yuan in Anhui;
- Approximately RMB2 billion was used for Taiyuan-Zhongwei-Yinchuan railway project;
- Approximately RMB67 million was used for research and development project of high-speed turnout technology, and approximately RMB133 million was used for large steel structure production base project; and
- Approximately RMB2.799 billion was used for additional working capital and repayment of bank loans.

Approximately RMB760 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 RMB1.020 billion raised from the H share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB140 million was used for equipment purchase;
- Approximately RMB780 million was used for overseas mining projects; and
- Approximately RMB100 million was used for working capital and repayment of bank loans.

Approximately RMB15.416 billion raised from the H share offering of the Company remains unused, which is deposited in the special bank account of the Company. The difference between the amount of total proceeds raised from H share offering of the Company less that of the used proceeds and the remaining unused proceeds is approximately RMB3.94 billion. The difference reflects the net exchange loss (after interest income) for the period from 7 December 2007 to 31 December 2008.

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 2008, sales to the MOR accounted for approximately 43% 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 46% 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 2008, purchases from the five largest suppliers of the Group in aggregate accounted for less than 30% of the total purchases of the Group in 2008.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2008 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	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
GAO Shutang	Chairman
JI Zhihua	Supervisor
ZHANG Xixue	Supervisor
ZHOU Yuqing	Supervisor
LIN Longbiao	Supervisor

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	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
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 2008 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 2008, 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

As at 31 December 2008, the directors and supervisors of the Company had the following interests and short position in the shares, underlying shares and debentures of us or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will have to be notified to us 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. GAO Shutang	Beneficial owner	100,000	0.0006	0.0005

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

As at 31 December 2008, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of Substantial 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	12,417,510,000	Long position	72.65	58.30

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
Barclays PLC *(Note 2)*	Interest of controlled corporations	310,888,000	Long position	7.39	1.46
	Interest of controlled corporations	6,613,000	Short position	0.16	0.03
Deutsche Bank Aktiengesellschaft *(Note 3)*	Beneficial owner	151,776,880	Long position		
	Investment manager	19,513,000	Long position		
	Person having a security interest in shares	70,566,587	Long position		
	Total	**241,856,467**		**5.75**	**1.14**
	Beneficial owner	86,994,473	Short position		
	Investment manager	100,000	Short position		
	Person having a security interest in shares	51,972,000	Short position		
	Total	**139,066,473**		**3.31**	**0.65**

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 Brother 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 Brother 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 Barclays PLC with the Hong Kong Stock Exchange dated 29 December 2008, Barclays Global Investors UK Holdings Limited, an indirect subsidiary of Barclays PLC, indirectly wholly owns Barclays Global Investors (Deutschland) AG (which held 379,000 H Shares of the Company), Barclays Global Investors Ltd (which held 28,103,000 H Shares of the Company) and Barclays Global Investors, N.A. (which held 12,249,000 H Shares of the Company and 6,613,000 short position in H Shares of the Company). Barclays Global Investors, N.A. in turn wholly owns Barclays Fund Advisors (which held 270,157,000 H Shares of the Company). Accordingly, Barclays PLC is deemed interested in the long positions and short positions held by each of the entities as set out above.*

3. *According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 16 December 2008, Deutsche Bank Aktiengesellschaft exercises 100% control over the following entities and accordingly is deemed interested in the long positions and short positions held by each of such entities: DB Valoren S.a.r.l., Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Asset Management (Asia) Limited, DB Capital Markets (Deutschland) GmbH, Deutsche Asset Management International GmbH, Deutsche Asset Management Investmentgesellschaft GmbH, DWS Holding & Service GmbH, DWS Investment GmbH, Deutsche Bank Luxembourg S.A. and DWS Investment S.A., Luxembourg.*

Apart from the foregoing, as at 31 December 2008, no person or corporation had any interest in the share capital of the Company as recorded in the registers required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

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

Connected Transactions

One-off Connected Transactions Defined under the Listing Rules

CRECG is the Company's 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.

China Railway Resources Limited ("CRRL"), a wholly-owned subsidiary of the Company, entered into three equity transfer agreements with CRECG on 16 November 2008 to acquire 52%, 51% and 51% equity interests in Inner Mongolia Huaxin Mining Co., Ltd. (內蒙古華鑫礦業有限責任公司), Sunite-ZuoQi Manglai Mining Co., Ltd. (蘇尼特左旗芒來礦業有限責任公司) and Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd. (蘇尼特左旗小白楊礦業有限責任公司) from CRECG, respectively for a total consideration of RMB468,994,817.01, which was paid by the Company in cash. On 5 December 2008, the Company was notified by CRECG that SASAC had approved the transactions contemplated under such equity transfer agreements and such acquisitions had been completed by the end of 2008.

The acquisition of the equity interests in the three mining companies will also enable the Company to promote its business development in the resource sector, enhance the level of contribution by the resource sector to the Company's profitability, and avoid potential future competition between the Company and CRECG.

Continuing Connected Transactions Defined under the Listing Rules

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

   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 commences on the date of the agreement and expires 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 2008 permitted by the Hong Kong Stock Exchange for the above continuing connected transactions is RMB185.0 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 2008 permitted by the Hong Kong Stock Exchange for the above continuing connected transactions is RMB800.0 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 2008.

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 152 to 158 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 2008 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 Company implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration is comprised of a basic salary, allowances and a performance-based bonus. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on term, wages, working hours, vacation, employee benefits, training programs, social securities, 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 make contributions to the employees' pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provide voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans, for both current and retired employees, and annual bonuses for our current employees.

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

The cash portion of the remuneration of the directors currently consists of a fixed monthly salary and a performance-linked annual bonus. The award of the performance-linked annual bonus is tied to the attainment of key performance indicators or targets. Remuneration of the directors is determined with reference to the prevailing market conditions. Details of the remuneration of the directors of the Company in 2008 are set out in note 13 to the financial statements.

The personnel expenses of the Company for the year ended 31 December 2008 were RMB15.162 billion. As at 31 December 2008, the number of employees hired by the Group was 267,188. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2008:

Division	As at 31 December 2008 Number of employees
Production	135,741
Sales and Marketing	19,500
Engineering and Technology	83,698
Financing	12,566
Administration	15,683
Total	267,188

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 2008 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
28 April 2009

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 5 meetings and the convening and procedure of the meetings complied with the Articles of Association and Terms of Reference for the Supervisory Committee. The details are as follows:

On 24 April 2008, the Third Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed 5 resolutions, namely, Resolution on the Work Report of the Supervisory Committee of China Railway Group Limited for 2007, Resolution on the Reviews of 2007 A Shares Annual Report and its Summary and 2007 H Shares Annual Report and Results Announcement, Resolution on the Audited Consolidated Financial Statements for 2007, Resolution on the Special Distribution by the Company, and Resolution on the Profit Distribution of the Company for 2007.

On 29 April 2008, the Forth Meeting of the First Session of Supervisory Committee was held by means of onsite meeting, in which the Supervisory Committee passed the Resolution on the 2008 First Quarter Report of China Railway Group Limited.

On 29 July 2008, the Fifth Meeting of the First Session of Supervisory Committee was held by means of vote by correspondence, in which the Supervisory Committee passed 3 resolutions, namely, Resolution on the Internal Investigation Report and Rectification Plan on the Corporate Governance of China Railway Group Limited, Resolution on the Internal Investigation Report and Rectification Plan on "the Prevention of Misappropriation of Funds" of China Railway Group Limited, and Resolution on the Internal Investigation Report on the Accounting Entities within the Scope of the Consolidated Statements of China Railway Group Limited. The Supervisory Committee also issued its review comments in writing in respect of the findings of internal investigation conducted by the Board and the management of the Company on the corporate governance and the prevention of misappropriation of funds.

On 28 August 2008, the Sixth 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 Issuing of Corporate Bonds by China Railway Group Limited, Resolution on 2008 First-half Financial Report of China Railway Group Limited, and Resolution on 2008 A Shares Half-year Report and its Summary and 2008 H Shares Interim Report and Results Announcement of China Railway Group Limited.

On 29 October 2008, the Seventh 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 2008 Third Quarter Report of China Railway Group Limited, Resolution on the Adjustment on the Preliminary Data of 2008 pursuant to the Application of Accounting Standard for Business Enterprises Interpretation No. 2, and Resolution on the Rectification Report on the Corporate Governance of China Railway Group Limited.

In 2008, the Supervisory Committee attended the 2007 annual general meeting, the first extraordinary general meeting of 2008 and all the Board meetings held during the year of the Company. The Supervisory Committee effectively supervised the convening and subjects of the Board meetings 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 stringently complied 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 pioneering way. The Supervisory Committee was not aware of any actions 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, examining 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 Corporate 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 2008.

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 the actual use of the listing proceeds was in compliance with the commitments of the Company. The use of the listing proceeds was in compliance with relevant laws or regulations in the PRC and the Articles of Association, and the Company did not conduct any action which would damage the interests of the Company and its shareholders. During the reporting period, the Company did not change the actual use of the listing proceeds. The Supervisory Committee of the Company will continue to supervise and inspect the progress of the use of the listing proceeds.

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

During the reporting period, the Company did not conduct any material acquisition, disposal of assets or mergers.

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 fair, open and just. No actions were noted which may damage the interests of the Company and its minority shareholders.

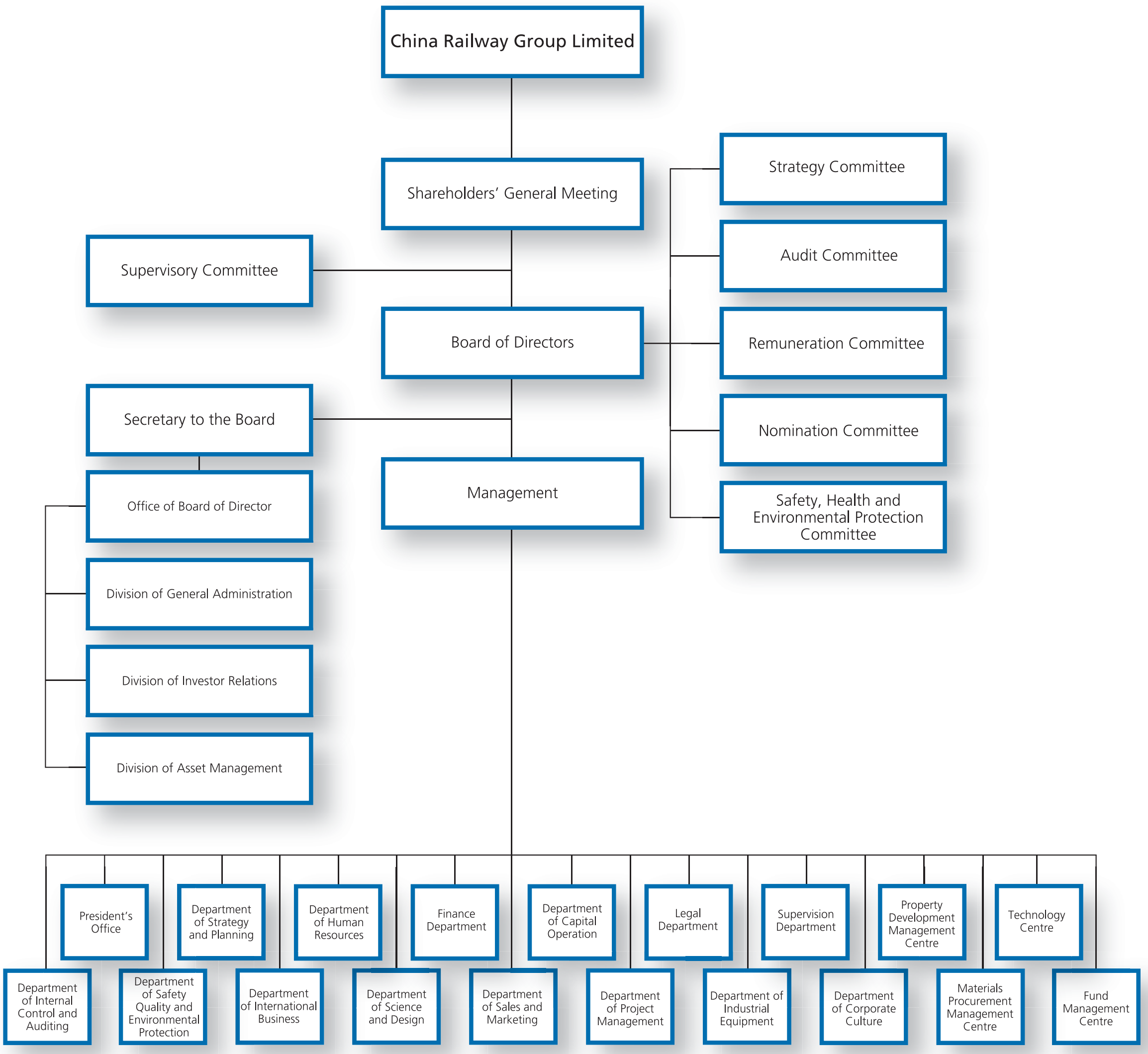
Report on Corporate Governance Practices

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.

Shareholders' General Meeting

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

During the reporting period, the Company convened and held two shareholders' general meetings being, the 2007 annual general meeting held on 25 June 2008 and the extraordinary general meeting held on 20 October 2008. A total of 9 ordinary resolutions, including approving the 2007 report of the Board of Directors of the Company, the 2007 report of the Supervisory Committee of the Company, the 2007 work report of independent directors of the Company, the 2007 audited consolidated financial statements of the Company, the re-appointment of the external auditors of the Company, the 2007 profit distribution plan of the Company, the remuneration for the independent directors of the Company, the provision of guarantee to certain subsidiaries of the Company and provision of guarantee by various subsidiaries of the Company, in addition to the special resolution for amendments to the Articles of Association of the Company, were passed at the 2007 annual general meeting. Two ordinary resolutions, namely amendments to the administrative rules governing related party transactions and provision of guarantee by various subsidiaries of the Company, in addition to the special resolution for issue of corporate bonds, were passed at the extraordinary general meeting. The meetings were 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

The Company's Board of Directors consists of nine Directors, including three Executive Directors, one Non-executive Director and five Independent Non-executive Directors. Current 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, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick

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 each of 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 2008, the Company held 12 board meetings, 4 of which were convened by way of telephone meeting. A total of 136 proposals were considered at these board meetings, including proposals for the consideration of the Company's 2007 annual report, 2008 first quarterly report, interim report and third quarterly report, acquisition of Inner Mongolia Huaxin Mining Co., Ltd., Sunite-ZuoQi Manglai Mining Co., Ltd. and Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd., establishment of overseas subsidiaries, investments in property development projects and mining projects, amendments to the Administrative Rules Governing Related Party Transactions, issue of corporate bonds, 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	12	12	0
LI Changjin	12	11	1
BAI Zhongren	12	11	1
WANG Qiuming	12	12	0
HE Gong	12	12	0
ZHANG Qinglin	12	12	0
GONG Huazhang	12	12	0
WANG Taiwen	12	12	0
SUN Patrick	12	11	1

(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

(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, Mr. LI Changjin and Mr. BAI Zhongren who are Executive Directors, and is chaired by Mr. SHI Dahua.

During the reporting period, the Strategy Committee held 2 meetings, at which 3 proposals were considered. These proposals include considerations for investment in property development projects, strategic plan for resources sector of the Company and operation of the mining business of the Company.

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

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

(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 and Mr. SUN Patrick who are Independent Non-executive Directors and Mr. WANG Qiuming who is a Non-executive Director. The Audit Committee is chaired by Mr. GONG Huazhang.

During the reporting period, the Audit Committee held 5 meetings, at which a total of 10 proposals were considered, including the consideration of the 2007 working report of the auditors of the Company, the 2008 working plan of the auditors and the appointment of auditors for 2008.

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	4	1
WANG Qiuming	5	5	0

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

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

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

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

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

The Remuneration Committee comprises Mr. ZHANG Qinglin, Mr. HE Gong and Mr. SUN Patrick who are Independent Non-executive Directors, Mr. BAI Zhongren who is an Executive Director and Mr. WANG Qiuming who is a Non-executive Director. The Remuneration Committee is chaired by Mr. ZHANG Qinglin.

During the reporting period, the Remuneration Committee held 2 meetings, at which 3 proposals were considered, including proposals relating to the remuneration of independent directors of the Company, share appreciation right scheme and human resources management project.

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	2	2	0
HE Gong	2	2	0
SUN Patrick	2	1	1
BAI Zhongren	2	2	0
WANG Qiuming	2	2	0

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. ZHANG Qinglin and Mr. WANG Taiwen who are Independent Non-executive Directors, Mr. WANG Qiuming who is a Non-executive Director and Mr. LI Changjin who is an Executive Director. The Nomination Committee is chaired by Mr. HE Gong.

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 1 meeting and considered the proposal for appointment and removal of certain directors, supervisors and senior management of the Company's subsidiaries.

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
HE Gong	1	1	0
ZHANG Qinglin	1	1	0
WANG Taiwen	1	1	0
WANG Qiuming	1	1	0
LI Changjin	1	1	0

(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. ZHANG Qinglin, Mr. HE Gong and Mr. WANG Taiwen 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 held 1 meeting at which the proposal for working report on safety, health and environmental protection of employees of the Company was considered.

The table below sets out the details of meeting attendance of each member of the Safety, Health and Environmental Protection Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	1	1	0
BAI Zhongren	1	1	0
ZHANG Qinglin	1	1	0
HE Gong	1	1	0
WANG Taiwen	1	1	0

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. GAO Shutang, 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 5 meetings and considered a total of 15 proposals. These proposals include considering the 2007 report of Supervisory Committee of the Company, the 2007 annual report and the 2008 interim report of the Company. During the reporting period, except for Mr. JI Zhihua and Mr. LIN Longbiao who did not attend one of the 5 meetings, the other 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, Mr. GAO Shutang who also serves as a director of CRECG, none of the directors, supervisors or senior management of the Company hold any positions with CRECG or receive any salary from CRECG and/or its associates. Notwithstanding that 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 which consists of nine members. The Board also has 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 Guangdong Zhonghai Engineering Construction Bureau ("GZECB") 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 resolved and announced on 7 November 2008 that the Company agreed to CRECG's acquisition of GZECB under the Transfer. However, the Company reserves the option rights and pre-emptive rights under the Non-competition Agreement to acquire GZECB later.

China Railway Resources Limited ("CRRL"), a wholly-owned subsidiary of the Company, entered into three equity transfer agreements with CRECG on 16 November 2008 to purchase 52%, 51% and 51% equity interests in Inner Mongolia Huaxin Mining Co., Ltd., Sunite-ZuoQi Manglai Mining Co., Ltd. and Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd. from CRECG, respectively for a total consideration of RMB468,994,817.01. On 5 December 2008, the Company was notified by CRECG that SASAC had approved the transactions contemplated under such equity transfer agreements such transactions had been completed by the end of 2008.

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 2008 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 2009, 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 administrative rules governing related party transactions.

Pursuant to the requirements of the "Notice Regarding the Announcement of Corporate Governance Projects" and "Notice Regarding Matters related to the Commencement and Intensification of Corporate Governance Projects for Listed Companies" issued by China Securities Regulatory Commission and the guiding principles proposed in the meetings of the China Securities Regulatory Commission Beijing Branch, the Company commenced its corporate governance update project at the end of June in 2008, and has completed the designated tasks of this corporate governance update project substantially during the reporting period after going through the processes of learning and mobilising, self-investigation and self-correction, on-site investigation and rectification, and enhancement.

Refinement of corporate governance is on one hand a mission to complete the work designated by the securities regulatory bodies. It is also an important means to enhance the operational management and regulate the operation standards of the Company. Through this corporate governance update project, the Company strengthened its corporate governance. In particular, the Company regulated its internal reporting procedures for significant events of the Company, refined the connected transactions procedures, established a mechanism to prevent misappropriation of funds of the Company by the controlling shareholder and its subsidiaries, further streamlined the management hierarchy of the Company, markedly improved the regulation of daily operations and gradually increased transparency of the Group.

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 2008, 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 following the listing, 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 1,100 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. The Company also arranged for investors and relevant institutions to visit the construction sites of some key projects such as the Beijing South Railway Station, the starting point of the Beijing-Shanghai High Speed Railway, thereby allowing them to learn about the Company directly. 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 2,500 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 "2007 Top 100 PRC Businesses in Investor Relations Management" and "The Judging Panel's Award for Prominence in Hong Kong Corporate Governance". According to the Investor Relations Global Ranking (IRGR), the Company secured the fourth place in the Asia-Pacific Region and the second place in Greater China among Best Enterprises in Financial Disclosure and is the Highest Rated Enterprise with Best Investor Relations in the Asia-Pacific Region. Further, the Company's Secretary of the Board Mr. Yu Tengqun was awarded such honorable titles as one of the "Top 100 Board Secretaries of PRC Listed Companies of the Year" and the "Board Secretary of the Year" in 2007.

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 balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement 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, 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 2008 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

28 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB million	2007 RMB million (Restated, Note 2C)
Revenue	6 & 7	**225,029**	177,391
Cost of sales		**(208,534)**	(164,659)
Gross profit		**16,495**	12,732
Other income	8	**1,168**	841
Other gains and losses	9	**(4,232)**	516
Selling and marketing expenses		**(933)**	(932)
Administrative expenses		**(9,499)**	(8,913)
Interest income	10	**1,581**	982
Interest expenses	10	**(2,372)**	(1,850)
Share of profits (losses) of jointly controlled entities		**44**	(3)
Share of profits of associates		**48**	11
Profit before taxation		**2,300**	3,384
Income tax expense	11	**(631)**	(549)
Profit for the year	12	**1,669**	2,835
Attributable to:			
Equity holders of the Company		**1,350**	2,488
Minority interests		**319**	347
		1,669	2,835
Dividend	14	**—**	—
Earnings per share (Basic)	15	**RMB0.063**	RMB0.186

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB million	2007 RMB million (Restated, *Note 2C*)
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**22,685**	18,307
Deposit for acquisition of property, plant and equipment		**1,328**	683
Lease prepayments	*17*	**6,314**	6,091
Deposit for land use rights		**66**	14
Deposit for investment		**130**	—
Investment properties	*18*	**1,372**	794
Intangible assets	*19*	**13,669**	7,154
Mining assets	*20*	**1,333**	1,104
Interests in jointly controlled entities	*21*	**741**	651
Interests in associates	*22*	**3,539**	2,591
Goodwill	*23*	**836**	779
Available-for-sale financial assets	*24*	**3,929**	2,908
Other loans and receivables	*25*	**914**	989
Deferred income tax assets	*39*	**2,554**	1,925
Other prepayments		**26**	14
Other receivables	*28*	**79**	79
		59,515	44,083
Current assets			
Lease prepayments	*17*	**108**	106
Properties held for sale	*26*	**1,952**	665
Properties under development for sale	*26*	**17,996**	11,246
Inventories	*27*	**18,482**	10,448
Trade and other receivables	*28*	**78,260**	63,375
Amounts due from customers for contract work	*29*	**25,197**	27,021
Other loans and receivables	*25*	**892**	272
Held-for-trading financial assets	*30*	**141**	166
Restricted cash	*31*	**2,530**	2,171
Cash and cash equivalents	*32*	**46,846**	56,772
		192,404	172,242
Total assets		**251,919**	216,325

Consolidated Balance Sheet *(continued)*

At 31 December 2008

	Notes	2008 RMB million	2007 RMB million (Restated, Note 2C)
EQUITY			
Equity attributable to the equity holders of the Company		**55,995**	55,791
Minority interests		**4,929**	3,950
Total equity		**60,924**	59,741
LIABILITIES			
Non-current liabilities			
Other payables	34	**366**	232
Borrowings	35	**16,829**	10,239
Obligations under finance lease	36	**266**	69
Financial guarantee contracts	37	**35**	77
Retirement and other supplemental benefit obligations	38	**7,368**	8,650
Provisions		**47**	—
Deferred income government grant		**138**	209
Deferred income tax liabilities	39	**398**	588
		25,447	20,064
Current liabilities			
Trade and other payables	34	**111,270**	95,869
Amounts due to customers for contract work	29	**15,509**	11,144
Current income tax liabilities		**870**	541
Borrowings	35	**36,594**	28,527
Obligations under finance lease	36	**220**	44
Financial guarantee contracts	37	**2**	10
Retirement and other supplemental benefit obligations	38	**1,003**	385
Held-for-trading financial liabilities	30	**80**	—
		165,548	136,520
Total liabilities		**190,995**	156,584
Total equity and liabilities		**251,919**	216,325
Net current assets		**26,856**	35,722
Total assets less current liabilities		**86,371**	79,805

The consolidated financial statements on pages 62 to 147 were approved and authorised for issue by the board of directors on 28 April 2009 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 2008

	Equity attributable to the equity holders of the Company									
	Share capital RMB million *(note 33)*	Share premium RMB million	Capital reserve RMB million *(note (d))*	Statutory reserves RMB million *(note (b))*	Exchange translation reserve RMB million	Investment revaluation reserve RMB million	Contributed capital and accumulated profits RMB million *(note(c))*	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2007 as originally stated	—	—	—	—	(10)	8	7,001	6,999	3,514	10,513
Effect of changes in accounting policies *(Note 2C)*	—	—	—	—	—	—	18	18	—	18
At 1 January 2007 as restated	—	—	—	—	(10)	8	7,019	7,017	3,514	10,531
Exchange differences arising on translation of foreign operations	—	—	—	—	(14)	—	—	(14)	1	(13)
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	885	—	885	125	1,010
Net (expense) income recognised directly in equity	—	—	—	—	(14)	885	—	871	126	997
Profit for the year (as restated)	—	—	—	—	—	—	2,488	2,488	347	2,835
Total recognised income and expenses (as restated)	—	—	—	—	(14)	885	2,488	3,359	473	3,832
Issue of shares and distribution pursuant to Group Reorganization *(Note 1)*	12,800	—	(6,626)	—	—	—	(6,346)	(172)	—	(172)
Issue of shares upon initial public offering	8,500	34,912	—	—	—	—	—	43,412	—	43,412
Share issue expenses	—	(1,265)	—	—	—	—	—	(1,265)	—	(1,265)
Capital contribution by CRECG *(Note 19)*	—	—	2,787	—	—	—	—	2,787	—	2,787
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(276)	(276)
Acquisition of subsidiaries *(Note 40)*	—	—	—	—	—	—	—	—	269	269
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	—	—	—	(58)	(58)
Purchase of additional interests in subsidiaries from employees *(Note 1)*	—	—	259	—	—	—	—	259	(2,153)	(1,894)
Capital contribution from increase in tax base of lease prepayments	—	—	32	—	—	—	—	32	—	32
Purchase of additional interests in a subsidiary *(Note (a))*	—	—	(92)	—	—	—	—	(92)	(3)	(95)
Acquisition of the Mining Business *(Note 40(a))*	—	—	380	—	—	—	—	380	377	757
Capital contribution	—	—	74	—	—	—	—	74	1,831	1,905
Disposal of partial interests in a subsidiary *(Note 9)*	—	—	—	—	—	—	—	—	(24)	(24)
Transfer to reserves *(Note (b))*	—	—	84	346	—	—	(430)	—	—	—
At 31 December 2007 (as restated)	21,300	33,647	(3,102)	346	(24)	893	2,731	55,791	3,950	59,741
Exchange differences arising on translation of foreign operations	—	—	—	—	13	—	—	13	(3)	10
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	(784)	—	(784)	(117)	(901)
Net income(expense) recognised directly in equity	—	—	—	—	13	(784)	—	(771)	(120)	(891)
Profit for the year	—	—	—	—	—	—	1,350	1,350	319	1,669
Total recognised income and expenses	—	—	—	—	13	(784)	1,350	579	199	778
Dividend declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(141)	(141)
Share of associates/jointly controlled entities	—	—	1	—	—	—	—	1	—	1
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

Notes:

(a) *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 the consolidated income statement 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 2007, the Group acquired additional interest in a subsidiary involved in mining activities. The amount of approximately RMB92 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 the consolidated income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

(b) *Statutory reserves at 31 December 2008 and transferred from accumulated profits during the year represent statutory surplus reserve of RMB346 million, trust compensation reserve of RMB7 million and general risk reserve of RMB34 million.*

Statutory reserves at 31 December 2007 and transferred from accumulated profits during that year represent statutory surplus reserve of RMB326 million, trust compensation reserve of RMB4 million and general risk reserve of RMB16 million.

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 ten percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up the losses or use to increase the registered capital of that entity and is not distributable.

Certain items recognised as income and expenses in the consolidated financial statements for the year ended 31 December 2007 were dealt with directly in the capital reserves of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant Chinese Accounting Standards. Accordingly, the directors of the Company resolved to transfer the net effect of these items of RMB84 million to capital reserves of the Group during that year.

(c) *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 shareholders of the Company in 2007, a special distribution will have to be paid by the Company to CRECG in an amount equal to the consolidated net profit of the Company, as determined in accordance with 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 Directors of the Company determined this amount to be RMB2,405 million. Under the relevant laws and regulations in the PRC, such special distribution will be declared when the Company has sufficient distributable profit in its accumulated profits.*

(d) *Capital reserve represents the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the Core Operations at the date of Reorganisation and capital contribution by CRECG, certain items dealt with directly in the capital reserves of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant Chinese Accounting Standards.*

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 RMB million	2007 RMB million (Restated, Notes 2A & 2B)
Operating activities			
Profit before taxation		**2,300**	3,384
Adjustments for:			
Interest income		**(1,581)**	(982)
Dividend income from unlisted investments		**(105)**	(9)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		**(22)**	31
Lease prepayments		**(24)**	—
Available-for-sale financial assets		**(59)**	(22)
Non-current assets held for sale		**—**	(31)
Interests in subsidiaries		**(367)**	(616)
Interests in associates		**(2)**	4
Mining assets		**(1)**	—
Foreign exchange losses, net		**4,139**	245
Fair value decrease (increase) on held-for-trading financial assets		**282**	(24)
Gain on early redemption of receivables		**—**	(136)
Waiver of borrowings		**(39)**	—
Waiver of trade and other payables		**(23)**	(75)
Discount on acquisition of subsidiaries		**—**	(47)
Discount on acquisition of additional interests in subsidiaries		**(3)**	(58)
Impairment losses recognised (reversed) on:			
Property, plant and equipment		**1**	14
Available-for-sale financial assets		**227**	9
Interests in associates		**—**	6
Trade and other receivables		**70**	163
Other loans and receivables		**(11)**	3
Allowance for foreseeable losses on construction contracts		**168**	301
Goodwill		**3**	—
Interests in jointly controlled entities		**5**	—
Inventories		**21**	—
Amortisation of deferred financial guarantee contracts		**(50)**	(47)
Financial guarantee released to income upon cancellation of a guarantee		**—**	(3)
Interest expenses		**2,372**	1,850
Share of (profits) losses of jointly controlled entities		**(44)**	3
Share of profits of associates		**(48)**	(11)
Charge to retirement benefit obligations		**455**	312
Government grants credited to income		**(55)**	(21)
Depreciation and amortisation		**3,196**	2,959
Write-off of goodwill		**—**	6
Unrealised profit in interests in associates		**—**	7
Fair value adjustment on Service Concession Arrangements		**(73)**	(56)
Operating cash flows before movements in working capital		**10,732**	7,159
Movements in working capital:			
Increase in other prepayments		**(9)**	(6)
Increase in properties held for sale		**(1,177)**	(340)
Increase in properties under development for sale		**(4,636)**	(4,225)
Increase in inventories		**(8,340)**	(1,762)
Increase in trade and other receivables		**(14,001)**	(9,825)
Decrease (increase) in amounts due from customers for contract work		**1,656**	(7,129)
Decrease in retirement and supplemental benefit obligations		**(1,119)**	(1,038)
Increase in trade and other payables		**14,122**	15,688
Increase in amounts due to customers for contract work		**4,365**	1,922
Increase in government grants for operating expenses		**73**	44
Net cash inflows from operations		**1,666**	488
Income tax paid		**(886)**	(545)
Net cash generated from (used in) operating activities		**780**	(57)

Consolidated Cash Flow Statement *(continued)*

For the year ended 31 December 2008

	Notes	**2008 RMB million**	2007 RMB million (Restated, *Notes 2A & 2B*)
Investing activities			
Purchase of property, plant and equipment		**(6,511)**	(5,766)
Deposit for acquisition of property, plant and equipment		**(1,305)**	(683)
Government grants received for acquisition of property, plant and equipment		**25**	79
Disposal of property, plant and equipment		**483**	16
Deposit paid for land use rights		**(66)**	(14)
Acquisition of new lease prepayments		**(238)**	(920)
Disposal of lease prepayments		**58**	53
Purchase of investment properties		**(95)**	(63)
Disposal of investment properties		**6**	—
Purchase of intangible assets		**(6,206)**	(3,621)
Disposal of intangible assets		**119**	25
Purchase of mining assets		**(146)**	(10)
Disposal of mining assets		**3**	—
Acquisition of subsidiaries	*40*	**(168)**	(655)
Acquisition of additional interest in subsidiaries		**(525)**	(2,453)
Acquisition of the Mining Business *(Note 2A)*		**(469)**	—
Disposal of subsidiaries	*41*	**19**	65
Consideration received from disposal of subsidiary in prior year		**61**	56
Investments in jointly controlled entities		**(355)**	(195)
Disposal of interests in jointly controlled entities		**127**	18
Disposal of non-current assets held for sale		**—**	40
Investments in associates		**(1,000)**	(1,804)
Disposal of interests in associates		**81**	50
Deposit paid for investment		**(130)**	—
Purchase of available-for-sale financial assets		**(2,471)**	(808)
Disposal of available-for-sale financial assets		**146**	173
Redemption of held-to-maturity financial assets		**—**	55
New other loans and receivables		**(1,282)**	(944)
Recovery of other loans and receivables		**748**	1,276
Interest received		**1,233**	711
Dividends received from jointly controlled entities and associates		**14**	6
Dividends received from other financial assets		**103**	9
Partial disposal of a subsidiary		**44**	494
Loss resulted from foreign exchange investments		**(1,950)**	—
Net increase in restricted cash		**(359)**	(647)
Increase in held-for-trading financial assets		**(177)**	(132)
Net cash used in investing activities		**(20,183)**	(15,589)
Financing activities			
Issue of shares, net of share issue expenses		**—**	42,298
Share issue expenses paid		**(121)**	—
Capital contributions from owner		**—**	74
Capital contributions from minority interests		**1,119**	1,831
New borrowings		**53,910**	45,491
Repayment of borrowings		**(39,872)**	(43,961)
Interest paid		**(3,390)**	(2,266)
Dividends to minority shareholders of subsidiaries paid		**(32)**	(287)
Distributions to former minority shareholders of subsidiaries		**—**	(172)
Net cash generated from financing activities		**11,614**	43,008
Net (decrease) increase in cash and cash equivalents		**(7,789)**	27,362
Effect of foreign exchange rate changes		**(2,137)**	(311)
Cash and cash equivalents at the beginning of the year		**56,772**	29,721
Cash and cash equivalents at the end of the year		**46,846**	56,772

1. General information and group reorganisation

The Company was established in PRC on 12 September 2007 as a joint stock company with limited liability. The Company's A Shares were listed on Shanghai Stock Exchange on 3 December 2007 and the Company's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 7 December 2007. The details of A Shares and H Shares are set out in Note 33. 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 China Railway Engineering Corporation ("CRECG"), incorporated in the PRC.

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

Prior to establishment of the Company, the operations of infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses were carried out by entities owned or controlled by CRECG.

Pursuant to a reorganisation agreement dated 18 September 2007 (the "Reorganisation"), the equity interests in various subsidiaries of CRECG which carry out the principal operations and businesses of CRECG (the "Core Operations") were transferred to the Company which include:

(i) all operating assets and liabilities relating to the infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing and property development;

(ii) substantially all other core operating assets and liabilities relating to other business operations of CRECG;

(iii) contractual rights and obligations relating to the businesses, assets and equity interests transferred to the Company;

(iv) employees (including their personnel files and records and date with respect to their remuneration and other benefits and related liabilities) relating to the businesses, assets and equity interests transferred to the Company;

(v) qualifications, licences and approvals relating to the businesses, assets and equity interests transferred to the Company;

(vi) rights to claim and set-off against third parties and other similar rights in connection with the business and assets and equity interests transferred to the Company; and

(vii) data, books and/or records relating to business, accounting, finance, technology, research and development and all other know-how relating to the business transferred to the Company.

In consideration for CRECG transferring the above Core Operations to the Company, the Company issued 12.8 billion ordinary shares of RMB1.00 per share to CRECG. After the transfer, the Company became a holding company of the Company and its subsidiaries (collectively referred to as the "Group"). The shares issued to CRECG represented the then entire registered and paid share capital of the Company.

As part of the Reorganisation, certain equity interests in the entities within the Group that were held by the Employee Share Ownership Committees ("ESOC") with carrying value of approximately RMB1,314 million on 31 December 2006 were assigned to the Company on the same date without consideration being paid. Accordingly, the transaction was classified as capital contribution from equity participants and the amount of RMB1,314 million was dealt with in reserves. A distribution of RMB172 million in respect of distributable profits prior to 31 December 2006 of the relevant entities attributable to the ESOC was paid to ESOC upon the Reorganisation.

As part of the Reorganisation, the Company and some of its subsidiaries purchased additional interests in certain subsidiaries from the minority shareholders of the respective subsidiaries who are also employees of the Group. These transactions were accounted for using the purchase method of accounting and resulted in a reduction of minority interests of RMB2,153 million upon the Reorganisation.

2A. Basis of preparation of the consolidated financial statements

All Core Operations were controlled and owned by CRECG. As a result of the Reorganisation described in Note 1, all Core Operations were transferred to the Company and are still ultimately controlled and owned by CRECG. There is no change of controlling shareholders before and after the Reorganisation and accordingly, the consolidated financial statements have been prepared as a combination of businesses under common control in a manner similar to pooling-of-interests as if the group structure after the Reorganisation had been in existence since 1 January 2007.

In addition, 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, 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 has also 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 consider that the Company, Huaxin, Manglai and Xiaobaiyang are under the common control of CRECG. As a result, the consolidated income statement and the consolidated cash flow statement for the year ended 31 December 2007 have been restated to include the operating results and cash flows of the Mining Business or since the date the group entity came under the control of CRECG in accordance with the respective equity interests in the individual companies attributable to CRECG. The consolidated balance sheet of the Group as at 31 December 2007 has been restated to include the assets and liabilities of the Mining Business. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out in note 2C.

Since the equity interest in Manglai and Xiaobaiyang were acquired from third parties by CRECG on 26 April 2007, the acquisitions of Manglai and Xiaobaiyang were accounted for using the purchase method of accounting in the consolidated financial statements of the Company as if the Group acquired these entities on 26 April 2007 (see note 40(a)).

2B. Application of new and revised international financial standards

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Except for the application of IFRIC 12 Service Concession Arrangements, the adoption of the other new IFRSs has had no material effect on the results or financial position of the Group for the current or prior years.

Service concession arrangements

In the current year, the Group has applied IFRIC 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008.

The Group as toll road operator has access to operate the infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract.

2B. Application of new and revised international financial standards *(continued)*

Service concession arrangements *(continued)*

IFRIC 12 Service Concession Arrangements provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior years, the construction costs incurred on the toll road infrastructure, which the Group is entitled to operate for the specified concession period, was recorded as intangible assets and was stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a units-of-usage basis over its estimated useful life or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the toll road.

In accordance with IFRIC 12, if the operator provides construction and upgrade services of the infrastructure, the operator is required to account for its revenue and costs in accordance with IAS 11 Construction Contracts for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with IAS 38 Intangible Assets to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with IAS 18 Revenue.

In the current year, the Group applied this interpretation retrospectively. See note 2C for the financial impact.

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

International Financial Reporting Standard ("IFRS")

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]

International Accounting Standard ("IAS")

IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Cost[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendments)	Eligible hedged items[4]

IFRIC

IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distribution of Non-cash Assets to Owners[4]
IFRIC 18	Transfers of Assets from Customers[8]

2B. Application of new and revised international financial standards *(continued)*

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

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.

Other than those set out above, the directors of the Company (the "Directors") anticipate the application of the other standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

2C. Restatements

The effects of restatements arising from acquisition of the Mining Business accounted for as a combination of businesses under common control ("Adjustment 1") and changes in accounting policies resulting from adoption of IFRIC 12 ("Adjustment 2") for the year ended 31 December 2007 by line items presented according to their function are as follows:

	2007 (originally stated)	Adjustment 1 *(Note 2A)*	Adjustment 2 *(Note 2B)*	Reclassification	2007 (restated)
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	173,751	37	3,603	—	177,391
Cost of sales	161,108	4	3,547	—	164,659
Other income	1,183	13	—	(355)	841
Gains on disposal of interests in subsidiaries	616	—	—	(616)	—
Other gains and losses	—	—	—	516	516
Selling and marketing expenses	930	2	—	—	932
Administrative expenses	9,362	6	—	(455)	8,913
Interest income	981	1	—	—	982
Income tax expense	529	6	14	—	549
Profit for the year	2,760	33	42	—	2,835

The effects of Adjustment 2 for the current year by line items presented according to their function are as follows:

	2008 RMB million
Increase in revenue on construction	**4,796**
Increase in construction cost	**4,723**
Increase in income tax expense	**19**
Increase in profit for the year	**54**

2C. Restatements *(continued)*

The effects of Adjustment 1 and Adjustment 2 as at 31 December 2007 are summarised below:

	As at 31/12/2007 (originally stated) RMB million	Adjustment 1 *(Note 2A)* RMB million	Adjustment 2 *(Note 2B)* RMB million	As at 31/12/2007 (restated) RMB million
Balance sheet items				
Property, plant and equipment	18,288	19	—	18,307
Intangible assets	7,074	—	80	7,154
Mining assets	46	1,058	—	1,104
Inventories	10,407	41	—	10,448
Trade and other receivables	63,397	57	—	63,454
Restricted cash	2,170	1	—	2,171
Cash and cash equivalents	56,726	46	—	56,772
Deferred income tax liabilities	315	253	20	588
Trade and other payables	96,071	30	—	96,101
Current income tax liabilities	536	5	—	541
Accumulated profits, total effects on equity attributable to equity holders of the Company	55,254	477	60	55,791

The effects of Adjustment 2 on the Group's equity at 1 January 2007 are summarised below:

	As at 1/1/2007 (originally stated) RMB million	Adjustment 2 *(Note 2B)* RMB million	As at 1/1/2007 (restated) RMB million
Balance sheet items			
Intangible assets	2,329	24	2,353
Deferred income tax liabilities	187	6	193
Accumulated profits, total effects on equity	6,999	18	7,017

The effects of Adjustment 1 and Adjustment 2 on the Group's basic earnings per share for the current and prior year:

Impact on basic earnings per share

	2008 RMB	2007 RMB
Reported figures before adjustments	**0.059**	0.181
Adjustments arising from changes in accounting policy in respect of Service Concession Arrangements	**0.003**	0.003
Adjustments arising from acquisition of the Mining Business	**0.001**	0.002
Restated	**0.063**	0.186

3. Principal accounting policies

The consolidated financial statements have been prepared in accordance with IFRSs 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 Stock Exchange of Hong Kong Limited 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, except for those acquired pursuant to the Reorganisation and those business combinations involving entities under common control, are included in the consolidated income statement 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.

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 of the consolidated entity 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 of the controlling party or parties 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 previous balance sheet date 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.

3. Principal accounting policies *(continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is presented separately on the consolidated balance sheet and is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisitions of subsidiaries is presented separately in the consolidated balance sheet.

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 the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, 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.

Purchase of additional interests or disposal of partial interests in subsidiaries

When the Group acquires additional interests in subsidiaries, 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 are 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 the equity and will be taken into account in deriving the gain or loss upon the disposal of the subsidiary.

Gains and losses for the Group resulting from disposals of partial interests in subsidiaries to minority interests are recorded in the consolidated income statement.

Associates

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 decision in the investee but is not control nor joint control over those policies.

3. Principal accounting policies *(continued)*

Associates *(continued)*

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 balance sheet 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 assessed for impairment as part of the investment.

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 balance sheet 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.

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. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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 (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.

3. Principal accounting policies *(continued)*

Property, plant and equipment *(continued)*

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 the consolidated income statement in the year 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.

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

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 the consolidated income statement in the year in which the item is derecognised.

Intangible assets

The 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 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.

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 the consolidated income statement when the asset is derecognised.

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

3. Principal accounting policies *(continued)*

Intangible assets *(continued)*

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 unit-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.

Construction contract

Where the outcome of a fixed price construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. 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 they have been agreed with the customer.

When the outcome of a cost plus construction contact 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.

Where 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 balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

3. Principal accounting policies *(continued)*

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 on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

(i) Held-for-trading financial assets

At each balance sheet date subsequent to initial recognition, held-for-trading financial assets 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 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. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, other loans and receivables, restricted cash and bank balances and cash as shown on the consolidated balance sheet) 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 re-organisation. 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.

3. Principal accounting policies *(continued)*

Financial assets *(continued)*

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the above categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in 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 the 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 each balance sheet date subsequent to initial recognition. 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.

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. 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

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, 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.

3. Principal accounting policies *(continued)*

Financial liabilities and equity *(continued)*

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables, obligations under finance lease as shown on the consolidated balance sheet are subsequently measured at amortised cost, using the 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".

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 each balance sheet date and are classified as a current asset or a current liability. 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 directly in equity 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 expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. Principal accounting policies *(continued)*

Impairment losses (other than goodwill)

At each balance sheet date, 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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Employee compensation and benefits

Pension obligations

The full time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by various government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group'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 balance sheet in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date 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 consolidated income statement 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 the consolidated income statement 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.

3. Principal accounting policies *(continued)*

Employee compensation and benefits *(continued)*

Housing funds

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to the consolidated income statement over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

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 income statement 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 balance sheet date.

Deferred tax is recognised on 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 and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 employers; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

3. Principal accounting policies *(continued)*

Revenue recognition *(continued)*

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement 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 balance sheet 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.

Rentals payable under operating leases are charged to profit or loss 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.

Upfront prepayments made for the land use rights and leasehold land with a specified period are initially recognised on the consolidated balance sheet as lease prepayments and are expensed in the consolidated income statement on a straight-line basis over the periods of the respective leases.

3. Principal accounting policies *(continued)*

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 exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 balance sheet date, 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 as equity. 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) 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 2008, the carrying amount of goodwill is RMB836 million. Details of the recoverable amount calculation are disclosed in Note 23.

4. Key sources of estimation uncertainty *(continued)*

(c) Deferred income tax asset

As at 31 December 2008, deferred income tax assets of RMB2,554 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 balance sheet. 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 the consolidated income statement for the period in which such a reversal takes place.

(d) 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.

(e) 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.

(f) 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 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 entities and to maximise the return to the equity holders of the entities 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.

5. Capital risk management and financial instruments *(continued)*

Capital risk management *(continued)*

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 are denominated in foreign currencies which expose the Group to currency risk.

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

	Liabilities		Assets	
	2008	2007	**2008**	2007
	RMB million	RMB million	**RMB million**	RMB million
USD	**1,324**	804	**13,373**	10,160
EURO	**515**	750	**97**	52
HKD	**58**	60	**158**	8,706
AUD	**—**	—	**3,897**	1,921
Others	**1,018**	701	**1,394**	1,254

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 6% (2007: 5%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 6% (2007: 5%) 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 each balance sheet date for a 6% (2007: 5%) change in foreign currency rates.

	2008	2007
	RMB million	RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**722**	843
if RMB strengthens against foreign currencies	**(722)**	(843)

A change of 6% (2007: 5%) in exchange rate of each foreign currency against RMB does not affect other components of equity.

5. Capital risk management and financial instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, fixed-rate bank fixed deposits and other loans and receivables. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowings, obligations under finance lease and pay-fixed/receive-floating interest rate swaps. The Group currently does not have an interest rate hedging 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 balance sheet date was outstanding for the whole year. A 216 (2007: 135) 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 as a result of the gradual decrease in interest rate during the current year.

The management adjusted the sensitivity rate from 135 basis points to 216 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions after the third quarter of 2008.

	2008	2007
Reasonably possible change in interest rate	**216 basis points**	135 basis points

	2008 **RMB million**	2007 RMB million (Restated)
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(599)**	(272)
as a result of decrease in interest rate	**599**	272

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 increased to 30% in the current year as a result of the volatile financial market.

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

	2008	2007
Reasonably possible change in equity price	**30%**	5%

5. Capital risk management and financial instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Other price risk (continued)

	2008 RMB million	2007 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	**21**	7
as a result of decrease in equity price	**(21)**	(7)
Increase (decrease) in other components of equity		
as a result of increase in equity price	**122**	77
as a result of decrease in equity price	**(122)**	(77)

Credit risk

At balance sheet date, 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 balance sheet 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 each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. One major customer, which is a government body, contributes a significant portion of the revenue and trade receivables of the Group. The management considers that the credit risk in respect of this customer is minimal. Other than this customer, the Group does not have concentration of credit risk as no single customer accounted for more than 10% of the Group's total revenue during the year. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

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 RMB3,493 million (2007: RMB3,797 million) and RMB7,803 million (2007: RMB6,191 million) and represent 7% (2007: 10%) and 15% (2007: 16%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other receivables as the Group's largest other receivable and the five largest other receivables amounted to RMB803 million (2007: RMB352 million) and RMB1,891 million (2007: RMB1,665 million) and represent 6% (2007: 3%) and 14% (2007: 13%) of the total other receivables respectively.

5. Capital risk management and financial instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. At 31 December 2008, the Group has available unutilised short-term bank loan facilities of RMB75,562 million (2007: RMB70,221 million).

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

	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 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
	121,792	7,694	2,824	1,004	945	13,517	147,776	137,017
At 31 December 2007 (restated)								
Trade and other payables *(note)*	67,583	953	672	124	67	31	69,430	69,349
Borrowings	30,648	3,768	2,462	510	500	7,469	45,357	38,766
Obligations under finance lease	47	44	41	—	—	—	132	113
	98,278	4,765	3,175	634	567	7,500	114,919	108,228

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

At 31 December 2008 and 2007, it was not probable that the counterparties to the financial guarantee contracts will claim under the contracts. Consequently, the carrying amount of financial guarantee contracts of RMB37 million (2007: RMB87 million) has not been presented above.

The contractual expiry periods of financial guarantees are set out in Note 43.

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.

	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 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**
At 31 December 2007 *(restated)*								
Trade and other receivables *(note)*	44,186	3,770	1,730	419	126	348	50,579	50,022
Other loans and receivables	401	559	418	11	54	204	1,647	1,261
Restricted cash	2,171	—	—	—	—	—	2,171	2,171
Cash and cash equivalents	56,772	—	—	—	—	—	56,772	56,772
	103,530	4,329	2,148	430	180	552	111,169	110,226

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

The following table details the Group's liquidity analysis for its derivative financial instruments, interest rate swaps. The table has been drawn up based on the undiscounted net cash inflows and outflows on the interest rate swaps that are settled on a net basis. 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 balance sheet dates.

	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 2008								
Net cash inflows (outflows) of interest rate swaps	**27**	**(76)**	**2**	**2**	**3**	**9**	**(33)**	**(34)**
At 31 December 2007								
Net cash inflows of interest rate swaps	27	28	28	28	27	119	257	45

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:

	2008 **RMB million**	2007 RMB million (Restated)
Financial assets at fair value through profit and loss:		
Held-for-trading financial assets	**141**	166
Loans and receivables:		
Other loans and receivables	**1,806**	1,261
Trade and other receivables	**60,897**	50,022
Restricted cash	**2,530**	2,171
Cash and cash equivalents	**46,846**	56,772
	112,079	110,226
Available-for-sale financial assets	**3,929**	2,908
Financial liabilities at fair value through profit and loss:		
Held-for-trading financial liabilities	**80**	—
Financial liabilities measured at amortised costs:		
Trade and other payables	**83,108**	69,349
Borrowings	**53,423**	38,766
Financial guarantee contracts	**37**	87
	136,568	108,202

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 other financial assets and financial liabilities (excluding derivative instruments) 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;

- The fair value of non-optional derivative instrument is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments; and

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

5. Capital risk management and financial instruments *(continued)*

Categories and fair value of financial instruments *(continued)*

Included in available-for-sale financial assets at 31 December 2008 are amounts of RMB2,965 million (2007: RMB953 million) which 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.

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:

	2008		2007	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Other loans and receivables	1,806	1,681	1,261	1,222
Fixed-rate bank borrowings	1,142	1,052	509	449
Fixed-rate other borrowings	228	226	228	215

6. Revenue

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

	2008 RMB million	2007 RMB million (Restated)
Revenue from:		
Rendering of services		
— Construction contracts	201,466	160,133
— Other services	6,641	4,833
Sale of properties	3,805	2,880
Sale of goods	13,117	9,545
	225,029	177,391

7. Segment information

(a) Business segments (primary segment)

The Group is organised into the following business segments:

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

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

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

7. Segment information *(continued)*

(a) Business segments (primary segment) *(continued)*

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

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

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

The segment information about these business segments is presented below:

Consolidated results

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
Year ended 31 December 2008							
External revenue	201,466	4,265	6,195	3,805	9,298	—	225,029
Inter-segment revenue	1,833	89	749	—	1,398	(4,069)	—
Segment revenue	203,299	4,354	6,944	3,805	10,696	(4,069)	225,029
Segment results	4,399	494	779	566	477	(1)	6,714
Unallocated corporate income							602
Unallocated corporate expenses							(4,494)
Unallocated interest income							1,251
Unallocated interest expenses							(2,232)
Share of profits (losses) of jointly controlled entities	49	—	(3)	—	(2)	—	44
Share of profits (losses) of associates	(1)	16	5	29	(1)	—	48
Gain on disposal of interests in subsidiaries	—	—	—	51	316	—	367
Profit before taxation							2,300
Income tax expense							(631)
Profit for the year							1,669

7. Segment information *(continued)*

(a) Business segments (primary segment) *(continued)*

Consolidated results (continued)

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million (restated)
Year ended 31 December 2007							
External revenue	160,133	3,388	3,954	2,880	7,036	—	177,391
Inter-segment revenue	8,429	6	1,239	402	1,086	(11,162)	—
Segment revenue	168,562	3,394	5,193	3,282	8,122	(11,162)	177,391
Segment results	1,945	234	168	502	637	(306)	3,180
Unallocated corporate income							964
Unallocated corporate expenses							(497)
Unallocated interest income							791
Unallocated interest expenses							(1,678)
Share of (losses) profits of jointly controlled entities	(9)	—	4	1	1	—	(3)
Share of profits (losses) of associates	—	17	7	(11)	(2)	—	11
Gain on disposal of interests in subsidiaries	518	—	—	98	—	—	616
Profit before taxation							3,384
Income tax expense							(549)
Profit for the year							2,835

7. Segment information *(continued)*

(a) Business segments (primary segment) *(continued)*

Consolidated assets and liabilities

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
At 31 December 2008							
ASSETS							
Segment assets	130,162	3,681	11,648	26,132	24,022	(5,812)	189,833
Interests in jointly controlled entities	358	—	127	53	203	—	741
Interests in associates	2,876	138	43	412	70	—	3,539
Other assets	49,972	1,158	525	1,013	2,584	—	55,252
Other unallocated corporate assets							2,554
Consolidated total assets							251,919
LIABILITIES							
Segment liabilities	111,152	1,933	8,521	10,700	13,088	(9,693)	135,701
Other liabilities	47,234	1,411	284	3,819	2,148	—	54,896
Other unallocated corporate liabilities							398
Consolidated total liabilities							190,995

7. Segment information *(continued)*

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

Consolidated assets and liabilities (continued)

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million (restated)
At 31 December 2007							
ASSETS							
Segment assets	148,462	2,720	6,953	15,300	25,938	(51,493)	147,880
Interests in jointly controlled entities	238	—	102	94	217	—	651
Interests in associates	1,980	123	43	376	69	—	2,591
Other assets	58,885	1,222	434	1,174	1,563	—	63,278
Other unallocated corporate assets							1,925
Consolidated total assets							216,325
LIABILITIES							
Segment liabilities	104,079	1,574	5,146	12,924	15,158	(22,392)	116,489
Other liabilities	32,266	1,042	518	721	5,126	(166)	39,507
Other unallocated corporate liabilities							588
Consolidated total liabilities							156,584

7. Segment information *(continued)*

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

Other information

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 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
Investment properties	—	—	—	—	22	22
Intangible assets	13	—	—	1	57	71
Mining assets	—	—	—	—	4	4
	2,319	105	272	26	331	3,053
Loss (profit) on disposal and write-off of property, plant and equipment	4	(15)	1	—	(12)	(22)
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
Lease prepayments released to income statement	102	3	7	16	15	143

7. Segment information *(continued)*

(a) Business segments (primary segment) *(continued)*

Other 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 businesses RMB million	Consolidated RMB million (restated)
Year ended 31 December 2007						
Capital expenditure:						
Property, plant and equipment	5,035	186	441	122	498	6,282
Investment properties	—	—	—	—	63	63
Intangible assets	404	93	12	—	3,168	3,677
Acquisition of subsidiaries	1	—	—	5	2,343	2,349
Total	5,440	279	453	127	6,072	12,371
Depreciation and amortisation:						
Property, plant and equipment	2,411	104	138	16	163	2,832
Investment properties	—	—	—	—	13	13
Intangible assets	15	—	—	—	19	34
Mining assets	—	—	—	—	3	3
	2,426	104	138	16	198	2,882
Loss (profit) on disposal and write-off of property, plant and equipment	19	5	8	—	(1)	31
Impairment loss on property, plant and equipment	9	—	5	—	—	14
Allowance for foreseeable loss on construction contracts	301	—	—	—	—	301
Impairment loss on trade and other receivables	140	—	14	6	3	163
Lease prepayments released to income statement	65	2	10	—	—	77

(b) Geographical segments

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

8. Other income

	2008 RMB million	2007 RMB million (Restated)
Dividend income	105	9
Government subsidies	82	79
Compensation income *(note (a))*	88	61
Relocation compensation from government	83	73
Discount on acquisition of subsidiaries	—	47
Discount on acquisition of additional interests in subsidiaries	3	58
Amortisation of financial guarantee contracts	50	47
Financial guarantee released to income upon cancellation of a guarantee	—	3
Income from sundry operations *(note (b))*	618	275
Waiver of trade and other payables	23	75
Others	116	114
	1,168	841

Notes:

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

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

9. Other gains and losses

	2008 RMB million	2007 RMB million (Restated)
Gains (losses) on disposal of:		
Property, plant and equipment	22	(31)
Mining assets	1	—
Lease prepayments	24	—
Non-current assets held for sale	—	31
Available-for-sale financial assets	59	22
Interests in associates	2	(4)
Impairment loss (recognised) reversed on:		
Available-for-sale financial assets	(227)	(9)
Trade and other receivables	(70)	(163)
Other loans and receivables	11	(3)
Gain on early redemption of receivables *(Note 25)*	—	136
Fair value (decrease) increase on held-for-trading financial assets	(282)	166
Gain on disposal of subsidiaries *(Note 41)*	51	98
Gain on disposal of partial interests in subsidiaries *(note)*	316	518
Foreign exchange losses, net	(4,139)	(245)
	(4,232)	516

Note:

During the year ended 31 December 2008,

(a) *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 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 subsidiary of RMB316 million.*

During the year ended 31 December 2007,

(b) *the Group's interest in 中鐵二局股份有限公司 was diluted by a placement of shares in this subsidiary and resulted in a gain on deemed disposal of RMB94 million;*

(c) *the Group disposed of 2.01% interest in 中鐵二局股份有限公司 for an aggregate consideration of RMB494 million and it resulted in a gain on disposal of partial interests in subsidiary of RMB424 million.*

10. Interest income and expenses

	2008 RMB million	2007 RMB million (Restated)
Interest income from:		
Cash and cash equivalents and restricted cash	**1,174**	556
Proceeds arising from global offering of the Company's shares	**—**	73
Imputed interest on retention receivables	**330**	191
Other loans and receivables	**77**	158
Available-for-sale financial assets	**—**	4
Total interest income	**1,581**	982
Interest expense on:		
Bank borrowings:		
Wholly repayable within five years	**2,562**	1,888
Not wholly repayable within five years	**464**	175
Short term debentures	**115**	61
Other long term loans	**62**	25
Other short term loans	**210**	30
	3,413	2,179
Imputed interest expense on retention payables	**58**	28
Bank charges	**82**	144
Total borrowing costs	**3,553**	2,351
Less: Amount capitalised	**(1,181)**	(501)
Total interest expenses	**2,372**	1,850

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

	2008	2007
Capitalisation rate	**3.72% to 9.67%**	5.00% to 7.47%

11. Income tax expense

	2008 RMB million	2007 RMB million (Restated)
Current tax		
Enterprise Income Tax ("EIT") in Mainland China	**1,130**	671
Land Appreciation Tax ("LAT")	**53**	23
Underprovision in prior years	**32**	5
Deferred tax *(Note 39)*	**(584)**	(150)
	631	549

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations change the tax rate from 33% to 25% from 1 January 2008. Subsidiaries which were either exempt from EIT or entitled to different preferential tax rates due to their status as involvement in projects that were supported by the government and development projects in the western part of Mainland China will still enjoy the preferential tax treatment.

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 25% (2007: 33%) 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 18% (2007: 15% or 16.5%) during the year. Certain group entities which have been identified as "high-tech enterprises" were entitled to preferential EIT rates. However, pursuant to the relevant regulations promulgated by the State Administration of Taxation in 2008, these group entities' high-tech qualification is subject to re-assessment. As such, each of these group entities has to apply the statutory EIT rate of 25% in calculating current year tax and deferred tax until the official approval confirming the "high-tech enterprise" status from the relevant tax bureau is obtained.

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 income statement as follows:

	2008 RMB million	2007 RMB million (Restated)
Profit before taxation	2,300	3,384
Tax at domestic income tax rate of 25% (2007: 33%)	575	1,117
Tax effect of:		
Non-deductible expenses	128	81
Non-taxable income	(151)	(353)
Tax losses not recognised as deferred tax assets	720	73
Utilisation of tax losses not previously recognised as deferred tax assets	(38)	(60)
Other deductible temporary difference not recognised as deferred tax assets	135	13
Utilisation of other deductible temporary difference	(23)	(86)
Preferential tax rates on income of group entities	(237)	(238)
Share of profits (losses) of jointly controlled entities	(11)	—
Share of profits of associates	(12)	(3)
Deferred tax changes resulting from changes in applicable tax rates	(485)	81
LAT	53	23
Tax effect of LAT	(13)	(8)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment	(44)	(129)
Underprovision in respect of prior years	32	5
Others	2	33
	631	549

12. Profit for the year

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

	2008 RMB million	2007 RMB million
Depreciation and amortisation of:		
Property, plant and equipment	**2,956**	2,832
Lease prepayments	**143**	77
Investment properties	**22**	13
Intangible assets (included in administrative expenses)	**71**	34
Mining assets	**4**	3
Total depreciation and amortisation	**3,196**	2,959
Auditor's remuneration	**53**	34
Impairment loss recognised (reversed) on:		
Property, plant and equipment (included in administrative expenses)	**1**	14
Interests in associates (included in administrative expenses)	**—**	6
Interests in jointly controlled entities (included in administrative expenses)	**5**	—
Goodwill (included in administrative expenses)	**3**	—
Inventories (included in cost of sales)	**21**	—
Allowance for foreseeable loss on construction contracts	**168**	301
Operating lease rentals in respect of		
Rented premises	**188**	287
Plant and machinery	**7,331**	2,169
Rental income from investment properties		
Gross rental	**(130)**	(50)
Direct operating expenses (including depreciation of investment properties)	**44**	29
Net rental	**(86)**	(21)
Research and development expenditure (included in administrative expenses)	**316**	306
Cost of raw materials and consumables	**108,178**	89,434
Goodwill written off	**—**	6

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 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

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 2007					
Director					
Shi Dahua	—	205	54	369	628
Li Changjin	—	205	64	369	638
Bai Zhongren	—	174	63	313	550
Wang Qiuming	—	174	58	313	545
He Gong	—	—	—	—	—
Zhang Qinglin	—	—	—	—	—
Wang Taiwen	—	—	—	—	—
Gong Huazhang	—	—	—	—	—
Sun Patrick	—	—	—	—	—
Directors' remunerations	—	758	239	1,364	2,361
Supervisor					
Gao Shutang	—	174	65	313	552
Zhang Xixue	—	146	57	76	279
Zhou Yuqing	—	146	57	76	279
Lin Longbiao	—	146	57	70	273
Ji Zhihua	—	151	57	78	286
Total	—	1,521	532	1,977	4,030

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:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits-in-kind	**3,794**	3,694
Contribution to retirement benefit scheme	**102**	120
Discretionary bonus *(note)*	**9,023**	11,460
	12,919	15,274

Their emoluments were within the following band:

	2008	2007
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,500,001 to HK$5,000,000	**—**	1

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

Employee compensation and benefits

	2008 RMB million	2007 RMB million
Salaries, wages and bonuses	**10,644**	9,741
Contribution to pension plans *(Note 38)*	**1,587**	1,234
Retirement and supplemental pension benefit obligations *(Note 38)*		
— interest costs	**385**	312
— termination and early retirement benefits	**70**	—
Housing benefits *(note)*	**724**	619
Welfare, medical and other benefits-in-kinds	**1,712**	1,449
Compensation for termination of employment	**40**	34
	15,162	13,389

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 since the date of incorporation of the Company nor has any dividend been proposed up to the date of this report.

15. Earnings per share

Basic earnings per share for the year ended 31 December 2008 is calculated by dividing the profit attributable to equity holders of the Company of RMB1,350 million (2007(restated): RMB2,488 million) by 21,299,900,000 shares (2007: weighted average number of 13,406,030,000 shares) in issue during the year. The weighted average number of shares deemed in issue during the year ended 31 December 2007 was determined on the assumption that the Reorganisation had taken place since 1 January 2007.

No diluted earnings per share are presented as there are no potential dilutive 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 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
Transfers from properties held for sale/properties under development for sale	99	—	—	—	—	—	275	374
Transfers 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)
Transfers 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	—	—	—	—	—	(6)	7	1
Eliminated on write-offs/other disposals	(42)	(582)	(195)	(95)	(32)	(118)	—	(1,064)
Transfers 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)*

	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 2007	6,298	9,963	3,826	1,932	695	2,072	865	25,651
Additions (restated)	265	2,664	804	328	147	505	1,569	6,282
Transfers from properties held for sale	74	—	—	—	—	—	214	288
Transfers within property, plant and equipment	716	275	108	89	3	27	(1,218)	—
Transfers from investment properties	13	—	—	—	—	—	—	13
Acquisition of subsidiaries (restated)	6	—	7	6	—	3	—	22
Disposal of subsidiaries *(Note 41)*	(81)	(9)	(3)	—	(4)	(5)	(11)	(113)
Write-offs/other disposals	(255)	(478)	(373)	(166)	(32)	(273)	(91)	(1,668)
Transfers to investment properties	(199)	—	—	—	—	—	—	(199)
At 31 December 2007 (restated)	6,837	12,415	4,369	2,189	809	2,329	1,328	30,276
DEPRECIATION AND IMPAIRMENT								
At 1 January 2007	1,659	4,412	2,040	946	312	953	3	10,325
Provided for the year	287	1,430	503	219	90	303	—	2,832
Transfer from investment properties	4	—	—	—	—	—	—	4
Impairment loss recognised	—	2	1	4	1	—	6	14
Eliminated on disposal of subsidiaries *(Note 41)*	(4)	(1)	(1)	—	(2)	(1)	—	(9)
Eliminated on write-offs/other disposals	(81)	(443)	(296)	(140)	(30)	(171)	(4)	(1,165)
Transfers to investment properties	(32)	—	—	—	—	—	—	(32)
At 31 December 2007	1,833	5,400	2,247	1,029	371	1,084	5	11,969
CARRYING VALUES								
At 31 December 2007 (restated)	5,004	7,015	2,122	1,160	438	1,245	1,323	18,307

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 RMB1 million (2007: RMB14 million) be recognised for items physically damaged or obsolete in the consolidated income statement as disclosed in Note 12.

The carrying values of infrastructure construction equipment include amounts of RMB417 million (2007: RMB115 million) in respect of assets held under finance leases.

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of RMB393 million (2007: RMB591 million). Other short-term loans are secured by certain property, plant and equipment with an aggregate carrying value of RMB108 million (2007: nil).

16. Property, plant and equipment *(continued)*

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

	2008 RMB million	2007 RMB million
Under long lease	**40**	39
Under medium-term lease	**5,716**	4,965
	5,756	5,004

17. Lease prepayments

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

	2008 RMB million	2007 RMB million
At beginning of the year	**6,197**	2,059
Acquisition of subsidiaries *(Note 40)*	**332**	94
Additions	**252**	920
Reclassified from intangible assets *(Note 19)*	**5**	3,532
Transfer from properties under development for sale	**59**	—
Transfer from properties held for sale	**—**	42
Disposal of subsidiaries *(Note 41)*	**—**	(66)
Transfers to properties under development for sale	**(246)**	(244)
Disposals	**(34)**	(63)
Released to consolidated income statement as expenses	**(143)**	(77)
At end of the year	**6,422**	6,197
Analysed for reporting purpose as:		
— Non-current	**6,314**	6,091
— Current	**108**	106
	6,422	6,197
Analysis of periods of land use rights in Mainland China:		
Under long lease	**197**	200
Under medium-term lease	**6,225**	5,997
	6,422	6,197

The underlying land use rights of lease prepayments with carrying amounts of RMB581 million (2007: RMB575 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 RMB141 million (2007: RMB491 million) at 31 December 2008. 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

	2008 RMB million	2007 RMB million
COST		
At beginning of the year	**857**	177
Additions	**102**	63
Acquisition of subsidiaries *(Note 40)*	**370**	406
Transferred from property, plant and equipment	**181**	199
Transferred from properties held for sale	**—**	28
Transferred to property, plant and equipment	**—**	(13)
Disposal	**(8)**	(3)
At end of the year	**1,502**	857
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**63**	25
Provided for the year	**22**	13
Transfer from property, plant and equipment	**47**	32
Transferred to property, plant and equipment	**—**	(4)
Eliminated on disposals	**(2)**	(3)
At end of the year	**130**	63
CARRYING VALUES		
At end of the year	**1,372**	794

The fair value of the investment properties with carrying amount of RMB1,372 million (2007: RMB794 million) is RMB1,440 million (2007: RMB808 million). The fair value disclosed is based on the valuation performed by Sallmanns (Far East) 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 RMB374 million (2007: RMB395 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 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
COST							
At 1 January 2007 as originally stated	751	1,516	6	33	24	49	2,379
Effects of changes in accounting policies *(Note 2C)*	—	24	—	—	—	—	24
At 1 January 2007 as restated	751	1,540	6	33	24	49	2,403
Additions	—	3,603	57	4	9	4	3,677
Consideration for conversion to land use right	2,787	—	—	—	—	—	2,787
Acquisition of subsidiaries *(Note 40)*	—	1,928	—	—	—	—	1,928
Reclassified to lease prepayments	(3,532)	—	—	—	—	—	(3,532)
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	(1)	(1)
Write-offs/other disposals	—	—	(1)	(32)	(4)	(2)	(39)
At 31 December 2007 (restated)	6	7,071	62	5	29	50	7,223
AMORTISATION AND IMPAIRMENT							
At 1 January 2007 as originally stated	—	—	6	8	9	27	50
Effects of changes in accounting policies *(Note 2C)*	—	—	—	—	—	—	—
At 1 January 2007 as restated	—	—	6	8	9	27	50
Provided for the year	—	—	19	3	8	4	34
Eliminated on disposal of subsidiaries *(Note 41)*	—	—	—	—	—	(1)	(1)
Eliminated on write-offs/other disposals	—	—	(1)	(8)	(3)	(2)	(14)
At 31 December 2007 (restated)	—	—	24	3	14	28	69
CARRYING VALUES							
At 31 December 2007 (restated)	6	7,071	38	2	15	22	7,154

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. In September 2007, upon the incorporation of the Company as part of the Reorganisation, certain allocated land held by the Group was transformed, pursuant to directive of the PRC Government, as state-capital-injection land for specified tenure terms and new land use right certificates with defined period of usage have been issued to the Group. The fair value of the land with new certificates was determined by reference to the valuation report prepared by 中聯資產評估有限公司, 北京中地華夏不動產評估有限公司 and 中保信資產評估事務所, independent firms of professional qualified valuers, based on open market basis and amounts to RMB3,532 million. The fair value increase of RMB2,787 million during the year ended 31 December 2007 was recognised as a capital contribution from equity participants as the relevant subsidiaries were still wholly owned by CRECG then, and was credited to capital reserve in equity.*

19. Intangible assets *(continued)*

The rights in respect of toll road income under four (2007: three) concession agreements with an aggregate carrying amount of RMB12,024 million (2007 (restated): RMB5,273 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

	2008 RMB million	2007 RMB million (Restated)
Exploration and evaluation costs	**1,107**	48
Additions	**146**	10
Acquisition of subsidiaries *(Note 40)*	**89**	1,049
Disposal	**(2)**	—
Less: amortisation	**(7)**	(3)
	1,333	1,104

The amounts represent the expenditure on exploration and evaluation of gold and mine projects at Inner Mongolia, Fujian and Congo. 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:

	2008 RMB million	2007 RMB million
Investing cash outflow	**(146)**	(10)

21. Interests in jointly controlled entities

	2008 RMB million	2007 RMB million
Cost of unlisted investments	608	545
Share of post-acquisition losses, net of dividends received	(53)	(85)
Accumulated impairment loss recognised	(8)	(3)
	547	457
Additional investments in jointly controlled entities *(Note)*	194	194
	741	651

Note: *Pursuant to the joint venture agreements relating to certain jointly controlled entities which 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 2008, all related mines are still at the exploration stage and no development of the mine 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 2008 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:

	2008 RMB million	2007 RMB million
Assets and Liabilities		
Total assets	3,222	2,577
Total liabilities	2,087	1,679
Net assets	1,135	898
Group's share of net assets of jointly controlled entities	555	460
Results		
Revenue	872	550
Profit (loss) before taxation	73	(4)
Income tax expense	—	(3)
Profit (loss) for the year	73	(7)
Group's share:		
Profit (loss) before taxation	44	(2)
Income tax expense	—	(1)
Profit (loss) for the year	44	(3)

22. Interests in associates

	2008 RMB million	2007 RMB million
Cost of unlisted investments	**3,507**	2,606
Share of post-acquisition profits (losses), net of dividends received	**35**	(9)
Accumulated impairment loss recognised	**(3)**	(6)
	3,539	2,591

Details of Group's principal associates at 31 December 2008 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:

	2008 RMB million	2007 RMB million
Assets and Liabilities		
Total assets	**24,491**	19,289
Total liabilities	**16,848**	7,173
Net assets	**7,643**	12,116
Group's share of net assets of associates	**3,542**	2,597
Results		
Revenue	**4,433**	3,198
Profit before taxation	**239**	87
Income tax expense	**(50)**	(35)
Profit for the year	**189**	52
Group's share:		
Profit before taxation	**66**	22
Income tax expense	**(18)**	(11)
Profit for the year	**48**	11

23. Goodwill

	2008 RMB million	2007 RMB million
At beginning of year	779	189
Acquisition of additional interests in subsidiaries	60	589
Acquisition of subsidiaries *(Note 40)*	—	7
Write off on cessation of business of subsidiaries	—	(6)
Impairment loss recognised in the year	(3)	—
At end of year	836	779

The carrying amount of goodwill at the balance sheet date 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:

	2008 RMB million	2007 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	84
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. (formerly known as "Equity Trust Co., Ltd.")	206	146
Other subsidiaries	27	28
	836	779

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 financial budgets approved by management covering a 5-year period, and a discount rate of 11% (2007: 11%). A decreasing growth rate has been applied over the budgeted 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.) has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 7% (2007: 7%). One major assumption is annual growth rates in revenue which vary among different subsidiaries. The growth rates are based on the relevant industry growth forecasts and does 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

	2008 RMB million	2007 RMB million
Unlisted PRC government bonds, at market prices	**3**	4
Unlisted open-end equity funds, at market prices	**27**	95
Unlisted entrusted products, at cost less impairment	**454**	64
Listed equity investments in the PRC at market prices	**480**	1,792
Unlisted equity investments, at cost less impairment	**2,965**	953
	3,929	2,908

The interest rates of the PRC government bonds range from 2.5% to 10% per annum.

The unlisted entrusted products are investment products relating to property development projects and energy projects in Mainland China. They are measured at cost less impairment at each balance sheet date 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.

The unlisted equity investments are equity securities issued by private entities established in Mainland China. They are measured at cost less impairment at each balance sheet date 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:

	2008 RMB million	2007 RMB million
Carrying amount on disposal through:		
Disposal of subsidiaries	**—**	1
Other disposals	**32**	151
Gain on disposal excluding those through disposal of subsidiaries	**—**	22

25. Other loans and receivables

	2008 RMB million	2007 RMB million
Short-term loans and receivables	**897**	286
Long-term loans and receivables	**929**	1,013
	1,826	1,299
Less: Impairment on receivables	**(20)**	(38)
Total other loans and receivables	**1,806**	1,261
Less: Amount due within one year included in current assets	**(892)**	(272)
Amount due after one year	**914**	989

At 1 January 2007, the other loans and receivables included an amount recoverable from a former jointly controlled entity in which the Group had a 50% equity interest since 2004 because, in 2006, the Group ceased to have any joint control or exercise any significant influence in that entity. The Group's interest (including fixed amounts of returns on capital) shall be recovered by instalments, the last of which shall be in 2009. During the year ended 31 December 2007, the Group and the former jointly controlled entity reached an agreement for early settlement of all outstanding balances owed to the Group and the Group recognised a gain of RMB136 million during that year.

25. Other loans and receivables *(continued)*

At 31 December 2008, other loans and receivables amounting to RMB57 million do not carry interest, the remaining other loans and receivables carry fixed-rate interests within a range of 4% to 30% (2007: 4% to 20%) per annum.

At 31 December 2008, other loans and receivables amounting to RMB349 million (2007: RMB158 million) are secured by equity investments, RMB55 million (2007: RMB87 million) is secured by property, plant and equipment and RMB107 million (2007: RMB45 million) is secured by lease prepayments.

Movements in impairment on receivables are as follows:

	2008 **RMB million**	2007 RMB million
At beginning of the year	**38**	122
Impairment loss recognised (reversed) during the year	**(11)**	3
Written-off	**(7)**	(87)
At end of the year	**20**	38

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

Properties held for sale amounting to RMB86 million (2007: nil) have been pledged to secure banking facilities granted to the Group.

Properties under development for sale amounting to RMB2,120 million (2007: RMB935 million) have been pledged to secure banking facilities granted to the Group.

Properties under development amounting to RMB5,333 million (2007: RMB2,649 million) are expected to be recovered beyond 12 months.

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

27. Inventories

	2008 **RMB million**	2007 RMB million (Restated)
Raw materials and consumables	**14,848**	7,242
Work in progress	**1,300**	1,100
Finished goods	**2,334**	2,106
	18,482	10,448

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.

	2008 RMB million	2007 RMB million (Restated)
Trade and bills receivables	**51,593**	41,423
Less: impairment	**(908)**	(939)
	50,685	40,484
Other receivables (net of impairment)	**13,396**	12,405
Advance to suppliers	**14,258**	10,565
	78,339	63,454
Less: Amount due after one year included in non-current assets	**(79)**	(79)
Amount due within one year included in current assets	**78,260**	63,375

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

Included in trade and bills receivables are retention receivable of RMB14,521 million (2007: RMB10,395 million). Retention receivables are interest-free and recoverable at end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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:

	2008 RMB million	2007 RMB million (Restated)
Less than six months	**26,621**	17,849
Six months to one year	**14,436**	15,585
One year to two years	**6,687**	5,296
Two years to three years	**2,217**	1,157
More than three years	**724**	597
	50,685	40,484

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

28. Trade and other receivables *(continued)*

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

	2008 RMB million	2007 RMB million
Six months to one year	14	678
One year to two years	18	—
	32	678

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:

	2008 RMB million	2007 RMB million
At beginning of the year	1,307	1,279
Impairment loss recognised during the year	70	163
Written-off	(32)	(128)
Decrease through disposal of subsidiaries	(1)	(7)
At end of the year	1,344	1,307
Attributable to:		
Trade and bills receivables	908	939
Other receivables	436	368
	1,344	1,307

Trade and bills receivables of RMB1,406 million (2007: RMB386 million) were pledged against bank borrowings of the Group.

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

	2008 RMB million	2007 RMB million
Contract costs incurred plus recognised profits less recognised losses	679,796	492,291
Less: Progress billings	(670,108)	(476,414)
	9,688	15,877
Analysed for reporting purpose:		
Amounts due from customers for contract work	25,197	27,021
Amounts due to customers for contract work	(15,509)	(11,144)
	9,688	15,877

30. Held-for-trading financial assets (liabilities)

Held-for-trading financial assets

	2008 RMB million	2007 RMB million
Equity securities listed in Mainland China, at quoted prices	**54**	5
Equity securities listed in Hong Kong, at quoted prices	**25**	89
Listed mutual funds, at quoted prices	**11**	22
Unlisted debentures with floating interest and maturity date on 31 December 2009	**5**	5
Derivative financial instruments — interest rate swaps *(note)*	**46**	45
	141	166

Held-for-trading financial liabilities

	2008 RMB million	2007 RMB million
Derivative financial instruments — interest rate swaps *(note)*	**80**	—
	80	—

Note: *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.

31. Restricted cash

	2008 RMB million	2007 RMB million (Restated)
Restricted cash denominated in:		
RMB	**2,500**	2,130
USD	**6**	37
Other currencies	**24**	4
	2,530	2,171

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

	2008 RMB million	2007 RMB million (Restated)
Bank balances and cash denominated in:		
RMB	30,356	35,889
USD	12,094	9,899
Other currencies	4,396	10,984
	46,846	56,772

Bank balances carry interest at market rates which range from 0.4% to 3.9% (2007: 0.7% to 3.8%) 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. In 2007, bank balances and cash included money market funds RMB4,383 million (2008: nil) placed with a financial institution, which are short-term, highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

33. Share capital

	2008 & 2007 Number of shares '000	2008 & 2007 Nominal value RMB million
Registered Capital		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300
Issued and fully paid		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300

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

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

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

33. Share capital *(continued)*

Movements in the number of the Company's share capital from the date of establishment on 12 September 2007 to 31 December 2007 and 2008 are as follows:

	State-owned Shares '000	A Shares '000	H Shares '000	Total '000
Shares issued or converted upon:				
Reorganisation *(note (a))*	12,800,000	—	—	12,800,000
Listing of A Shares *(note (b))*	(12,417,510)	17,092,510	—	4,675,000
Listing of H Shares *(note (c))*	(382,490)	—	4,207,390	3,824,900
At 31 December 2007 and 2008	—	17,092,510	4,207,390	21,299,900

Notes:

(a) The Company was established on 12 September 2007 with an initial registered capital of 12,800,000,000 ordinary shares of RMB1.00 each ("State-owned Shares"). Upon the completion of the Reorganisation, the registered capital has been fully paid up by the injection of Core Operations by CRECG.

(b) As part of the listing of the Company's A Shares on the Shanghai Stock Exchange on 3 December 2007, 4,675,000,000 A Shares were issued for cash at a price of RMB4.80 per share with the net proceeds amounting to RMB21,905 million. In addition, 12,417,510,000 State-owned Shares held by CRECG were converted into A Shares.

(c) As part of the listing of the Company's H Shares on the HKSE on 7 December 2007, 3,326,000,000 H Shares were issued for cash at a price of HK$5.78 (equivalent to RMB5.49 on 7 December 2007) per share. The net proceeds amounting to HK$18,521 million (equivalent to RMB17,602 million on 7 December 2007) were planned to finance the additions in equipment, the exploration, additions in the Group's overseas mining operations, repayment of bank borrowings and the general working capital of the Group. In addition, 332,600,000 State-owned Shares held by CRECG were converted into H Shares and transferred to the National Council for Social Security Fund ("NSSF").

On 10 December 2007, the Company issued additional 498,900,000 H Shares for cash at HK$5.78 (equivalent to RMB5.48 on 10 December 2007) per share upon issuance of over-allotment shares pursuant to the underwriting agreement with the net proceeds amounting to HK$2,783 million (equivalent to RMB2,640 million on 10 December 2007). In addition, 49,890,000 State-owned Shares held by CRECG were converted into H Shares and transferred to NSSF.

34. Trade and other payables

	2008 RMB million	2007 RMB million (Restated)
Trade and bills payables	67,075	54,132
Advance from customers	24,118	22,148
Accrued payroll and welfare	1,942	1,982
Other taxes	3,542	3,034
Deposit received in advance	120	—
Dividend payables	165	56
Other payables	14,674	14,749
	111,636	96,101
Analysed for reporting purposes as:		
Non-current	366	232
Current	111,270	95,869
	111,636	96,101

34. Trade and other payables *(continued)*

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payable are retention payable of RMB2,170 million (2007: RMB3,117 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

	2008 RMB million	2007 RMB million (Restated)
Less than one year	58,670	47,833
One year to two years	6,403	4,730
Two years to three years	1,316	964
More than three years	686	605
	67,075	54,132

35. Borrowings

	2008 RMB million	2007 RMB million
Bank loans:		
Secured	11,165	6,599
Unsecured	38,224	28,158
	49,389	34,757
Short-term debentures, unsecured	600	2,657
Other short-term loans, secured	42	—
Other short-term loans, unsecured	1,986	680
Other long-term loans, unsecured	1,406	672
	53,423	38,766
Analysed for reporting purposes:		
Non-current	16,829	10,239
Current	36,594	28,527
	53,423	38,766

35. Borrowings *(continued)*

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

	2008 RMB million	2007 RMB million
Fixed-rate bank loans repayable		
Within one year	181	52
More than one year, but within two years	212	66
More than two years but within three years	214	66
More than three years but within four years	123	178
More than four years but within five years	119	21
More than five years	293	126
	1,142	509

	2008 RMB million	2007 RMB million
Floating-rate bank loans repayable		
Within one year	33,785	25,138
More than one year, but within two years	3,836	2,781
More than two years but within three years	1,601	1,767
More than three years but within four years	219	42
More than four years but within five years	173	141
More than five years	8,633	4,379
	48,247	34,248

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

	2008 RMB million	2007 RMB million
Fixed rate other long-term loans repayable		
More than one year, but within two years	228	—
More than two years, but within three years	—	228
	228	228
Floating-rate other long-term loans repayable		
More than one year, but within two years	999	341
More than two years, but within three years	15	4
More than three years, but within four years	—	4
More than four years, but within five years	23	41
More than five years	141	54
	1,178	444

35. Borrowings *(continued)*

Bank loans carry interest at rates which range from 2.4% to 11.6% (2007: 5.0% to 7.4%) per annum during the year.

Short-term debentures at 31 December 2008 are issued at a fixed rate at 7.1% per annum. Short-term debentures at 31 December 2007 are either zero-coupon debentures issued at a discount or carry fixed rates ranging from 3.0% to 7.0% per annum.

Other short-term loans carry interest at rates which range from 5.6% to 10.5% (2007: 4.1% to 10.9%) per annum.

Other long-term loans carry interest at rates which range from 2.0% to 7.5% (2007: 4.0% to 8.0%) per annum.

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

	In USD RMB million	In EURO RMB million	In other currencies RMB million
At 31 December 2008	**1,015**	**632**	**20**
At 31 December 2007	645	750	68

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 (2007: 3 years) from 28 December 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	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Amounts payable under finance lease				
Within one year	**226**	47	**220**	44
In more than one year but not more than two years	**202**	44	**182**	38
In more than two years but not more than five years	**107**	41	**84**	31
	535	132	**486**	113
Less: future finance charges	**(49)**	(19)	**—**	—
Present value of lease obligations	**486**	113	**486**	113
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(220)**	(44)
Amount due for settlement after twelve months			**266**	69

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

37. Financial guarantee contracts

	2008 RMB million	2007 RMB million
At beginning of the year	**87**	43
Issue of new financial guarantees	**—**	94
Amortisation for the year	**(50)**	(47)
Release to income upon cancellation of a guarantee	**—**	(3)
At end of the year	**37**	87
Analysed for reporting purpose as:		
Non-current	**35**	77
Current	**2**	10
	37	87

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 companies now comprising the Group and 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 the consolidated income statement during the year is RMB1,587 million (2007: RMB1,234 million).

At 31 December 2008, 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 RMB213 million (2007: RMB219 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 balance sheet are determined as follows:

	2008 RMB million	2007 RMB million
Present value of unfunded defined benefit obligations	**9,940**	9,054
Net actuarial losses not recognised	**(1,569)**	(19)
Net liability arising from defined benefit obligations	**8,371**	9,035
Less: Amount due within one year	**(1,003)**	(385)
Amount due after one year	**7,368**	8,650

38. Retirement and other supplemental benefit obligations *(continued)*

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

	2008 RMB million	2007 RMB million
At beginning of the year	9,054	10,092
Interest cost	385	312
Additions *(note)*	70	—
Benefits paid	(1,119)	(1,038)
Actuarial losses(gains)	1,550	(312)
At end of the year	9,940	9,054

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

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.

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

	2008	2007
Discount rate	3.00%	4.50%
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 (2007: RMB2 million).

(ii) the accumulated post-employment benefit obligation for medical costs amounted to RMB32 million (2007: RMB43 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	Provision for staff welfare fund 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 2007 as originally stated	142	327	14	1,464	(1)	(322)	—	—	72	1,696
Effects of changes in accounting policies *(Note 2C)*	—	—	—	—	—	—	—	—	(6)	(6)
At 1 January 2007 (restated)	142	327	14	1,464	(1)	(322)	—	—	66	1,690
Effect of change in tax rate charged to income statement	(28)	(35)	(2)	—	—	—	—	—	(16)	(81)
Acquisition of subsidiaries (restated)	1	—	—	—	—	—	—	(253)	(33)	(285)
(Charge) credit to income statement (restated)	41	(69)	1	(109)	—	322	—	—	45	231
Deferred tax arising from the Reorganisation	—	—	—	—	—	—	32	—	—	32
Charge to equity	—	—	—	—	(261)	—	—	—	—	(261)
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	—	—	—	11	11
At 31 December 2007 (restated)	156	223	13	1,355	(262)	—	32	(253)	73	1,337
Effect of change in tax rate charged to income statement	—	(10)	(1)	494	—	—	—	—	2	485
(Charge) credit to income statement	123	79	6	(191)	—	—	(3)	—	85	99
Charge to equity	—	—	—		235	—	—	—	—	235
At 31 December 2008	279	292	18	1,658	(27)	—	29	(253)	160	2,156

Note: Impairment of assets is mainly attributable to impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowances for foreseeable losses on construction contracts and inventories.

39. Deferred taxation *(continued)*

For the purpose of balance sheet presentation, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2008 RMB million	2007 RMB million (Restated)
Deferred income tax assets	**2,554**	1,925
Deferred income tax liabilities	**(398)**	(588)
	2,156	1,337

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

	2008 RMB million	2007 RMB million (Restated)
Tax losses recognised for deferred income tax assets	**1,645**	752
Tax losses unrecognised for deferred income tax assets	**3,468**	771
Total tax losses	**5,113**	1,523
Other deductible temporary differences unrecognised for deferred income tax assets	**764**	317
Tax losses unrecognised for deferred income tax assets that will expire in		
2008	**—**	29
2009	**38**	117
2010	**147**	204
2011	**186**	194
2012	**217**	227
2013	**2,880**	—
Total	**3,468**	771

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 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, becomes a subsidiary of the Group as the Group can control the board of directors of this entity.

	2008 Acquiree's 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)

40. Acquisition of subsidiaries *(continued)*

(a) Acquisition of businesses *(continued)*

In 2007, the Group acquired a 85% interest in 成都中鐵錦華置業有限公司 for a consideration of RMB20 million and 67% interest in 淄博魯鐵爆破工程有限公司 for a consideration of RMB1 million, a 100% interest in 成都全興大廈有限公司 for a consideration of RMB201 million, a 60% interest in 湖南青竹湖置業有限公司 for a consideration of RMB20 million, a 83.2% interest in 廣西梧州岑梧高速公路有限公司 for a consideration of RMB100 million, a 100% interest in 安慶市建築工程聯合開發公司 for a consideration of RMB1 million, an additional 60% interest in an associate, 貴州錦隆房地產開發有限公司, for a consideration of RMB9 million and it becomes a wholly owned subsidiary of the Company. Further, as a result of change in articles of association, a 50%-owned-jointly controlled entity, 達縣翠屏山房地產綜合開發有限責任公司, becomes a subsidiary of the Group as the Group can control the board of directors of this entity.

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

	2007		
	Acquiree's carrying amount before combination RMB million	Fair value adjustments RMB million	Fair value RMB million
Fair value of net assets acquired:			
Property, plant and equipment	12	2	14
Investment properties	369	37	406
Lease prepayments	22	72	94
Intangible assets	1,928	—	1,928
Inventories	83	—	83
Properties under development for sale	299	21	320
Trade and other receivables	504	(2)	502
Deferred income tax assets	1	—	1
Cash and cash equivalents	137	—	137
Trade and other payables	(1,044)	—	(1,044)
Deferred income tax liabilities	—	(33)	(33)
Borrowings	(1,937)	—	(1,937)
Net assets acquired	374	97	471
Minority interests			(66)
Interest in jointly controlled entity			(23)
Interests in associates			(3)
Discount on acquisition			(34)
Goodwill			7
Total consideration, satisfied by cash			352
Net cash (outflow) inflow arising on acquisition:			
Cash consideration paid			(352)
Cash and cash equivalents acquired			137
			(215)

40. Acquisition of subsidiaries *(continued)*

(a) Acquisition of businesses *(continued)*

The fair value increase of the property, plant and equipment, investment properties and lease prepayments were determined based on valuation reports prepared by independent firms of professional valuers registered in the PRC.

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

	2008 **RMB million**	2007 RMB million
Revenue	**562**	234
Profit (loss) for the year	**1**	(41)

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:

	2008 **RMB million**	2007 RMB million
Revenue	**676**	251
Profit (loss) for the year	**—**	(54)

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

40. Acquisition of subsidiaries *(continued)*

(a) Acquisition of businesses *(continued)*

In addition, the acquisitions of Manglai and Xiaobaiyang by CRECG in 2007 were accounted for under the purchase method as if the Group had acquired these subsidiaries in 2007 (see note 2A). The net assets acquired in the transactions, and discount on acquisition arising, are as follows:

	2007		
	Acquiree's carrying amount before combination RMB million	Fair value adjustments RMB million	Fair value RMB million
Fair value of net assets acquired:			
Property, plant and equipment	7	—	7
Mining assets	36	1,013	1,049
Inventories	2	—	2
Trade and other receivables	4	—	4
Cash and cash equivalents	1	—	1
Trade and other payables	(40)	—	(40)
Deferred income tax liabilities	—	(253)	(253)
Net assets acquired	10	760	770
Minority interests			(377)
Discount on acquisition			(13)
Total consideration, satisfied by cash			380
Net cash (outflow) inflow arising on acquisition:			
Cash consideration paid			(380)
Cash and cash equivalents acquired			1
			(379)

The fair value increase of mining assets was determined based on valuation reports prepared by independent firms of professional valuers registered in the PRC.

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

	2007 RMB million
Revenue	43
Profit for the year	12

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:

	2007 RMB million
Revenue	43
Profit for the year	12

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

40. Acquisition of subsidiaries *(continued)*

(b) Acquisition of assets through acquisition of subsidiaries

During the year, 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 become 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 become 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, becomes a subsidiary of the Group as the Group can control the board of directors of this entity. The acquisitions are 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)

40. Acquisition of subsidiaries *(continued)*

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

In 2007, the Group acquired certain assets through acquisition of a 51 % interest in 四川星慧投資置業有限公司 for a consideration of RMB25 million, a 67% interest in 武漢三方置業有限公司 for a consideration of RMB348 million and a 70% interest in 貴陽立新公司 for a nominal consideration, a 51% interest in 廣州盛德房地產開發有限公司 for a consideration of RMB5 million, a 100% interest in成都融泰地產有限公司 for a consideration of RMB87 million. The acquisitions are accounted for as acquisition of assets and liabilities as the subsidiaries are not business. The carrying amounts of net assets acquired are as follows:

	2007 RMB million
Fair value of net assets acquired	
Property, plant and equipment	1
Inventories	2
Properties under development for sale	2,402
Trade and other receivables	352
Cash and cash equivalents	25
Trade and other payables	(981)
Borrowings	(1,133)
Net assets acquired	668
Minority interests	(203)
Total consideration, satisfied by cash	465
Net cash (outflow) inflow arising from acquisition	
Cash consideration paid	(465)
Cash and cash equivalents acquired	25
	(440)

41. Disposal of subsidiaries

During the year ended 31 December 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.

In 2007, both the Group and the minority interests made additional capital contribution to 葫蘆島濱海新區投資有限公司 but the Group's interest therein has been diluted from 51% to 25.5% which resulted in loss of control over the entity. Further, the Group disposed of 60% interest in 鞍山鋼管有限公司 for a cash consideration of RMB7 million, 75% interest in 成都市鐵鴻源汽車服務有限責任公司 for a cash consideration of RMB3 million, 100% interest in 貴陽合縱置業有限公司 for a consideration of RMB121 million, of which RMB60 million has been received at 31 December 2007 and the remaining was received in January 2008.

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

	2008 RMB million	2007 RMB million
Net assets disposed of:		
Property, plant and equipment	1	104
Lease prepayments	—	66
Intangible assets	1	—
Available-for-sale financial assets	—	1
Properties under development for sale	—	159
Inventories	288	8
Trade and other receivables	148	84
Cash and cash equivalents	45	5
Trade and other payables	(447)	(222)
Deferred income tax liabilities	—	(11)
Borrowings	(20)	(84)
	16	110
Minority interests	(2)	(58)
Transfer to interest in an associate	—	(19)
Gain on disposal of subsidiaries	51	98
Total consideration	65	131
Satisfied by:		
Cash	64	70
Other receivables	1	61
Total consideration	65	131
Net cash inflow (outflow) arising on disposal:		
Cash received	64	70
Cash and cash equivalents disposed of	(45)	(5)
	19	65

42. Major non-cash transactions

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 RMB350 million (2007: RMB115 million).

43. Contingent liabilities

	2008 RMB million	2007 RMB million
Pending lawsuit by a bank *(note (a))*	—	220
Pending lawsuits — others *(note (b))*	315	195
	315	415

Notes:

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

After negotiation, the Group's guarantee in respect of the bank loan was released unconditionally by the bank in February 2009.

(b) 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 utilised by certain related companies and third parties. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the 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.

	2008 RMB million	2008 Expiry period	2007 RMB million	2007 Expiry period
Guarantees given to banks in respect of banking facilities utilised by:				
Jointly controlled entity and associate	5,757	2009–2027	5,150	2008–2027
A former jointly controlled entity	—	—	300	2008
Other state-owned enterprises	926	2009–2011	1,157	2008–2011
Property purchasers	1,545	2009–2011	1,001	2008–2010
Investees of the Group	219	2009–2016	210	2008–2016
Other independent parties	220	2009	523	2008
	8,667		8,341	

44. Commitments

Capital expenditure

	2008 RMB million	2007 RMB million
Acquisition of property, plant and equipment contracted but not provided for	**9,829**	11,722

Investment commitment

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

	2008 RMB million	2007 RMB million
Capital contribution to jointly controlled entities	**21,216**	1,973

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:

	2008 RMB million	2007 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%–10% (2007: 5%–8%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 RMB million	2007 RMB million
Within one year	**98**	70
In the second to fifth year inclusive	**191**	136
After five years	**167**	158
	456	364

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 balance sheet date, the future minimum lease payments under non-cancellable operating leases are as follows:

	2008 RMB million	2007 RMB million
Within one year	**329**	506
In the second to fifth year inclusive	**49**	134
Over five years	**30**	—
	408	640

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 is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises").

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

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

Significant related party transactions

The Group had the following significant transactions with related parties:

	2008 RMB million	2007 RMB million
Transactions with CRECG and its subsidiaries not comprising the Group ("CRECG Group")		
Service expenses paid	**76**	99
Rental fee	**38**	39
Transactions with jointly controlled entities		
Revenue from construction contracts	**198**	135
Revenue from consulting service	**—**	10
Transactions with associates		
Revenue from construction contracts	**2,943**	3,532
Purchases	**71**	16
Transactions with minority shareholders of subsidiaries		
Purchases	**—**	66
Interest Expenses	**15**	—
Transactions with other state-owned enterprises		
Revenue from construction contracts	**112,672**	91,690
Revenue from design and other services	**6,164**	17,039
Purchases	**34,416**	10,461
Interest income on bank balances	**850**	364
Interest expenses on bank borrowings	**899**	852

45. Related party transactions *(continued)*

Significant related party transactions *(continued)*

Balances with related parties

	2008 RMB million	2007 RMB million
Balances with the CRECG Group		
Other receivables	—	80
Trade payables	9	6
Other payables	164	103
Other borrowings	20	—
Balances with jointly controlled entities		
Trade receivables	115	6
Other receivables	369	47
Other payables	—	43
Advance from customers	35	18
Balances with associates		
Trade receivables	438	383
Other receivables	133	530
Advance to suppliers	118	18
Trade payables	23	12
Other payables	64	288
Advance from customers	125	855
Balances with other state-owned enterprises		
Trade receivables	29,759	18,360
Other receivables	8,110	2,583
Bank balances	29,696	39,385
Trade payables	9,695	3,963
Other payables	5,692	917
Bank borrowings	19,400	16,217
Other borrowings	464	320
Balances with minority shareholders of subsidiaries		
Other receivables	507	113
Trade payables	314	298
Advance to suppliers	—	24
Other payables	344	186
Other borrowing	23	23
Other loans and receivables	90	30
Balance with joint venture partner of jointly controlled entities		
Other loans and receivables	256	129

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by a jointly controlled entity, an associate and other state-owned enterprises, the maximum exposure of which are disclosed in Note 43.

45. Related party transactions *(continued)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries, allowances and other benefits-in-kind	**2,052**	2,051
Contributions to pension plans	**858**	717
Discretionary bonus	**3,265**	3,742
	6,175	6,510

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 2008, 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 2008 %	2007 %	Principal activities
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB678,537	Registered	**100**	98	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	RMB1,075,542	Registered	**100**	100	Infrastructure construction
中鐵八局集團有限公司 China Railway NO.8 Engineering Group Co., Ltd.	PRC	RMB1,103,285	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

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 2008 %	2007 %	Principal activities
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. (Formerly known as 鐵道第二勘察院)	PRC	RMB554,208	Registered	**100**	100	Survey and design
中鐵工程設計諮詢集團有限公司 China Railway Engineering Consulting Group Co., Ltd.	PRC	RMB329,860	Registered	**100**	91	Engineering consulting
中鐵大橋勘察設計院有限公司 China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd.	PRC	RMB50,404	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**	97	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	RMB54,318	Registered	**100**	96	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
中鐵寶橋股份有限公司 China Railway Turnout & Bridge Co., Ltd.	PRC	RMB200,000	Registered	**100**	97	Railway specialised equipment manufacturing
寶雞中鐵寶橋實業發展有限公司 Baoji China Railway Turnout & Bridge Development Co., Ltd.	PRC	RMB60,000	Registered	**100**	100	Social services
中鐵寶工有限責任公司 China Railway Bus Co., Ltd.	PRC	RMB226,895	Registered	**100**	100	Railway equipment manufacturing
中鐵荷澤德商高速公路建設發展有限公司 China Railway Heze Deshang Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**100**	100	Investment and management

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 2008 %	2007 %	Principal activities
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	RMB200,000	Registered	**100**	100	Investment and management
中鐵信託有限責任公司 China Railway Trust Co., Ltd. (formerly known as 衡平信託有限責任公司)	PRC	RMB1,200,000	Registered	**93**	86	Financial trust management
華鐵工程諮詢有限責任公司 Huatie Engineering Consulting Co., Ltd. (formerly known as 華鐵工程諮詢公司)	PRC	RMB20,000	Registered	**100**	100	Construction management
中鐵程誠源財務服務有限責任公司 China Railway Chengchengyuan Financial Service Co., Ltd.	PRC	RMB50,000	Registered	**100**	100	Financial training and software development
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	RMB1,000,000	Registered	**100**	N/A	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**	N/A	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**	N/A	Investment and management
中鐵科工集團有限公司 China Railway science and technology Engineering Group Co., Ltd.	PRC	RMB500,000	Registered	**100**	N/A	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**	N/A	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**	N/A	Investment and management

All the above subsidiaries were incorporated as limited liability companies in the PRC which have similar characteristics of limited liability company incorporated under 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.

46. Particulars of principal subsidiaries *(continued)*

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

At 31 December 2007, the following subsidiaries had outstanding issued debt securities:

Name of subsidiary	Face value of debt securities	Maturity date
China Railway NO. 1 Engineering Group Co., Ltd.	RMB500 million	25 July 2008
China Railway NO. 2 Engineering Group Co., Ltd.	RMB400 million	5 February 2008
	RMB300 million	20 March 2008
China Railway NO. 3 Engineering Group Co., Ltd.	RMB490 million	7 December 2008
China Railway NO. 5 Engineering Group Co., Ltd.	RMB490 million	4 March 2008
China Railway Major Bridge Engineering Group Co., Ltd.	RMB490 million	12 November 2008

47. Particulars of principal jointly controlled entities

At 31 December 2008, the 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 2008 %	2007 %	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

Note: Pursuant to contractual agreement between the shareholders, the Group does not have the 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 2008, the 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 2008 %	2007 %	Principal activities
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co.,Ltd.	PRC	**90** *(note)*	70 *(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 maintenances
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 the 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 the 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. Post balance sheet events

Subsequent to 31 December 2008, the following significant events took place:

(a) In February 2009, China Railway Erju Co. Ltd ("Erju"), a wholly owned subsidiary of the Company, received an approval notice from National Association of Financial Market Institutional Investors ("NAFMII") which approved Erju to issue short-term debentures of RMB1,500 million in batches before the expiry date of 5 February 2011. The first batch of the debentures with a face value of RMB800 million has been issued on 16 March 2009.

(b) The Company received an approval notice from the State Administration of Foreign Exchange dated 17 April 2009 approving the remittance of HK$10 billion, being a portion of the net proceeds raised from the H Shares offering in December 2007, into Mainland China.

Significant Events

1. Material litigation and arbitration

During the reporting period, the progress of the material litigation, which had previously been disclosed by the Company, in respect of the guarantee provided by China Railway Construction Group 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., Shenzhen Bao'an Sub-branch is as follows:

On 22 December 2007, Guangdong Provincial High People's Court made a judgment based on the "Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35". The main judgments were as follows: (1) the defendant, Wanghai Yikang, should fully repay the loan of a principal amount of RMB220 million and related interests to the plaintiff, Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch within 30 days from the effective date of the judgment; (2) the defendant, China Railway Construction, should undertake the joint and several responsibility for the repayment of the debts confirmed in the aforesaid judgment. Upon full repayment of the debts, China Railway Construction shall be entitled to claim for the recovery from the defendant, Wanghai Yikang or to require other guarantors undertaking such joint and several responsibilities to fully repay their respective share of the debt pursuant to Rule 12 of the "Security Law of the People's Republic of China". Although the judgment was dated 22 December 2007, China Railway Construction was only summoned by the court on 10 March 2008 notifying it to attend to the court for the pronouncing of the judgment at 15:00 on 18 March 2008. China Railway Construction had already filed an appeal on 1 April 2008. On 30 November 2008, the Supreme People's Court made a final judgment based on the Civil Written Order (2008) Min Yi Zhong Zi No. 89, and ruled that China Railway Construction should undertake the joint and several responsibility for the repayment of the principal amount of the loan of RMB220 million and its related interests.

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 Shenzhen Bao'an Sub-branch shall issue the letter of release from the guarantee responsibility to China Railway Construction. Shenzhen 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 Shenzhen 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, Shenzhen Bao'an Sub-branch has delivered the Letter of Release of Guarantee to China Railway Construction regarding such guarantee and the main contents are as follows: Shenzhen 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 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 of Wanghai Yikang to Shenzhen Bao'an Sub-branch had been released and the litigation was concluded.

Save as disclosed above, the Group has no 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.	Type of securities	Stock code	Simplified stock name	Amount of initial investment (RMB)	Number of securities held (share)	Carrying value at the end of the year (RMB)	Percentage of securities investment at the end of the year (%)	Gain/loss in the reporting period (RMB)
1	Stock	601168	West Mining	69,767,267.73	7,550,000.00	47,489,500.00	60.38	(22,277,767.73)
2	Stock	600100	Tsinghua Tongfang	3,040,000.00	247,000.00	2,452,710.00	3.12	(572,090.00)
3	Stock	000050	Shenzhen Tianma (A)	1,724,414.75	466,200.00	1,431,234.00	1.82	(293,180.75)
4	Stock	601186	CRCC	653,760.00	72,000.00	722,880.00	0.92	69,120.00
5	Stock	601099	Pacific Securities	628,800.00	15,000.00	193,050.00	0.24	(435,750.00)
6	Stock	601398	Industrial and Commercial Bank of China	406,500.00	50,000.00	177,000.00	0.22	(229,500.00)
7	Stock	600050	China Unicom	422,800.00	35,000.00	176,050.00	0.22	(246,750.00)
8	Stock	601601	CPIC	420,000.00	14,000.00	155,680.00	0.20	(264,320.00)
9	Stock	600202	Harbin Air Conditioning	220,000.00	13,000.00	131,170.00	0.17	(88,830.00)
10	Stock	002049	Jingyuan Electronics	231,300.00	22,500.00	105,075.00	0.13	(126,225.00)
Total				77,514,842.48		53,034,349.00	67.42	(24,465,293.48)
Other securities investments held at the end of the year				89,582,169.70		25,622,599.17	32.58	(58,769,986.87)
Gains/losses on disposal of securities investments in the reporting period								3,007,151.21
Total				167,097,012.18		78,656,948.17	100.00	(80,228,129.14)

(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 investee company (%)	Carrying value as at the end of the year	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	170,337,602.22	8,984,050.75	(390,985,888.64)	Available-for-sale financial assets	Purchase from market
000518	Sihuan Bioengineering	5,000,000.00	0.83	18,606,393.75	—	(70,322,950.05)	Available-for-sale financial assets	Purchase from market
600978	Yihua Timber	72,600,000.00	1.30	37,323,000.00	174,000.00	(125,976,000.00)	Available-for-sale financial assets	Purchase from market
000050	Shenzhen Tianma (A)	178,164,315.00	4.74	83,633,707.50	(174,634.00)	(176,759,989.60)	Available-for-sale financial assets	Purchase from market
600100	Tsinghua Tongfang	185,600,000.00	1.06	103,272,000.00	(212,404,989.60)	(51,763,010.40)	Available-for-sale financial assets	Purchase from market
601601	CPIC	7,644,000.00	0.7792	66,720,000.00	1,800,000.00	(229,980,000.00)	Available-for-sale financial assets	Purchase from market
Total		511,791,330.40		479,892,703.47	(201,621,572.85)	(1,045,787,838.69)		

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 institution	Amount of initial investment (RMB)	Number of shares held (share)	Percentage of total interests in the investee company (%)	Carrying value as at the end of the year (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.	1,156,046,706.36	—	92.70	1,156,046,706.36	225,115,959.34	—	Long-term equity investment	Capital injection
Greatwall Securities Co., Ltd.	102,000,000.00	—	less than 1.00	96,457,687.47	5,542,312.53	—	Long-term investment	Purchase
Western Securities Co., Ltd.	10,000,000.00	10,000,000.00	less than 1.00	10,000,000.00	8,756,298.80	—	Long-term investment	Purchase
Western Trust & Investment Co., Ltd.	9,094,630.00	—	1.82	9,094,630.00	254,054.18	—	Long-term investment	Purchase
Total	1,277,141,336.36			1,271,599,023.83	239,668,624.85	—		

Note: Amount of initial investment refers to the amount initially invested by the Company.

(4) Details of dealings in shares of other listed companies

Purchased in the reporting period (share)	Number of shares sold (share)	Number of shares held as at the end of the year (share)	Total amount of funds utilized (RMB)	Gain on investment (RMB)
1,789,014	2,513,514	18,161,500	22,010,866	–5,730,667.14

During the reporting period, the total investment gain from disposal of the stocks acquired from initial public offerings amounted to RMB21,235,617.54.

4. Asset transactions

(1) Acquisition of assets

Unit: Ten thousand Currency: Renminbi

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Related party transaction? (if yes, specify pricing principle)	Pricing principle of assets acquired	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the related party?	Contribution to the net profit of the listed company as a percentage of total profit (%)	Related party relationship
CRECG	The 52% equity interest of Inner Mongolia Huaxin Mining Co., Ltd., the 51% equity interest in Sunite-ZuoQi Manglai Mining Co., Ltd. and the 51% equity interest in Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd.	2008–11–16	46,899.48			Yes	Based on net asset value reflected in the asset assessment report of each company whose equity interests have been transferred as recorded by the SASAC of the State Council	Yes	Yes		Parent company

Explanation of acquisition of assets: The Transaction was considered and approved in the tenth meeting of the first session of the Board of Directors of the Company and had received the approval regarding this equity transfer from the SASAC of the State Council on 5 December 2008. Details of the Transaction and its progress had been published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 18 November 2008 and 9 December 2008, respectively.

(2) Disposal of assets

Unit: Ten thousand Currency: Renminbi

Counterparty	Asset sold	Date of sale	Selling price	Contribution to the net profit of the listed company from the beginning of the year to the date of sale	Gains and losses arising from the sales	Related party transaction? (if yes, specify pricing principle)	Pricing principle of assets sold	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the related party?	Contribution to the net profit of the listed company as a percentage of total profit (%)	Related party relationship
Beijing Subway Line 10 Investment Co., Ltd.	The 100% equity interests of China Railway Engineering and Construction Investment (Beijing) Co., Ltd.	2008–12–9	38,400		8,996	No	Listed and traded on Beijing Property Rights Trading Center	Yes	Yes		

Explanation of disposal of assets: The Company transferred its 100% equity interests in China Railway Engineering and Construction Investment (Beijing) Co., Ltd. to Beijing Subway Line 10 Investment Co., Ltd. on 9 December 2008 pursuant to the Investment and Construction Contract for the BT project of Beijing Subway Olympic Branch Line entered into between the Company and Beijing Subway Line 10 Investment Co., Ltd. in April 2005. The transferred equity interests were also listed and traded on Beijing Property Rights Trading Center under relevant regulations, with the listing price trading at RMB384 million. Equity repurchase was completed on 20 December 2008.

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) Related parties having a controlling interest in the Company:

Name of related party	Institution code	Place of registration	Nature of business	Registered capital RMB'000	Percentage of shareholding (%)
CRECG	10201654-8	Beijing	Engineering and Construction	10,814,925	58.30

CRECG is the ultimate controlling shareholder of the Group.

(2) Other related parties having transactions with but no controlling relationship in the Group are as follows:

Name of related party	Relationship with the related party
China Railway Hongda Asset Management Center	Fellow subsidiary
Joint venture of China State Construction and China Railway — Sha Tian Ling Project	Joint venture
Joint venture of China State Construction and China Railway — Bao Shan Dao Project	Joint venture
Joint venture of Paul Y. and China Railway — Garbage Processing Project	Joint venture
Chengdu China Railway Celebrity Industry Development Co., Ltd. *(Note)*	Joint venture
Chongqing Yulin Expressway Co., Ltd.	Joint venture
Lvsha Mining Co., Ltd.	Joint venture
MKM Mining Co., Ltd.	Joint venture
CNTT Chinese New Turnout Technologies Co., Ltd.	Joint venture
Congo Highway Management Corporation	Joint venture
Guangsha Chongqing Yijian Property Development Co., Ltd. *(Note)*	Joint venture
Daxian Cuipingshan Property Development Co., Ltd. *(Note)*	Joint venture
Congo (Kinshasa) International Mining Co., Ltd.	Joint venture
Chengdu Jinmaruicheng Investment Co., Ltd. *(Note)*	Associate
Chengdu Yingting Real Estate Development Company *(Note)*	Associate
Chengdu Huaxindazu Property Development Co., Ltd.	Associate

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

(2) Other related parties having transactions with but no controlling relationship in the Group are as follows: *(continued)*

Name of related party	Relationship with the related party
Shanghai Tierun Construction Engineering Co., Ltd.	Associate
Chengdu Longquanyi District Land Recondition Co., Ltd.	Associate
Shaanxi Beichen Property Development Co., Ltd.	Associate
Tong Chuan Hua Long Co., Ltd.	Associate
China Railway No. 2 Group Yongjingtang Printing Co., Ltd.	Associate
Yunnan Fuyan Expressway Co., Ltd.	Associate
The Third Railway Survey and Design Institute Group Corporation	Associate
Lince Railway Co., Ltd.	Associate
Chongqing Dianzhong Expressway Co., Ltd.	Associate
Jiangsu Zhongtai Steel Structure Co., Ltd.	Associate
Guiyang Xinglong Changqingteng Property Development Co., Ltd.	Associate
Sichuan Chuangyu Investment Co., Ltd.	Associate
Chengdu Yuantong Railway Engineering Co., Ltd.	Associate
Guiyang Baiyun Tiewujian Property Development Co., Ltd.	Associate
Societe Par Actions a Responsabilite Limitee	Associate
Yunnan Longrun Real Estate Group Co., Ltd.	Associate
Tianjin Binhai Tourist Resort Development Co., Ltd.	Associate
Suzhou Huxin Real Estate Development Co, Ltd.	Associate
Huludao Binhai District Investment Co. Ltd	Associate
Shanghai Shibei Industrial Park (Group) Co., Ltd.	Minority shareholder of subsidiaries
Beijing Fengtai District Comprehensive Investment Co., Ltd.	Minority shareholder of subsidiaries
Beijing Shuhe Investment Management Co., Ltd.	Minority shareholder of subsidiaries
Hunan Qifansheng Real Estate Co., Ltd.	Minority shareholder of subsidiaries
Guangxi Communications Infrastructure Construction Administration Bureau	Minority shareholder of subsidiaries
BWG Gesellschaft mbH & Co. KG	Minority shareholder of subsidiaries
Neijiang Hongchen Property Development Co., Ltd.	Minority shareholder of subsidiaries
Huafeng Yingzao (Beijing) International Investment Advisors Co., Ltd.	Minority shareholder of subsidiaries
Qingdao Zhongjin Industry Co., Ltd.	Minority shareholder of subsidiaries
Chifeng Tuoyu Mining Investment Co., Ltd.	Minority shareholder of subsidiaries
Yang Guoliang	Minority shareholder of subsidiaries
La Sino-Congolaise des Mines	Shareholder of joint venture companies
Nanchang Railway Tianji Real Estate Co., Ltd. — Qingyun Mingzhu Development Department	Associated entity
Zhitie Mechanical Engineering Co., Ltd.	Associate of controlling shareholder
Zhuhai Puhua Real Estate Co., Ltd.	Minority shareholder of subsidiaries
Suining Hedong Investment and Development Co., Ltd.	Minority shareholder of subsidiaries
Fujian Zhongtong Investment Co., Ltd.	Minority shareholder of subsidiaries

Note: *Chengdu China Railway Celebrity Industry Development Co., Ltd., Guangsha Chongqing Yijian Property Development Co., Ltd., Daxian Cuipingshan Property Development Co., Ltd., Chengdu Jinmaruicheng Investment Co., Ltd. and Chengdu Yingting Real Estate Development Company were originally joint ventures or associated companies of the Group, and have subsequently been consolidated into the Group's financial statements due to the change in the controlling relationships.*

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

(3) Substantial transactions between the Group and the above related parties during the year are as follows:

1. Related party transactions in the ordinary course of business

Details of the sales and procurement of goods between the Group and related parties are as follows:

	Cumulative amount of the year RMB'000	Cumulative amount of last year RMB'000
Sales		
Yunnan Fuyan Expressway Co., Ltd.	**2,091,077**	1,944,658
Chongqing Dianzhong Expressway Co., Ltd.	**248,737**	472,898
Lince Railway Co., Ltd.	**399,263**	814,887
Chengdu Huaxindazu Property Development Co., Ltd.	**204,146**	279,510
Chengdu Longquanyi District Land Recondition Co., Ltd.	**—**	20,038
Congo Highway Management Corporation	**190,844**	—
CNTT Chinese New Turnout Technologies Co., Ltd.	**6,689**	69,819
Chengdu China Railway Celebrity Industry Development Co., Ltd.	**—**	60,243
Guangsha Chongqing Yijian Property Development Co., Ltd.	**—**	4,673
Total	**3,140,756**	3,666,726
Procurement		
The Third Railway Survey and Design Institute Group Corporation	**31,916**	16,000
Jiangsu Zhongtai Steel Structure Co., Ltd.	**26,835**	—
Shanghai Tierun Construction Engineering Co., Ltd.	**12,000**	—
BWG Gesellschaft mbH & Co. KG	**—**	66,053
Total	**70,751**	82,053
Expenses paid to Non-operating Units		
CRECG	**—**	1,245
Interest payable		
Shanghai Shibei Industrial Park (Group) Co., Ltd.	**15,001**	—
Integrated Services		
China Railway Hongda Asset Management Center	**76,405**	97,305
Property Lease		
China Railway Hongda Asset Management Center	**37,990**	38,754
Consultancy Income		
Daxian Cuipingshan Property Development Co., Ltd.	**—**	9,646

2. Related party transactions regarding acquisition and disposal of assets

Refer to the first item of significant disposal and acquisition of assets by the Company under the paragraph named "4. Asset Transactions" within this section for related party transactions regarding acquisition and disposal of assets.

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

(3) Substantial transactions between the Group and the above related parties during the year are as follows: *(continued)*

3. Liabilities due from/due to related parties

Items	Related Party	At the end of the year RMB'000	At the beginning of the year RMB'000
Account receivables	Yunnan Fuyan Expressway Co., Ltd.	**258,997**	—
	Congo Highway Management Corporation	**114,734**	—
	Chengdu Huaxindazu Property Development Co., Ltd.	**112,973**	105,716
	Chengdu Longquanyi District Land Recondition Co., Ltd.	**41,306**	24,621
	Lince Railway Co., Ltd.	**19,215**	230,919
	Chongqing Dianzhong Expressway Co., Ltd.	**5,609**	22,055
	Chongqing Yulin Expressway Co., Ltd.	**—**	6,026
	Total	**552,834**	389,337
Other receivables	Lvsha Mining Co., Ltd.	**17,665**	—
	Hunan Qifansheng Real Estate Co., Ltd.	**110,611**	113,509
	Sichuan Chuangyu Investment Co., Ltd.	**50,808**	38,564
	Qingdao Zhongjin Industry Co., Ltd.	**46,805**	—
	Guiyang Xinglong Changqingteng Property Development Co., Ltd.	**36,915**	33,000
	Chongqing Yulin Expressway Co., Ltd.	**17,500**	—
	Societe Par Actions a Responsabilite Limitee	**15,462**	—
	Shaanxi Beichen Property Development Co., Ltd.	**13,953**	17,440
	Zhuhai Puhua Real Estate Co., Ltd.	**13,752**	—
	Congo Highway Management Corporation	**50,008**	—
	Chengdu Yuantong Railway Engineering Co., Ltd.	**6,708**	—
	China Railway Hongda Asset Management Center	**—**	74,394
	Guiyang Baiyun Tiewujian Property Development Co., Ltd.	**5,000**	—
	China Railway No. 2 Group Yongjingtang Printing Co., Ltd.	**3,600**	3,600
	Chongqing Dianzhong Expressway Co., Ltd.	**796**	51,408
	Chengdu Yingting Real Estate Development Company	**—**	351,908
	Chengdu Jinmaruicheng Investment Co., Ltd.	**—**	24,922
	Guangsha Chongqing Yijian Property Development Co., Ltd.	**—**	23,017
	Joint venture of Paul Y. and China Railway — Garbage Processing Project	**15,053**	11,237
	Fujian Zhongtong Investment Co., Ltd.	**335,500**	—
	Congo (Kinshasa) International Mining Co., Ltd.	**247,333**	—
	MKM Mining Co., Ltd.	**15,867**	12,977
	Tong Chuan Hua Long Co., Ltd.	**—**	8,448
	Total	**1,003,336**	764,424

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

(3) Substantial transactions between the Group and the above related parties during the year are as follows: *(continued)*

3. Liabilities due from/due to related parties (continued)

Items	Related Party	At the end of the year RMB'000	At the beginning of the year RMB'000
Dividend receivables	Congo Highway Management Corporation	**5,489**	—
	Total	**5,489**	—
Loans and receivables	La Sino-Congolaise de Mines	**256,323**	128,811
	Shanghai Shibei Industrial Park (Group) Co., Ltd.	**90,000**	30,000
	Total	**346,323**	158,811
Prepayments	Yunnan Longrun Real Estate Group Co., Ltd.	**118,442**	—
	BWG Gesellschaft mbH & Co. KG	**—**	23,948
	Chengdu Yuantong Railway Engineering Co., Ltd.	**—**	10,786
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**—**	7,000
	Total	**118,442**	41,734
Receipts in advance	Tianjin Binhai Tourist Resort Development Co., Ltd.	**125,459**	—
	Congo Highway Management Corporation	**34,843**	—
	CNTT Chinese New Turnout Technologies Co., Ltd.	**131**	4,680
	Yunnan Fuyan Expressway Co., Ltd.	**—**	838,228
	Chongqing Dianzhong Expressway Co., Ltd.	**—**	17,005
	Chengdu China Railway Celebrity Industry Development Co., Ltd.	**—**	13,213
	Total	**160,433**	873,126
Account payables	Shanghai Shibei Industrial Park (Group) Co., Ltd.	**313,545**	297,868
	China Railway Hongda Asset Management Center	**9,053**	5,978
	Jiangsu Zhongtai Steel Structure Co., Ltd.	**14,583**	—
	Shanghai Tierun Construction Engineering Co., Ltd.	**8,000**	—
	The Third Railway Survey and Design Institute Group Corporation	**—**	12,250
	Total	**345,181**	316,096

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

(3) Substantial transactions between the Group and the above related parties during the year are as follows: *(continued)*

3. Liabilities due from/due to related parties (continued)

Items	Related Party	At the end of the year RMB'000	At the beginning of the year RMB'000
Other payables	Guangxi Communications Infrastructure Construction Administration Bureau	**167,856**	175,735
	China Railway Hongda Asset Management Center	**102,677**	88,690
	Yang Guoliang	**51,041**	—
	Nanchang Tie Run Tianji Real Estate Co., Ltd. — Qingyun Mingzhu Development Department	**27,000**	—
	Chifeng Tuoyu Mining Investment Co., Ltd.	**11,380**	—
	Suzhou Huxin Real Estate Development Co., Ltd.	**10,800**	—
	Chengdu Huaxindazu Property Development Co., Ltd.	**10,503**	10,508
	Shanghai Tierun Construction Engineering Co., Ltd.	**8,206**	—
	Zhitie Mechanical Engineering Co., Ltd.	**7,381**	—
	Chengdu Longquanyi District Land Recondition Co., Ltd.	**7,000**	7,000
	Chengdu Yingting Real Estate Development Company	**—**	270,946
	CNTT Chinese New Turnout Technologies Co., Ltd.	**—**	30,261
	CRECG	**53,770**	14,463
	Lvsha Mining Co., Ltd.	**—**	12,071
	Hunan Qifansheng Real Estate Co., Ltd.	**—**	10,000
	Neijiang Hongchen Property Development Co., Ltd.	**—**	572
	Total	**457,614**	620,246
Short-term borrowings	CRECG	**20,000**	—
	Total	**20,000**	—
Long-term borrowings	Beijing Fengtai District Comprehensive Investment Co., Ltd.	**18,000**	18,000
	Beijing Shuhe Investment Management Co., Ltd.	**4,500**	4,500
	Total	**22,500**	22,500
Dividend payable	Huafeng Yingzao (Beijing) International Investment Advisors Co., Ltd.	**12,312**	—
	Suining Hedong Investment and Development Co., Ltd.	**101,600**	—
	Total	**113,912**	—

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

(3) Substantial transactions between the Group and the above related parties during the year are as follows: *(continued)*

3. Liabilities due from/due to related parties (continued)

Occupation of Funds and Progress of Refund in 2008

Balance of non-operating fund occupation of the Company by controlling shareholder and its subsidiaries In the beginning of the period (RMB'0000)	In the end of the period (RMB'0000)	Total amount of refund during the reporting period (RMB'0000)
7,439.4	—	7,439.4

Way of refund	Amount of refund (RMB'0000)	Time of refund (month)
By cash	7,439.4	20 May 2008

Explanation of non-operating fund occupation of the Company by controlling shareholder and its subsidiaries and progress of refund	As of 31 December 2007, among the balances of the Company's "other receivables", the amount due from China Railway Hongda Asset Management Center amounted to RMB74.394 million; in May 2008, the fund occupied by controlling shareholder and related parties by the end of 2007 was settled. As of 20 May, the amount of RMB74.394 million due from China Railway Hongda Asset Management Center was fully recovered. By the end of 2008, there was no non-operating fund occupation of the Company by the controlling shareholder and related parties.
Solution proposed by responsible person in charge of the non-operating fund occupation and the Board	—

4. Other Significant Related Party Transactions

(1) Guarantee

	At the end of the year RMB'000	At the beginning of the year RMB'000
Lince Railway Co., Ltd.	**341,360**	—
Huludao Binhai District Investment Co., Ltd	**120,000**	—
Yunnan Fuyan Expressway Co., Ltd.	**5,296,000**	5,150,000
Total	**5,757,360**	5,150,000

(2) Remuneration of key management personnel

	Cumulative amount of the year RMB'000	Cumulative amount of last year RMB'000
Remuneration of key management personnel	**6,175**	6,510

7. Material contracts and their performance

(1) Trusteeship, contracting and leasing

During the reporting period, the Company had no material trusteeship, contracting or leasing.

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

(2) Guarantee

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway	The same entity	Lince Railway. Co., Ltd.	34,136.00	2008-8-1	2008-8-1	2025-6-20	Suretyship of joint and several liability	No		No	No	Yes	Associate	China Securities Journal, Shanghai Securities News, Securities New, Securities Daily and Securities Times published on 25 April 2008
China Railway	The same entity	China International Water & Electric Corp.	2,403.50	2004-4-20	2004-4-20	Open	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	10,000.00	2007-4-6	2007-4-6	2009-10-5	Suretyship of joint and several liability	No		No	No	Yes	Associate	
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Huludao Binhai New District Investment Co., Ltd.	2,000.00	2007-4-1	2007-4-1	2009-9-30	Suretyship of joint and several liability	No		No	No	Yes	Associate	
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Sinorail Bohai Train Ferry Co., Ltd.	17,000.00	2004-12-24	2004-12-24	2016-12-23	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	349,600.00	2007-4-5	2007-4-5	2011-4-5	Suretyship of joint and several liability	No		No	No	Yes	Associate	
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	100,000.00	2007-8-30	2007-8-30	2022-8-30	Suretyship of joint and several liability	No		No	No	Yes	Associate	
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	80,000.00	2007-12-20	2007-12-20	2022-12-20	Suretyship of joint and several liability	No		No	No	Yes	Associate	
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd.	11,494.10	2007-12-28	2007-12-28	2010-12-28	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Shanghai Rong Lian Leasing Co., Ltd	25,839.40	2008-6-27	2008-6-27	2011-6-27	Suretyship of joint and several liability	No		No	No	No		
Hongyuan Property Development Co., Ltd.	Non-wholly-owned controlled subsidiary	Property owners of Shujun project	5,604.00	2008-1-4	2008-1-4	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
Daxian Cuipingshan Property Development Co., Ltd.	Non-wholly-owned controlled subsidiary	Property owners of Longjun project	6,531.00	2008-6-17	2008-6-17	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint andseveral liability	No		No	No	No		
New Sichuan-Tibet Road & Bridge Company	Non-wholly-owned controlled subsidiary	Property owners of Xinjie project	11,979.70	2007-10-12	2007-10-12	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Ruicheng Property Co., Ltd.	Non-wholly-owned controlled subsidiary	Property owners of Shanghe Xincheng project	3,280.00	2005-9-14	2005-9-14	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
Shandong China Railway Urban and Rural Co., Ltd.	Non-wholly-owned controlled subsidiary	Property owners of Shiheng Xincheng project	2,013.80	2007-7-4	2007-7-4	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		

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

(2) Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway NO. 3 Engineering	Wholly-owned subsidiary	Shanxi Local Coal Industry Co., Ltd.	162.80	2006–12–5	2006–12–5	Open (letter of credit)	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Yankuang Group Co., Ltd	5,235.30	2004–2–3	2004–2–3	Open	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng project	4,195.40	2007–12–28	2007–12–28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Property owners of Rainbow New City project	6,800.00	2008–8–1	2008–8–1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 4 Engineering	Wholly-owned subsidiary	Property owners of Dongshan Jiu Long Wan project	653.80	2008–2–15	2008–2–15	To be terminated upon delivery to bank of property ownership certificates as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Property owners of Zhujiang Wan Pan project	1,637.80	2007–11–1	2007–11–1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Property owners of Xinglong Phase II project	1,600.00	2007–11–1	2007–11–1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 5 Engineering	Wholly-owned subsidiary	Property owners of Fengdan Bailu project	1,938.30	2007–11–1	2007–11–1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	415.00	2006–4–29	2006–4–29	Open and to be terminated upon expiry of 28 days after the completion and settlement of the project	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 21 June 2008
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	434.00	2006–4–29	2006–4–29	Open and to be terminated upon expiry of 28 days after the completion and settlement of the project	Suretyship of joint andseveral liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 21 June 2008
China Railway NO. 7 Engineering	Wholly-owned subsidiary	Henan International Cooperation Group Co., Ltd	1,141.00	2006–8–10	2006–8–10	Open and to be terminated upon expiry of 29 days after the completion and settlement of the project	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 21 June 2008

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

(2) Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Property owners of "Shuanglongwan" project	17,269.10	2007-4-23	2007-4-23	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Property owners of "Xizi Xianghe" project	6,376.70	2008-3-24	2008-3-24	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Property owners of "Dragon City" project	4,398.20	2007-1-12	2007-1-12	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Property owners of Longjun project	1,532.60	2007-1-3	2007-1-3	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 8 Engineering	Wholly-owned subsidiary	Property owners of Ruijing Mingcheng project	7,478.80	2007-12-29	2007-12-29	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 10 Engineering	Wholly-owned subsidiary	Property owners of "Huayang Nianhua" project	2,339.30	2006-5-24	2006-5-24	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 10 Engineering	Wholly-owned subsidiary	Property owners of "Donghai Chuncheng" project	927.00	2008-1-28	2008-1-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	3,000.00	2008-6-23	2008-6-23	2009-6-22	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	139.85	2006-12-29	2006-12-29	2010-9-9	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	30.00	2007-8-6	2007-8-6	Open	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008

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

(2) Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	60.10	2007-10-31	2007-10-31	2008-7-30*	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	480.00	2007-11-9	2007-11-9	2008-5-31*	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	536.00	2007-12-17	2007-12-17	Open	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	57.50	2008-1-24	2008-1-24	2008-4-25*	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	143.75	2008-1-24	2008-1-24	2008-4-25*	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	China Railway Wuhan Bridge Industries Limited	70.00	2008-3-12	2008-3-12	Open	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Major Bridge Engineering	Wholly-owned subsidiary	Zhong Tie Major Bridge (Zhengzhou) Cable Co Ltd.	350.00	2008-6-23	2008-6-23	2009-6-22	Suretyship of joint and several liability	No		No	No	No		China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 30 April 2008
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	22,553.70	2006-6-30	2006-6-30	2011-12-29	Suretyship of joint and several liability	No		No	No	No		
China Railway Tunnel	Wholly-owned subsidiary	China SFECO Group	13,533.00	2007-1-1	2007-1-1	2011-12-30	Suretyship of joint and several liability	No		No	No	No		
China Railway Tunnel	Wholly-owned subsidiary	China Railway Construction 15th Bureau Group Co., Ltd.	7,674.30	2003-10-6	2003-10-6	2004-10-6▽	Suretyship of joint and several liability	Yes	7,674	No	Yes	No		
China Railway Construction	Wholly-owned subsidiary	Shenzhen Wanghai Yikang Industry Development Co., Ltd.	22,000.00	2005-12-21	2005-12-21	2007-12-31◆	Suretyship of joint and several liability	No		No	No	No		

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

(2) Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway Construction	Wholly-owned subsidiary	Property owners of Bei'an Gongguan in Lanzhou project	2,401.00	2007-5-18	2007-5-18	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Property owners of Lixiangjia project	4,016.00	2006-1-1	2006-1-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Property owners of Lixiangjia project	6,650.00	2006-1-1	2006-1-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Property owners of Zhongjing Shengshi Chang'an project	3,966.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Zhongjing Shengshi Chang'an project	5,912.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Zhongjing Shengshi Chang'an project	4,419.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Zhongjing Shengshi Chang'an project	598.00	2007-4-28	2007-4-28	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Electrification Engineering	Wholly-owned subsidiary	Personal mortgage loans for Zhongjing Shengshi Chang'an project	141.00	2008-10-1	2008-10-1	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Property owners of Yisabeier project	439.50	2008-11-2	2008-11-2	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway NO. 2 Engineering	Wholly-owned subsidiary	Property owners of Wangjiao Gold City project	7,245.00	2008-12-6	2008-12-6	Within six months since the date of inception	Suretyship of joint and several liability	No		No	No	No		

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

(2) Guarantee *(continued)*

Unit: Ten thousands Currency: Renminbi

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Execution date of guarantee agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Overdue?	Overdue amount	Counter guarantee available?	Guarantee fully fulfilled?	Guarantee provided to the related parties?	Related party relationship	Newspaper on which a provisional announcement was disclosed
China Railway Shanhaiguan Bridge	Wholly-owned subsidiary	Shanhaiguan Lubao Beer Co., Ltd.	400.00	1995-12-22	1995-12-22	1996-10-22	Suretyship of joint and several liability	Yes		No	Yes	No		
	Wholly-owned subsidiary	Shanhaiguan Lubao Beer Co., Ltd.	500.00	1996-3-13	1996-3-13	1996-11-13	Suretyship of joint and several liability	Yes	1,524	No	Yes	No		
	Wholly-owned subsidiary	Shanhaiguan Lubao Beer Co., Ltd.	800.00	1995-11-21	1995-11-21	1996-7-21	Suretyship of joint and several liability	Yes		No	Yes	No		
China Railway Real Estate	Wholly-owned subsidiary	Property owners of Noble Holiday Garden	27,533.80	2008-1-15	2008-1-15	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
China Railway Real Estate	Wholly-owned subsidiary	Property owners of southern square of the Beijing West Railway Station	4,633.10	2007-6-8	2007-6-8	To be terminated upon delivery to bank of property ownership certificate as security	Suretyship of joint and several liability	No		No	No	No		
Total guarantee incurred during the reporting period (*) (excluding those provided to controlled subsidiaries)														125,848.45
Total balance of guarantee as at the end of the reporting period (*) (excluding those provided to controlled subsidiaries)														866,699.20
Guarantee provided by the Company to its controlled subsidiaries														
Total guarantee to controlled subsidiaries incurred during the reporting period (*)														144,973.63
Total balance of guarantee to controlled subsidiaries as at the end of the reporting period (*)														557,299.80
Aggregate guarantee of the Company (including those to controlled subsidiaries)														
Aggregate guarantee (*)														1,423,999.00
Percentage of aggregate guarantee to net assets of the Company (*)														23.31%
Representing:														
Amount of guarantee provided for shareholders, ultimate controller and related parties (*)														575,736.00
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (*)														404,128.71
Excess amount of aggregate guarantee over 50% of net assets (*)														
Aggregate amount of the above three categories (*)														979,864.71
Statement on the contingent joint and several liability in connection with unexpired guarantee														
Statement on guarantee						Foreign currency has been translated into RMB at the exchange rate prevailing at the end of December. All such amounts are stated in ten thousands.								

Note: *The expiry date of the guarantee marked with * is the prescribed date in the bank's letter of guarantee. However, since the projects guaranteed were not completed as scheduled, the guarantees whereof shall remain valid until the completion of such projects. The guarantee marked with ▽ refers to the counter guarantee provided by China Railway Tunnel to China Railway Construction 15th Bureau Co., Ltd. which has expired. However, the information about the guarantee still exists in the bank credit registration system as China Railway Construction 15th Bureau failed to return the letter of guarantee in a timely manner. The guarantee marked with ◆ refers to the guarantee provided by China Railway Construction to Shenzhen Wanghai Yikang Industry Development Co., Ltd.. On 20 February 2009, the creditor released China Railway Construction from its guarantee responsibility with a "Letter of Release of Guarantee".*

(3) Financial Trust Management

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

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

(4) Other material contracts

1. Material contracts entered into 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	The consortium comprising China Railway No. 3 Engineering/China Railway No. 5 Engineering/China Railway Tunnel/China Railway No. 5 Engineering No. 6	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	Civil Construction Phase XXTJIV of the New Wuhan-Guangzhou Passenger Railway Line	2006–1	923,313.00	2006–2–1~ 2009–2–28
2	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	2007–9–3	2,187,104.00	1,979 days
Highway						
1	China Railway No. 6 Engineering	Longyan Yongwu Expressway Co., Ltd.	Fujian Yong'an-Wuping Expressway	2007–8–28	77,894.00	2007–8–1~ 2009–7–31
2	China Railway	Shanghai Highway Construction Company	New Construction Works of Phase A15-9 of A15 Highway	2007–12–1	66,646.82	2008–1–1~ 2009–8–15
Municipal Works						
1	China Railway Electrification Engineering	Nanjing Metro Co., Ltd.	PPP Investment Projects of Nanjing Subway South Extended Line	2007–4–29	142,000.00	2007–7–1~ 2009–12–31
2	China Railway Major Bridge Engineering	Fuzhou Municipal Construction Development Co., Ltd.	Fuzhou Gushan Bridge and Connection Works	2007–7–1	81,081.00	2007–7–1~ 2009–12–30
3	China Railway Major Bridge Engineering	Shanghai Highway Investment and Construction Development Co., Ltd.	New Construction Works of the Second Minpu Bridge	2007–12	92,432.00	2007–9–30~ 2009–9–30

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

(4) Other material contracts *(continued)*

1. *Material contracts entered into before the reporting period but remained effective during the reporting period (continued)*

(2) Survey and Design Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Shenzhen Metro Co., Ltd.	Master Construction Survey and Design Contract of Shenzhen Metro Line 3	2005–1–27	21,988.20	2004–5~
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	33,805.00	2003–9~2009–12
3	China Railway Eryuan Engineering	Preparatory Team of Zhengzhou — Xi'an Passenger Railway Line Co., Ltd.	Construction Works (Survey and Design) of the New Zhengzhou-Xi'an Passenger Railway Line	2005–12–30	22,068.00	2005–12~2009–12
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	25,003.00	2005–9~2009–12
5	China Railway Eryuan Engineering	Hainan Donghuan Railway Co., Ltd.	Construction Works of the New Hainan Donghuan Railway and Supporting Facilities	2007–07–28	24,521.00	2007–9~2011–9

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

(4) Other material contracts *(continued)*

1. Material contracts entered into before the reporting period but remained effective during the reporting period (continued)

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structures						
1	China Railway Turnout & Bridge	Headquarter of the Zhoushan Island and Continent Linkage Project	Manufacture of Steel Box Girders of Xihoumen Bridge of the Zhoushan Island and Continent Linkage Project (Contract Section D)	2005–1–28	31,877.56	Till 2009–3
2	China Railway Turnout & Bridge	Headquarter of the Zhoushan Island and Continent Linkage Project of Zhejiang Province	Manufacture of Steel Box Girders of Jintang Bridge of the Zhoushan Island and Continent Linkage Project (Contract Section III-C)	2007–1–19	29,453.59	Till 2008-9
Turnouts						
1	China Railway Turnout & Bridge	Headquarter of Efficiency Improvement and Reconstruction of the Dazhou-Chengdu Bureau of Railway of Chengdu Railway	Contract 263 for Turnouts of Dazhou-Chengdu Railway	2007–2–8	9,989.81	2008–12
2	China Railway Turnout & Bridge	Hewu Railway Anhui Co., Ltd.	Purchase Contract of Expressway Turnouts of the New Hefei-Wuhan Railway	2007–9–14	23,548.55	2008–12
Construction (Track) Machinery						
1	Baoji Xintie Road Maintenance Machinery Co., Ltd.	Basis Department of Transport Bureau of Ministry of Railways	Manufacture Contract of PGM-48 Rail Grinding Car	2004–3	6,838.20	2008–5–20
2	China Railway Heavy Machinery	China Railway No. 19 Engineering Group Co., Ltd.	Design and Manufacture Contract of TJ165 Bridge Erector	2007–10–17	1,560.00	2008–7–15

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

(4) Other material contracts *(continued)*

1. *Material contracts entered into before the reporting period but remained effective during the reporting period (continued)*

(4) Property Development Business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)	Total investment amount (RMB'0,000)
1	Longjun Nan'an	Daxian, Sichuan Province	Residential and commercial	129.78	500,000
2	Bridge Living Capital	Wuhan City, Hubei Province	Residential	105.54	495,618
3	Shujun	Chengdu City, Sichuan Province	Residential	32.69	170,000
4	Noble Holiday Garden	Shenzhen City, Guangdong Province	Residential and commercial	21.52	165,000
5	China Railway Ruicheng, Xinjie	Chengdu City, Sichuan Province	Residential	35.13	158,590

(5) Other Business

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	516,361.00	36	28
2	China Railway No. 2 Engineering	Yunan Department of Communications	BOT Project of Funing (Yunan)-Guangnan, Guangnan-Yanshan Expressway	2005–12–29	644,000.00	36	27
3	China Railway No. 2 Engineering	Yulin Bureau of Communications	BOT Project of Yulin (Shanxi)-Shenmu Expressway	2007–10–29	517,000.00	36	30
BT							
1	China Railway No. 10 Engineering	People's Government of Yunlong District of Xuzhou City	Contract of East Extending Project (BT) of Heping Road of Xuzhou City	2005–3–24	25,000.00	25	2
2	China Overseas Engineering	Chizhou City Education Investment and Property Co., Ltd.	Investment, Construction and Repurchase Contract of Education Zone Phase I (Colleges and Universities) of Chizhou	2007–4	30,000.00	20	3
3	China Railway No. 6 Engineering	Tianjin Urban Infrastructure Construction Investment Group Co., Ltd.	Contract of Investment and Construction of BT Project of Nancangdao Tiedong Road Interchange over Nancang Marshalling Yard of Kuaisu Road of Tianjin City	2007–10–26	53,956.00	24	5

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. 3 Engineering	Preparation Team of Beijing-Shanghai Passenger Railway Line Company	Construction Contract of Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008–1–31	1,131,577.00	60 months
2	China Railway NO. 1 Engineering	Preparation Team of Beijing-Shanghai Passenger Railway Line Company	Construction Contract of Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008–1–31	1,064,927.00	60 months
Highway						
1	China Railway Erju Co., Ltd.	Sichuan Suining City Mianyang-Suining Expressway Co., Ltd.	Master Construction Contract of Civil Works of Phase A of Suining Section Project of Mianyang-Suining Express Highway in Sichuan Province	2008–6–12	277,952.00	2008–6–12~ 2010–4–12
2	China Railway Erju Co., Ltd..	Shaanxi Yulin City Yulin-Shenmu Expressway Co., Ltd.	Construction Contract of Phase A2 of Yulin-Shenmu Section of Yulin-Shangzhou Provincial Expressway	2008–8–16	224,009.00	2008–8–16~ 2011–2–16

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

(4) Other material contracts *(continued)*

2. Material contracts signed during the reporting period: (continued)

(1) Infrastructure Construction Business *(continued)*

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Municipal Works						
1	China Railway Tunnel	Hangzhou Qingchun Road Guojiang Tunnel Co., Ltd.	Master Design and Construction Contract of Guojiang Tunnel Works of Qingchun Road, Hangzhou	2008–1–16	101,000.00	2008–5–1~ 2010–11–28
2	China Railway Tunnel	Shenzhen Metro Line 3 Investments Ltd.	Master Construction Contract of Phase 3153 of West Extension of Line 3 of Shenzhen Urban Rail Phase 2	2008–4–18	89,037.00	2008–4–11~ 2011–6–30
3	China Railway No. 8 Engineering	Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Contract of Phase I of Housing Projects for Disaster-afflicted Staff of Dongfang Turbine Co., Ltd. in Deyang	2008–9–6	95,500.00	2008–10–31~ 2010–4–29
4	China Railway Construction	Shenzhen Heungkong Real Estate Co., Ltd.	Master Contract of Nanshan Business & Culture Center	2008–12–28	87,334.00	2008–12–1~ 2011–11–30
5	China Railway No. 4 Engineering	Government of Angola	Contract of Social Housing Projects in Cacuaco-Dande District of Luanda in Angola	2008–3	70,427.00	Till 2010–5

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

(4) Other material contracts *(continued)*

2. Material contracts signed during the reporting period: (continued)

(2) Survey and Design Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Beijing-Shanghai Express Railway Co. Ltd.	Supervisory Contract of Civil Works of Phase JL-4 of the New Beijing-Shanghai Express Railway	2008–1	16,366.80	2008–1~2013–1
2	China Railway Engineering Consulting	Beijing-Shanghai Express Railway Co. Ltd.	Construction Supervisory Contract of Civil Works of Phase JL-6 of the New Beijing-Shanghai Express Railway	2008–1	13,174.90	2008–1~ 2013–1
3	China Railway Eryuan Engineering	SINOPEC Zhongyuan Oilfield Puguang Branch	Master Contract of Xuanhan Railway Line for Puguang Gasfield Natural Gas Purification Plant (EPC)	2008–03–06	29,762.40	2007–5~ 2008–12
4	China Railway Eryuan Engineering	Southeast Coast Railway Fujian Co., Ltd.	Survey and Design Contract of New Xiamen-Shenzhen Railway (Fujian Section)	2008–09–05	16,844.00	2007–12~ 2011–12
5	China Railway Eryuan Engineering	Venezuela State Autonomous Railroad Institute	Survey and Design Contract of Venezuela National Railway Network Project (LA ENCRUCIJADA-CUA Section)	2008–10–31	26,302.00	2008–10~ 2009–11

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

(4) Other material contracts *(continued)*

2. *Material contracts signed during the reporting period: (continued)*

(3) Engineering Equipment and Component Manufacturing Business

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 Investment and Development Co., Ltd.	Processing and Manufacturing Contract of Steel Structure for Ningbo Mingzhou Bridge	2008–5–21	49,677.00	Till 2010–9
2	China Railway Shanhaiguan Bridge	Shandong High-Speed Qingdao Expressway Co., Ltd	Contract of Processing and Manufacturing of Phase I of Steel Box Girder for Qingdao Bay Bridge	2008–7–03	32,951.00	Till 2010–11
Turnout						
1	China Railway Turnout & Bridge	Shijiazhuang-Taiyuan Railway Passenger Line Co., Ltd.	Shijiazhuang-Taiyuan Railway Line	2008–4–1	6,299.81	Till 2008–11–1
2	China Railway Shanhaiguan Bridge	Nanchang-Jiujiang Inter-city Railway Co., Ltd.	Turnout Purchase Contract of Nanchang-Jiujiang Inter–city Railway	2008–4–30	6,116.00	2009–12–31
Construction (Track) Machinery						
1	China Railway Shanhaiguan Bridge	China Railway United International Containers Co., Ltd	Rail-mounted Gantry Crane for 40-ton Container	2008–6–6	13,535.00	Till 2010–2
2	China Railway Heavy Machinery	China Railway Container Transport Co., Ltd	Crane Solely for 36-ton Container	2008–7–1	1,508.00	2008–8–31

(4) Property Business

No.	Project name	Project location	Project type	Planned area ('0,000 sq.m.)	Total amount of Investment (RMB'0,000)
1	China Railway • Yidu International	Guiyang City, Guizhou Province	Residential	235.91	723,857
2	Qingdao International Trade Centre	Qingdao City, Shandong Province	Complex	33.24	418,870
3	Xi'an China Railway Changfeng	Xi'an City, Shaanxi Province	Residential	62.70	289,000
4	Lanyuan Project	Pi County, Sichuan Province	Residential	56.29	175,000
5	Business and Financial Center in Plot 3 of High-tech Development Zone, Ji'nan City	Ji'nan City, Shandong Province	Commercial	19.19	78,000

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

(4) Other material contracts *(continued)*

2. *Material contracts signed during the reporting period: (continued)*

(5) Other Businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Contract term
1	China Railway	Bureau of Communications Shunde District, Foshan	Contract of Investment and Construction of BT Engineering Projects in Bigui Road, Shunde District, Foshan City	2008–4–20	165,000.00	24 months
2	China Railway	Bureau of Communications Shunde District, Foshan	Contract of Investment and Construction of BT Engineering Projects in Gaofu Road, Shunde District, Foshan City	2008–5–20	130,000.00	24 months
3	China Railway	Bureau of Communications Shunde District, Foshan	Contract of Investment and Construction of BT Engineering Projects in Hongqi Road, Shunde District, Foshan City	2008–6–20	100,000.00	24 months
4	China Railway	Shenzhen Metro Co., Ltd	Contract A of BT and Related Projects of Shenzhen Metro Line 5	2008–9	950,000.00	43 months
5	China Railway Southwest Investment & Management Co., Ltd.	Liuzhou Urban Construction Investment and Development Co., Ltd.	Transfer Contract of BT Projects of "Shuangyong Bridge, Weiyi Bridge, Guangya Bridge and Northern Outer-ring Road" in Liuzhou City, Guangxi Province	2008–12–5	269,523.00	30 months

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

(4) Other material contracts *(continued)*

2. Material contracts signed during the reporting period: (continued)

(5) Other Businesses *(continued)*

On 22 April 2008, the Company, Sinohydro Corporation Limited ("Sinohydro") and the Government of Democratic Republic of Congo entered into the Cooperation Agreement in Relation to the Cooperation Project in Mining Development and Facilities Construction in Democratic Republic of Congo (the "Cooperation Agreement"). Subsequent to the entering into of the Cooperation Agreement on 22 April 2008 and the Supplemental Agreement I to the Cooperation Agreement in Relation to the Cooperation Project in Mining Development and Facilities Construction in Democratic Republic of Congo ("Supplemental Cooperation Agreement I") by the Company, Sinohydro, China Metallurgical Group Corp. ("MCC") and the Government of Congo on 28 June 2008, the Company, Sinohydro, MCC, Zhejiang Huayou Cobalt Co., Ltd. ("Zhejiang Huayou") and the Government of Congo entered into the Supplemental Agreement II to the Cooperation Agreement in Relation to the Cooperation Project in Mining Development and Facilities Construction in Democratic Republic of Congo ("Supplemental Cooperation Agreement II") on 11 September 2008. Pursuant to the Supplemental Cooperation Agreement II, China Railway Group (Hong Kong) Limited ("CRHK"), China Railway Resources Development Limited ("CR Resources"), both being wholly-owned subsidiaries of the Company, Sinohydro International Engineering Co., Ltd. ("Sinohydro International"), Sinohydro Harbour Co., Ltd. ("Sinohydro Harbour"), both being wholly-owned subsidiaries of Sinohydro, MCC, Zhejiang Huayou, La Sino-Congolaise des Mines (剛果國家礦業總公司, "Congo Mining") and La Societe Immobiliere du Congo (剛果不動產有限責任公司, "Congo Simco") entered into Supplemental Agreement II to the Agreement in Relation to the Establishment of the Joint Venture ("Supplemental Joint Venture Agreement II"). Pursuant to the Supplemental Cooperation Agreement II and the Supplemental Joint Venture Agreement II, CRHK, CR Resources, Sinohydro International, Sinohydro Harbour, Zhejiang Huayou, Congo Mining and Congo Simco will become the shareholders of the Joint Venture instead of CRHK, CR Resources, Sinohydro International, Sinohydro Harbour, MCC, Congo Mining and Congo Simco. The registered capital of the Joint Venture remains unchanged, being US$100 million. The shareholding structure of the Joint Venture shall be adjusted as follows: the Joint Venture will be held as to 33%, 30%, 5%, and 32% by the Company, Sinohydro party, Zhejiang Huayou and the Congo party, respectively. For more details, please refer to the "Announcement on the Overseas Investment of China Railway Group Limited" (Lin No. 2008-006) published on 23 April 2008, "Further Announcement Relating to the Establishment of Societe Par Actions A Responsabilite Limitee of China Railway Group Limited" published on 4 July 2008 (Lin No. 2008-027) and the "Announcement Relating to the Adjustment in the Shareholding Structure of Societe Par Actions A Responsabilite Limitee of China Railway Group Limited" published on 12 September 2008 (Lin No. 2008-040) by the Company.

On 16 November 2008, China Railway Resources Limited ("CRRL"), a wholly-owned subsidiary of the Company, entered into relevant equity transfer agreements with CRECG, the controlling shareholder of the Company in respect of the transfer of the 52%, 51% and 51% equity interests in Inner Mongolia Huaxin Mining Co., Ltd., Sunite-ZuoQi Manglai Mining Co., Ltd. and Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd. from CRECG, respectively. On 5 December 2008, such equity transfer agreements was approved by the State-owned Assets Supervision and Administration Commission of the State Council. The industry and commerce registration procedures were completed on 26 December 2008 and 10 December 2008, respectively.

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
Undertaking made by CRECG upon the issue	1. CRECG will not transfer or engage others to manage the A Shares of the Company held by it within 36 months since the listing of A shares of the Company on the Shanghai Stock Exchange. Once the period of undertaking expires, the aforesaid shares may be traded and transferred in the market. However, if the H Shares of the Company 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 is not subject to the lock-up period mentioned above. 2. Upon the establishment of the Company in accordance with the law, CRECG and its subsidiaries (other than the Company) do not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of the Company and its subsidiaries. If CRECG or its subsidiaries (other than the Company) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of the Company, it shall notify the Company 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 the Company 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 the Company, CRECG warrants that such business opportunity, assets or interests will first be offered to the Company 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, the Company had no other significant events.

Information on Major Properties

Properties held for investment

Name of buildings	Location	Use	Tenure	Interest of the Group (%)
Jingxin Building	A2 Dong San Huan North Road, Chaoyang District, Beijing City	Commercial (lease as office space)	Short term lease	100
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City, Shaanxi Province	Commercial	Medium term lease	100
Quanxing Building	No. 68 2nd Part of Middle Renmin Road, Chengdu City, Sichuan Province	Commercial and hotel	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

Properties held for development and/or for sale

Name of buildings or projects	Location	Existing Use	Site area (sq.m.)	Floor area (sq.m.)	Stage of Completion	Expected completion date	Interest of the Group
Bridge Living Capital	No. 586 Wuluo Road, Zhongnanlu Street, Wuchang District, Wuhan City, Hubei Province	Residential	527,721.35	1,055,439.42	Under construction	2012	66.67%
Shujun	Fulong Village, Huayang Town, Shuangliu County, Chengdu City, Sichuan Province	Residential	269,300.00	326,900.00	Under construction (already sold)	2010	100%
Xi'an China Railway Changfeng	South to Keji 8th Road, West to Zhangba 4th Road, High-tech District, Xi'an City, Shaanxi Province	Residential	141,507.37	627,000.00	Under construction	2013	100%
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%
Qingdao International Trade Centre	No. 8 Hong Kong Central Road, Qingdao City, Shandong province	Complex	18,229.20	332,400.00	Under construction	2011	92%

Definition and Glossary of Technical Terms

1.	the Company, China Railway	China Railway Group Limited
2.	the Group	the Company and its subsidiaries
3.	CRECG	China Railway Engineering Corporation
4.	Main lane	track connecting and passing through the stations
5.	Dual-track	railway with two main lanes, namely upper lane and lower lane
6.	BT	"Build-Transfer" mode
7.	BOT	"Build-Operate-Transfer" mode
8.	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
9.	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
10.	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

Company Information

Directors

Executive Directors

SHI Dahua *(Chairman)*
LI Changjin
BAI Zhongren

Non-executive Director

WANG Qiuming

Independent Non-executive Directors

HE Gong
ZHANG Qinglin
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

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

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Qualified Accountant

TAM Chun Chung *CPA, FCCA*

Authorized Representatives

BAI Zhongren
TAM Chun Chung *CPA, FCCA*

Audit Committee

GONG Huazhang *(Chairman of the Audit Committee)*
SUN Patrick
WANG Qiuming

Remuneration Committee

ZHANG Qinglin *(Chairman of the Remuneration Committee)*
HE Gong
SUN Patrick
BAI Zhongren
WANG Qiuming

Strategy Committee

SHI Dahua *(Chairman of the Strategy Committee)*
LI Changjin
BAI Zhongren
GONG Huazhang
WANG Taiwen

Nomination Committee

HE Gong *(Chairman of the Nomination Committee)*
ZHANG Qinglin
WANG Taiwen
WANG Qiuming
LI Changjin

Safety, Health and Environmental Protection Committee

LI Changjin *(Chairman of the Safety, Health and Environmental Protection Committee)*
BAI Zhongren
ZHANG Qinglin
HE Gong
WANG Taiwen

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
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares

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

H Shares

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

Principal bankers

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

Company Website

http://www.crec.cn

RFP Design and produced by: iOne (Regional) Financial Press Limited website: www.ioneregional.com

中國中鐵
CHINA RAILWAY

No. 26, Lianhuachi Nanli, Fengtai District, Beijing, China
Postal Code: 100055

http://www.crec.cn