中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

Stock Code: 1186

2008

Annual Report

Contents

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

Corporate Information

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

Principal bankers	Industrial and Commercial Bank of China Limited China Construction Bank Corporation Bank of China Limited Bank of Communications Co., Ltd.
Independent auditors	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Legal advisers	As to Hong Kong law: Baker & McKenzie 14/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong As to mainland China law: Beijing Deheng Law Office 12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing China

Corporate Profile

As the successor of the Railway Engineering Corps, China Railway Construction Corporation Limited ("CRCC", "we" or the "Company") was established by China Railway Construction Corporation ("CRCCG") as a sole promoter in Beijing on 5 November 2007 and is an ultra-large construction enterprise supervised by the State-owned Assets Supervision and Administration Commission (the "SASAC") of the State Council. After its incorporation, the Company successfully issued RMB denominated ordinary shares (A shares) and overseas listed foreign shares (H shares), which were listed on the Shanghai Stock Exchange ("SSE") and the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") respectively on 10 March 2008 and 13 March 2008.

The Company, together with its subsidiaries (the "Group"), is one of the ultra-large integrated construction enterprises in China and in the world. It was listed among the Fortune Global 500 companies consecutively, ranking No.356 in 2008. The Company was included among the Top 225 Global Contractors consecutively, ranking No.4 in 2008. It was listed among the Top 500 Chinese Enterprises in succession, ranking No.17 in 2008. It was ranked as the Enterprise of Best Integrity for the Year by China Enterprise Confederation and China Entrepreneurs Association consecutively. The Company has been ranking among the top construction contractors in China in terms of revenue from construction operations consecutively since 2004, which marks CRCC out as the largest construction contractor as well as the largest contractor for overseas constructions in China.

The activities of the Group comprise construction, survey, design and consultancy, manufacturing, logistics and goods and materials trade, capital investment operations and real estate development, etc., which constitute an entire construction industry chain and the most complete qualification system in the industry covering research and development, planning, survey, design and consultancy, construction, supervision, operation and manufacturing. It has established a leading position in plateau railways, high-speed railways, highways, bridges, tunnels and metropolitan railway engineering design and construction fields in the industry.

CRCC business covers the 31 provinces, autonomous regions, municipalities, the Hong Kong and Macau Special Administrative Regions as well as over 60 foreign countries and regions in the world.

The Company has 28 wholly-owned subsidiaries (including indirect shareholding), which are:

Subsidiaries engaged in construction operations:

(1) China Civil Engineering Construction Corporation;

(2) China Railway 11th Bureau Group Co., Ltd.;

(3) China Railway 12th Bureau Group Co., Ltd.;

(4) China Railway 13th Bureau Group Co., Ltd.;

(5) China Railway 14th Bureau Group Co., Ltd.;

(6) China Railway 15th Bureau Group Co., Ltd.;

(7) China Railway 16th Bureau Group Co., Ltd.;

(8) China Railway 17th Bureau Group Co., Ltd.;

(9) China Railway 18th Bureau Group Co., Ltd.;

(10) China Railway 19th Bureau Group Co., Ltd.;

(11) China Railway 20th Bureau Group Co., Ltd.;

(12) China Railway 21st Bureau Group Co., Ltd.;

(13) China Railway 22nd Bureau Group Co., Ltd.;

(14) China Railway 23rd Bureau Group Co., Ltd.;

(15) China Railway 24th Bureau Group Co., Ltd.;

(16) China Railway 25th Bureau Group Co., Ltd.;

(17) China Railway Construction Group Ltd.;

(18) China Railway Electrification Bureau (Group) Co., Ltd.;

(19) China Railway Construction (HK) Limited;

Subsidiaries engaged in survey, design and consultancy operations:

(20) China Railway First Survey and Design Institute Group Co., Ltd.;

(21) China Railway Fourth Survey and Design Institute Group Co., Ltd.;

(22) China Railway Fifth Survey and Design Institute Group Co., Ltd.;

(23) China Railway Shanghai Design Institute Group Co., Ltd.;

(24) Beijing Tiecheng Construction Supervision Co., Ltd.;

Subsidiaries engaged in manufacturing operations:

(25) Kunming China Railway Large Road Maintenance Machinery Co., Ltd.;

(26) China Railway Rail System Group Co., Ltd.;

Subsidiary engaged in logistics and goods and materials trading operations include:

(27) China Railway Goods and Materials Co., Ltd.;

Subsidiary engaged in real estate development operations:

(28) China Railway Real Estate Group Co., Ltd..

Financial Highlights

(I) SUMMARY

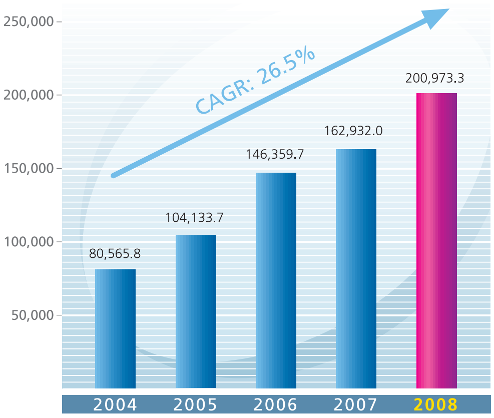
The Group's financial position as at 31 December 2008 and its business results for the twelve months ended 31 December 2008 ("reporting period", "this year" or "the year") are as follows:

- Total revenue from operations totalled RMB219,410.2 million, representing an increase of 27.6% from RMB 171,997.4 million in the corresponding period of last year.
- Profits for the year amounted to RMB3,706.3 million, representing an increase of 60.7% from RMB2,305.9 million in the corresponding period of last year.
- Profits attributable to equity holders of the Company amounted to RMB3,643.8 million, representing an increase of 58.4% from RMB2,300.8 million in the corresponding period of last year.
- Basic earnings per share amounted to RMB0.3242, representing an increase of 12.7% from RMB0.2876 in the corresponding period of last year.
- Total assets as at 31 December 2008 amounted to RMB220,101.5 million, representing an increase of 40.3% from RMB156,877.8 million in the corresponding period of last year.
- Total equity amounted to RMB48,301.3 million, representing an increase of 815.9% from RMB5,273.8 million in the corresponding period of last year.
- New contract value amounted to RMB423,104.6 million, representing a year-on-year increase of 47.4%, among which overseas new contract value amounted to RMB42,169.7 million.

(II) REVENUE FROM MAJOR BUSINESS SEGMENTS

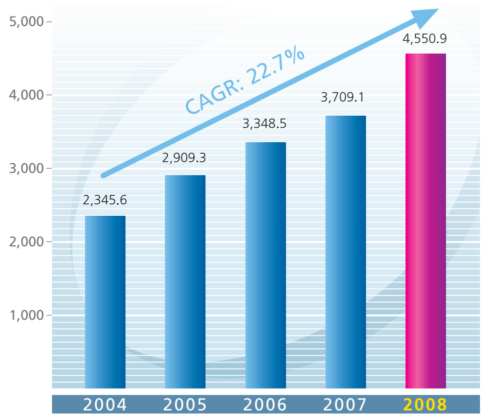
Construction operations

RMB million



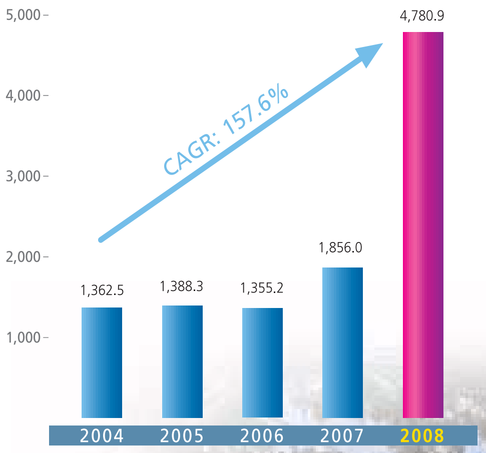
Survey, design and consultancy operations

RMB million



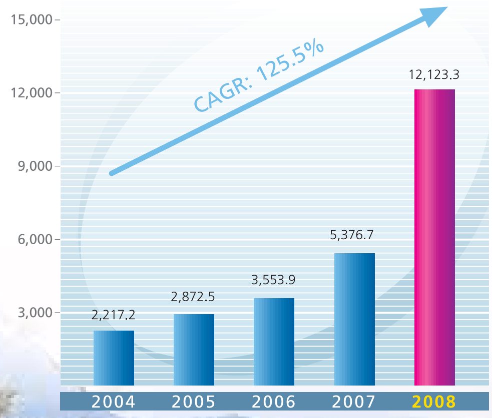
Manufacturing operations

RMB million



Other operations

RMB million



During the reporting period, the Group recorded:

- Construction operations

  Revenue amounted to RMB200,973.3 million, representing an increase of 23.3% from RMB162,932.0 million in 2007.

- Survey, design and consultancy operations

  Revenue amounted to RMB4,550.9 million, representing an increase of 22.7% from RMB3,709.1 million in 2007.

- Manufacturing operations

  Revenue amounted to RMB4,780.9 million, representing an increase of 157.6% from RMB1,856.0 million in 2007.

- Other operations

  Revenue amounted to RMB12,123.3 million, representing an increase of 125.5% from RMB5,376.7 million in 2007.

(III) SUMMARY OF FINANCIAL STATEMENTS

Financial highlights prepared under International Financial Reporting Standards ("IFRSs")

Consolidated Income Statement	2008 RMB'000	2007 RMB'000
Revenue	219,410,188	171,997,410
Cost of sales	(203,607,081)	(160,598,330)
Other income and gains, net	413,110	612,945
Selling and distribution costs	(848,886)	(696,113)
Administrative expenses	(9,384,169)	(6,736,186)
Other expenses	(1,459,610)	(210,599)
Profit from operations	4,523,552	4,369,127
Finance revenue	1,324,847	652,160
Finance costs	(1,269,715)	(1,272,223)
Share of profits and losses of:		
Jointly-controlled entities	15,656	14,624
Associates	(25,495)	24,010
Profit before tax	4,568,845	3,787,698
Tax	(862,554)	(1,481,766)
Profit for the year	3,706,291	2,305,932
Attributable to:		
Equity holders of the Company	3,643,843	2,300,770
Minority interests	62,448	5,162
	3,706,291	2,305,932
Distributions/Dividends		
Distributions	—	4,684,989
Proposed final dividends	1,233,754	—
	1,233,754	4,684,989
Earnings per share attributable to equity holders of the Company:		
Basic	32.42 cents	28.76 cents
Diluted	N/A	N/A

The consolidated total assets and the total liabilities of the Group are summarised as follows:

	As at 31 December 2008 RMB'000	As at 31 December 2007 RMB'000
Total assets	220,101,535	156,877,781
Total liabilities	171,800,272	151,603,943
Net assets	48,301,263	5,273,838


中国铁建为建设


中国铁建
中国铁建
京沪高铁作贡献！

Business Review

As a large integrated construction group, the Group is mainly engaged in the construction operations, as well as extensively involved in other operations such as survey, design and consultancy, manufacturing, logistics and goods and materials trade, capital investment operations, real estate development, etc.. It has established a long-standing leading position in the market of railway construction, highway construction, bridge and tunnel construction and urban rail construction.

In 2008, the Group recorded a relatively significant increase in revenue and new contract value as compared with 2007, and fully achieved each of the production and operation targets set at the beginning of 2008 with a satisfactory operational situation as a whole.

In 2008, the Group recorded a revenue from operations of RMB219,410.2 million, representing an increase of 27.6% from last year. Net profit of the year amounted to RMB3,706.3 million, representing an increase of 60.7% from last year. New contract value for the year increased by 47.4% on a year-on-year basis to RMB423,104.6 million. As at the end of the reporting period, the value of the outstanding contract of the Company totaled RMB471,089.0 million, representing an increase of 45.7% from last year.

In 2008, the Group's operations showed the following characteristics:

Firstly, construction operations, in particular, railway operations experienced a rapid growth with a significant increase in new contract value. New contract value for railway projects reached a 15-year high.

Secondly, amid the grim global financial crisis, the Group still achieved a rapid growth in its overseas operations with significant increase in operating revenue and its percentage in the Group's operating revenue.

Thirdly, regardless of the adverse impacts from losses of natural disasters such as the snowstorm calamity and the mega earthquake in Wenchuan of Sichuan province and the exchange losses, the Group still recorded a stable growth in its profit.

BUSINESS REVIEW

Construction operations

Construction operations are the traditional core business of the Group. The Group provides services across 31 provinces, autonomous regions, municipalities in mainland China, and the Hong Kong and Macau Special Administrative Regions, and participates in infrastructural constructions in countries and regions including Africa, Asia (in particular the Middle East) and Europe. The construction operations of the Group cover the fields such as railways, highways, buildings, urban utilities, urban track transportations, irrigation works and water and electricity, bridges, tunnels and airports.

The revenue from the segment of construction operations of the Group amounted to RMB200,973.3 million in 2008, representing an increase of 23.3% from RMB162,932.0 million in 2007; operating profits from segment of construction operations of the Group amounted to RMB3,840.4 million, representing an increase of 6.0% from RMB3,624.3 million in 2007.

New contract value from the segment of construction operations of the Group amounted to RMB399,022.9 million in 2008, accounting for 94.3% of the total new contract value, representing an increase of 50.2% from 2007, among which, new contract value for the railway market increased significantly by 212.6% from 2007 to RMB254,099.6 million in 2008, representing approximately 60.1% of the new contracts entered by the Group during the year. From the second half of 2008, the PRC government increased its investments in infrastructures including railways, as a result, it is expected that the new contract value of the Group in the railway market will continue to grow in the coming years.

As an existing part of our construction operations, the highway construction still maintained a relatively high proportion. The new contract value for highway projects was RMB61,600.0 million in 2008, accounting for 14.6% of the total new contract value of the Group for 2008, representing an increase of 58.7% from last year; the operations of urban track transportations and urban constructions expanded significantly with new contract value increasing by 92.0% and 82.4% from 2007 respectively; real estate constructions also expanded by a relatively large degree with new contract value increasing by 40.9% from last year.

Survey, design and consultancy operations

Survey, design and consultancy operations are another major contributor to the revenue of the Group, which cover the provision of survey, design and consultancy services to the constructions of civil engineering and transportation infrastructure such as railways, highways, urban track transportations, irrigation works and water and electricity facilities, airport, dock, industrial and civil buildings and urban construction.

In the second half of 2008, in order to meet the demand arising from the increase in construction of infrastructure including railways, the Ministry of Railways of the People's Republic of China (the "Ministry of Railways") readjusted the railway network plan as originally stipulated in the "Proposals of Central Committee of CPC for Formulating the 11th Five-Year Plan for National Economy and Social Development." (the "11th Five-Year Plan"), which further boosted the survey, design and consultancy market for (among others) railways. Currently, the Group has secured sufficient projects for the survey, design and consultancy operations.

The revenue from the survey, design and consultancy segment of the Group amounted to RMB4,550.9 million in 2008, representing an increase of 22.7% from RMB3,709.1 million in 2007; the operating profits from the survey, design and consultancy segment of the Group amounted to RMB354.6 million in 2008, representing an increase of 18.4% from RMB299.6 million in 2007.

New contract value from survey, design and consultancy segment of the Group amounted to RMB4,608.9 million in 2008, representing an increase of 26.0% from 2007.

Manufacturing operations

The manufacturing operations of the Group cover design, development, manufacturing and maintenance of large-size road maintenance machinery and parts and components for railway track system.

The revenue from the manufacturing operation segment of the Group amounted to RMB4,780.9 million in 2008, representing an increase of 157.6% from RMB1,860.0 million in 2007; the operating profits from the manufacturing operation segment of the Group amounted to RMB265.2 million in 2008, representing an increase of 112.5% from RMB124.8 million in 2007.

New contract value from the manufacturing operation segment of the Group amounted to RMB3,534.2 million in 2008, representing a decrease of 44.1% from 2007. Such decrease was due to the fact that the Group's major customers for large-size road maintenance machinery are the railway bureaus and railway companies affiliated to the Ministry of Railways; and both the time such major customers issue their purchase schedules for road maintenance machinery and the purchase amount have a material influence on the road maintenance machinery business of the Group. The new contract value of the Group for 2007 included the tasks of the "11th Five-Year Plan". New contract value from the manufacturing operation segment of the Group in 2008 increased by 232.0% from RMB1,064.4 million in 2006.

Others

The other segment of the Group mainly comprises of logistics and goods and materials trade, capital investment operations, real estate business, etc..

The revenue from the other segment of the Group amounted to RMB12,123.3 million in 2008, representing an increase of 125.5% from RMB5,376.7 million in 2007; the operating profits from the others segment of the Group amounted to RMB63.4 million in 2008, representing a decrease of 80.2% from RMB320.4 million in 2007.

New contract value from the other segment of the Group amounted to RMB15,938.7 million in 2008, representing an increase of 40.2% from 2007, of which, logistics and goods and materials trade business expanded rapidly with new contract value of RMB14,400.0 million, accounting for 3.4% of total contract value and representing an increase of 138.7% from 2007.

Overseas business

The Group mainly conducts its overseas business in Asia (especially the Middle East) and Africa.

In 2008, the Group's overseas operating revenue amounted to RMB17,201.8 million, representing a year-on-year growth of 170.5%. Overseas operating revenue accounts for 7.8% of the Group's total operating revenue.

In 2008, the Group undertook a total of 163 overseas projects with new overseas contract value of RMB42,169.7 million, among which, new contract value for construction operations was RMB40,784.3 million, accounting for 96.7% of new overseas contract value, of which, new contract value for railways was RMB24,519.0 million, new contract value for real estate constructions was RMB8,601.9 million, and new contract value for highways was RMB2,182.3 million.

In 2008, the major contracted overseas projects of the Group included: Libya railway project, Algeria alternate railway lines project, Saudi Arabia alternate railway lines project, Nigeria dike, highway, real estate construction and urban construction projects, UAE real estate construction project, Angola community housing project and urban construction project, Niger No.2 Bridge project, Trinidad and Tobago hospital project and Russia-Tuva railway project.

Technological innovations

In 2008, the Group made great breakthroughs in scientific research and development and technological innovations.

The Group achieved fruitful technological development and innovation results in the field of railway passenger special lines, bridges, tunnels and equipment manufacturing, which mainly include:

1. Through introduction, digestion, absorption and re-innovation and technological inter-communication, the Group systematically mastered the design and engineering techniques for road beds of railway passenger special lines, bridges, tunnels, integration of "Four Electrs" and large-scale stations, presided over and participated in the formulating and amending of relevant technical standards for railway passenger special lines of China.

2. The Group made essential breakthroughs in the field of engineering techniques for ballastless track and high-speed track switches.

3. The Group achieved continuous innovations in the field of engineering techniques for long spans and high pier bridges. The Hurongxizhijing River steel arch bridge with a span of 430 meters and a building span ranging from 280 meters to 430 meters, constructed by China Railway 13th Bureau Group Co., Ltd., a company affiliated to the Group, is a deck-type arch bridge with the longest span in the world; the height of pier of the Hurongxilongtan bridge constructed by China Railway 13th Bureau Group Co., Ltd., a company affiliated to the Group, is 179.5 meters, ranking first in Asia; The Xiangtang Liancheng bridge with a span of 400 meters, a cable-stayed arch bridge designed by China Railway Fourth Survey and Design Institute Group Co., Ltd. , a company affiliated to the Group, involves innovations in the field of the structural system for bridges and is the first one in the world.

4. With regard to tunnel technologies, the Group maintained its leading position in the world, the construction technology for Wuqiaoling tunnel won the special prize issued by the China Railway Society, which applied the technology for hyperbaric operation and tool change operation in shield tunnel projects across river and sea.

5. The technology for equipment manufacturing developed rapidly, the production technology for 250km/h high-speed track switches and type IV, V, WJ-7 and WJ-8 spring bar fasteners for high-speed railways produced by China Railway Rail System Group Co., Ltd. attained an advanced world standard, and the type III height-adjustable spring bar fasteners developed by this company filled up the technological blank of the enterprise.

6. The technological level for the "Four Electrs" system integration was enhanced step by step. The "Four Electrs" system integration and construction for the 250km/h Hening passenger special line was completed, and the "Research and Development Project for the New-type Contact Wire and Relevant Parts and Components of 350km/h above High-speed Railway ", one of the 863 national projects, undertaken by China Railway Electrification Bureau (Group) Co., Ltd., a company affiliated to the Group, passed the examination of the technological program.

7. The technological difficulties in respect of the high-level filling and digging of marlite roadbeds were solved in the construction of Algeria east and west expressways projects.

The year of 2008 is a year in which the Group won the most awards. In 2008, the Group's 75 technological achievements were certified and assessed by the authorities at the provincial and ministerial levels, of which, 62 achievements were accredited as internationally leading. In particular, the "Qinghai-Tibet Railway Project" won the National Science and Technology Progress Special Award, the highest award the Group ever won in the past 20 years; the "key technology and application for vibration damping and disaster prevention of architectural structures" developed by China Railway Construction Group Ltd. (a company affiliated to the Group) and the "key technology and application for the constructions and operations of large-scale highways and tunnels in high-altitude areas" developed by China Railway 16th Bureau Group Co., Ltd. (a company affiliated to the Group) won National Science and Technology Progress Second-class Award.

In 2008, the Group has 69 engineering methods being accredited as national grade II methods; and won 51 national or provincial or ministerial level "Four Excellences Design" prizes, 18 national excellent project awards, 8 Zhan Tianyou Civil Engineering Awards, 29 provincial, ministerial or above level science and technology progress awards (3 of which are of national level), 26 provincial or ministerial level awards, 102 patents and 2 first-class awards and 1 third-class award of the Ministry of Finance Construction Scientific Research Project.

DIRECTORS

The following table sets forth information regarding the directors of the Company (the "Directors"):

Name	Age	Position
Mr. Li Guorui	59	Chairman and non-executive Director
Mr. Ding Yuanchen	59	Vice chairman and executive Director
Mr. Jin Puqing(note 1)	59	Executive Director and president
Mr. Huo Jingui	58	Non-executive Director
Mr. Wu Xiaohua(note 2)	62	Non-executive Director
Mr. Li Kecheng	65	Independent non-executive Director
Mr. Zhao Guangjie	63	Independent non-executive Director
Mr. Wu Taishi	61	Independent non-executive Director
Mr. Ngai Wai Fung	47	Independent non-executive Director

Note 1: Mr. Jin Puqing ceased to be an executive Director and the president of the Company on 16 April 2009 as he reached the age of retirement. The board of Directors of the Company (the "Board") proposed the appointment of Mr. Zhao Guangfa as an executive Director of the Company as stated in its announcement dated 17 April 2009. The Board also approved the appointment of Mr. Zhao Guangfa as the president of the Company. The appointment of Mr. Zhao Guangfa as an executive Director of the Company is subject to approval by the shareholders of the Company (the "Shareholders") at a general meeting.

Note 2: Mr. Wu Xiaohua resigned as a non-executive Director of the Company on 16 February 2009. The Board proposed the appointment of Mr. Zhu Mingxian as a non-executive Director of the Company in its announcement dated 31 March 2009. The appointment of Mr. Zhu Mingxian as a non-executive director of the Company is subject to the approval of the Shareholders at a general meeting.

Mr. Li Guorui, 59, a Chinese with no right of abode overseas, the chairman and the secretary to the communist party committee of the Company. Mr. Li is also the chairman, the general manager and deputy secretary to the communist party committee of CRCCG and the chairman of Nanjing Changjiang Tunnel Company Limited. Mr. Li Guorui is a delegate of the 17th National Congress of the Communist Party of China and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. He has substantial senior management experience in large-scale State-owned construction enterprises in the PRC and in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Li was the secretary to the communist party committee of China Railway Engineering Corporation from April 1996 to December 1997, and joined CRCCG Group as the secretary to the communist party committee in December 1997. During the period from July 2002 to August 2005, he was also the deputy general manager of CRCCG. Mr. Li was the chairman and the secretary to the communist party committee of CRCCG from August 2005 to November 2007. Mr. Li has served as the chairman and secretary to the communist party committee of the Company since November 2007. Mr. Li completed specialized course in railway engineering from Southwest Jiaotong University, PRC. Mr. Li is a senior engineer.

DIRECTORS (continued)

Mr. Ding Yuanchen, 59, a Chinese with no right of abode overseas, the vice chairman and an executive Director of the Company. Mr. Ding is also a vice chairman of CRCCG. He has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Ding joined CRCCG group in 1969 and was previously a deputy head and then the head, deputy secretary to the communist party committee and then the secretary to the communist party committee of the 17th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 17th Bureau Group Co., Ltd.) from January 1992 to December 1999. Mr. Ding was the head and deputy secretary to the communist party committee of the 17th Engineering Bureau of the China Railway from December 1999 to March 2001. Mr. Ding served as the deputy general manager of CRCCG from April 2001 and the general manager and secretary to the communist party committee of China Civil Engineering Construction Corporation ("CCECC") from August 2001. Mr. Ding served as the deputy general manager of CRCCG as well as the general manager and secretary to the communist party committee of CCECC from August 2004. Mr. Ding has served as the vice chairman of CRCCG since August 2005. Mr. Ding has been appointed as the vice chairman of the Company since November 2007. Mr. Ding graduated from the Central Communist Party School, PRC majoring in economics and management and is a senior engineer, a state-recognized first grade construction engineer and a senior professional manager.

Mr. Jin Puqing, 59, a Chinese with no right of abode overseas, an executive Director and the president of the Company during the reporting period. Mr. Jin is also a director and the secretary to the communist party committee of CRCCG. He has in-depth knowledge and understanding of the PRC construction industry and has substantial expertise in improving the results of large-sized construction enterprises as well as rich operation and management experience. Mr. Jin joined CRCCG group in 1968, was previously a deputy head of the 12th Engineering Bureau of Ministry of Railways (the predecessor of China Railway 12th Bureau Group Co., Ltd.) from August 1993 to June 1998. Mr. Jin was the chairman, general manager and deputy secretary to the communist party committee of China Railway 12th Bureau Group Co., Ltd. from June 1998 to August 2005. Mr. Jin was a director, the general manager and deputy secretary to the communist party committee of CRCCG from August 2005 to November 2007. Mr. Jin has been an executive director, the president and deputy secretary to the communist party committee of the Company since November 2007. Mr. Jin graduated from the Jinzhou Communist Party School of the Ministry of Railways, PRC majoring in party and politics management. He is a senior engineer and a State-recognized first grade project manager. Mr. Jin Puqing ceased to be an executive director and the president of the Company in April 2009 as he reached the age of retirement.

Mr. Huo Jingui, 58, a Chinese with no right of abode overseas, a non-executive Director and the deputy secretary to the communist party committee of the Company. He has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Huo joined CRCCG group in 1968, and he was previously a deputy head and then the head, deputy secretary to the communist party committee of 15th Engineering Bureau of Ministry of Railways (the predecessor of China Railway 15th Bureau Group Co., Ltd.) from May 1993 to December 1999. Mr. Huo served as the head and deputy secretary to the communist party committee of China Railway 15th Bureau Group Co., Ltd. from December 1999 to March 2001. Mr. Huo has served as the deputy secretary to the communist party committee of CRCCG since March 2001, the deputy secretary to the communist party committee and the chairman of the labour union of CRCCG from February 2005 and a director, the deputy secretary to the communist party committee and the chairman of the labour union of CRCCG from August 2005. Mr. Huo was a director and the deputy secretary to the communist party committee of CRCCG from February 2006 to November 2007. Mr. Huo has been a non-executive director and the deputy secretary to the communist party committee of the Company since November 2007. Mr. Huo graduated from the Jinzhou Communist Party School of the Ministry of Railways, PRC majoring in party and politics management. He is a senior engineer.

DIRECTORS (continued)

Mr. Wu Xiaohua, 62, a Chinese with no right of abode overseas, a non-executive Director of the Company during the reporting period. Mr. Wu had been a deputy chief of the Electronic and Engineering Bureau of the Ministry of Machinery, a deputy chief of the National Machinery Commission and the Material Events Office of the Ministry of Machinery and Electronics, a section chief and then deputy chief of the Coordination Office of Crucial Assignment of the First Equipment Department of the Ministry of Machinery and Electronics, the deputy general manager and member of the standing committee of communist party committee of Xi'an Power Machinery Production Company, the commissioner of the Material Equipment Department of the Mechanical Engineering Commission, the vice president and a member of the standing committee of the party committee of China National Machinery & Equipment Corporation, the vice chairman of the board of directors, the vice president and a member of the standing committee of party committee of China National Machinery & Equipment Corporation, the party secretary and general manager of China National Machinery & Equipment Import and Export Corporation; the deputy director and a member of the party committee of State Bureau of Machine Building Industry; the director and party secretary of State Bureau of Machine Building Industry; the deputy secretary of the Working Committee of Central State-owned Enterprises; the vice chairman and a member of the party committee of the SASAC. Mr. Wu was the vice chairman of the SASAC from March 2003 and an external director of CRCCG from November 2006 to November 2007. Mr. Wu has served as a non-executive director of the Company since November 2007. Mr. Wu graduated from the University of Science and Technology of China majoring in technological physics and is a senior engineer. Mr. Wu Xiaohua resigned as a non-executive Director of the Company on 16 February 2009 due to job change.

Mr. Li Kecheng, 65, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Li had been the party secretary of the Machinery Factory of Pipeline Bureau of the Ministry of Petroleum and a member of the standing committee of the party committee and the secretary of the disciplinary committee of Pipeline Bureau of Ministry of Petroleum. Mr. Li was the secretary to the communist party committee of the Northeast Petroleum Administration Bureau, a director of general office, a director of policy research department, the confidential secretary of the standing committee, and the director of the political and ideological department and the executive deputy secretary to the party committee for institutions directly under of China National Petroleum Holding Corporation. Mr. Li was also a member of the standing committee of the party committee and the head of the discipline inspection group of China National Petroleum Corporation. Mr. Li was the chairman of the supervisory committee of PetroChina Company Limited from January 1999 to November 2005, an external director of China Electronics Corporation Limited from May 2006 and an external director of CRCCG from November 2006 to November 2007. He has served as an independent non-executive director of Erzhong Group (Deyang) Heavy Equipment Corporation Limited since December 2007. Mr. Li has been an independent non-executive Director of the Company since November 2007. Mr. Li graduated from Beijing Institute of Iron & Steel Technology majoring in metallography material. He is a senior engineer.

DIRECTORS (continued)

Mr. Zhao Guangjie, 63, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Zhao had been a researcher of the manager office, the deputy head of the research team and the deputy chief of the manager office in Anshan Iron and Steel Group Corporation. Mr. Zhao also previously served as the secretary to the general office of Liaoning Province, the general manager and the party secretary of Anshan Iron and Steel Group Corporation Construction Company, the secretary general, deputy general manager, deputy party secretary of Anshan Iron and Steel Group Corporation, and the deputy general manager and a member of the standing committee to the party committee of Anshan Iron and Steel Group Corporation. From May 2005 to January 2006, he served as the deputy general manager of Anshan Iron and Steel Group Corporation. Mr. Zhao has also served as an external director of Xinxing Pipes Group Company Limited since November 2006. From November 2006 to November 2007, Mr. Zhao was an external director of CRCCG. Mr. Zhao has been an independent non-executive Director of the Company since November 2007. Mr. Zhao graduated from Northwest Industrial University, PRC majoring in aero-engine design and is a senior economist.

Mr. Wu Taishi, 61, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Wu also serves as the vice chairmen of the Shanghai Information Association and Beijing ZXJH Management Consulting Co., Ltd. respectively. Mr. Wu was also the deputy chief economist and chief accountant of Shanghai Carrier Rocket Assembly Factory（上海運載火箭總裝廠）. Mr. Wu was the deputy general manager of the finance and economics control department and the head of the finance bureau of China Aerospace Industry Corporation since 1993. From 1999, Mr. Wu served as the vice chief accountant of China Aerospace Science and Industry Corporation. Mr. Wu was later re-designated as the deputy director of the general office, the head of the office for the introduction of foreign investment (chief negotiation officer), the deputy head of the office for deepening of the share reform, the general manager of the research and development department, the chief consultant of the comprehensive operation office as well as the chief of the postdoctoral research unit of Bank of Communications. Mr. Wu has been an independent non-executive director of Aerospace Securities Co., Ltd. since July 2006 and an independent non-executive Director of the Company since November 2007. Mr. Wu graduated from the department of management of Fudan University, majoring in industrial economy, and is a senior accountant at the researcher level and a registered accountant in the PRC.

Mr. Ngai Wai Fung, 47, a citizen of Hong Kong, an independent non-executive Director of the Company. Mr. Ngai has over 18 years of senior management experience and is a vice president of the Hong Kong Institute of Chartered Secretaries, the chairman of Top Orient Group of Companies, a director and the head of the listing services of KCS Limited (formerly the corporate service division of KPMG and the commercial consultancy division of Grant Thornton International), and an independent non-executive director of China Life Insurance Company Limited, Franshion Properties (China) Limited and Bosideng International Holdings Limited. Mr. Ngai held various senior management positions including executive director and chief financial officer in a number of companies listed in Hong Kong, including Cosco Group, China Unicom and Industrial and Commercial Bank of China (Asia) Limited. Mr. Ngai had led or participated in and taken charge of a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and had provided professional services to many State-owned enterprises and red-chip companies. Mr. Ngai has been an independent non-executive Director of the Company since November 2007. Mr. Ngai graduated from Hong Kong Polytechnic University, Andrews University of Michigan, USA and University of Wolverhampton, UK, and received a master's degree in finance, a master's degree in business administration and an honours bachelor's degree in law.

SUPERVISORS

The following table sets forth information regarding the supervisors of the Company (the "Supervisors"):

Name	Age	Position
Mr. Peng Shugui	54	Chairman of the Supervisory Committee
Mr. Huang Shaojun	52	Supervisor
Ms. Yu Fengli	52	Supervisor

Mr. Peng Shugui, 54, a Chinese with no right of abode overseas, the chairman of the supervisory committee of the Company. Mr. Peng is also the deputy party secretary, secretary of the disciplinary committee, and the chairman of the labor union of the Company. Mr. Peng has profound knowledge and understanding of the construction industry in the PRC and has abundant operation and management experience, as well as a relatively high level of understanding of theories, policies and legal knowledge. Mr. Peng joined CRCCG Group in 1972. From December 1995 to December 1999, Mr. Peng was the deputy secretary and secretary to the communist party committee of the 14th Bureau of the Ministry of Railways (the predecessor of China Railway 14th Bureau Group Co., Ltd.). From December 1999 to April 2001, Mr. Peng served as the party secretary of China Railway 14th Engineering Bureau. From April 2001 to February 2006, Mr. Peng was the deputy party secretary and the secretary to the disciplinary committee of CRCCG. From February 2006, Mr. Peng served as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. From July 2006 to November 2007, Mr. Peng served as a director representing the employees of CRCCG, as well as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. Mr. Peng has been the chairman of the supervisory committee since November 2007. Mr. Peng graduated from La Trobe University in Australia with a master's degree in business administration. He is a senior engineer, a state-recognized first grade project manager and a state-recognized first grade construction engineer.

Mr. Huang Shaojun, 52, a Chinese with no right of abode overseas, a Supervisor of the Company. He also serves as the chief of audit bureau of the Company, the chairman of the supervisory committee of Hainan Jinpai Technical Holding Co., Ltd., a supervisor of Beijing Tongda Jingcheng Highway Co., Ltd. as well as a standing committee member of China Institute of Internal Audit and China Risk Managers Association. Mr. Huang has substantial work experience in our industry and has abundant knowledge and experience in modern corporate management and operation management. Mr. Huang joined CRCCG group in 1976. He served as the deputy director of the planning and finance department of the commanding unit of the Beijing-Kowloon Railway in Kanzhou of CRCCG from February 1993 to April 1994, the deputy division chief of finance department of CRCCG and the deputy division chief of the planning and finance department of the commanding unit of Beijing-Kowloon Railway in Ganzhou of CRCCG from April 1994 to November 1998, the chief of the audit division of CRCCG from November 1998 to August 2002, the chief of the audit bureau of CRCCG from August 2002 to November 2007. Mr. Huang has served as a Supervisor of the Company since November 2007. Mr. Huang graduated from Central Communist Party School majoring in economics and is a senior accountant and a registered senior enterprise risk manager.

SUPERVISORS (continued)

Ms. Yu Fengli, 52, a Chinese with no right of abode overseas, the employee Supervisor of the Company. Ms. Yu also serves as the chairman of the supervisory committee of Chongqing Tiefa Suiyu Highway Company Limited, Nanjing Changjiang Tunnel Company Limited and Sichuan Naxu Railway Company Limited, a supervisor of Shanghai Fengting Water Purification Company Limited and Xi'an Tianchuang Real Estate Company Limited. Ms. Yu joined the CRCCG in 1973. She served as an assistant accountant and then accountant of the management department for office affairs of CRCCG from December 1989 to February 1996, an accountant of the finance department of CRCCG from February 1996 to September 1999, the deputy head of the finance department of CRCCG from September 1999 to December 2005, the chairman of the supervisory committee of the office of the supervisory committee of CRCCG from December 2005 to November 2007. Ms. Yu has served as the employee Supervisor of the Company since November 2007. She graduated from the Central Communist Party School majoring in economics and management and is an accountant.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company:

Name	Age	Position
Mr. Jin Puqing (note 1)	59	President
Mr. Hu Zhenyi	54	Vice president, chief economist
Mr. Xia Guobin	50	Vice president, chief engineer
Mr. Fan De	55	Vice president
Mr. Zhao Guangfa (note 2)	56	Vice president
Mr. Zhou Zhiliang	44	Vice president
Mr. Zhuang Shangbiao	46	Vice president, chief financial officer, chief legal adviser
Mr. Li Tingzhu	58	Secretary to the Board, joint company secretary
Mr. Law Chun Biu	35	Qualified accountant, joint company secretary

Note 1: Mr. Jin Puqing ceased to be the president of the Company on 16 April 2009 as he reached the age of retirement.

Note 2: As considered and resolved by the Board, Mr. Zhao Guangfa has been duly appointed as the president of the Company from 16 April 2009.

Mr. Jin Puqing, see "Directors".

Mr. Hu Zhenyi, 54, a Chinese with no right of abode overseas, a vice president and chief economist of the Company. Mr. Hu currently also serves as the chairman of Xianyang Zhongtie Road and Bridge Company Limited, China Railway Construction (Middle East) Co., Ltd. and CCECC-BEYOND International Investment Development Co., Ltd. ("CCECC-BEYOND"), the vice chairman of Chongqing Tiefa Suiyu Highway Company Limited, a director of Beijing Tongda Jingcheng Highway Co., Ltd., an executive director of Xi'an Tianchuang Real Estate Company Limited, a shareholders' representative of Shanghai Fengting Water Purification Company Limited. Mr. Hu has significant knowledge and understanding of the PRC construction industry and substantial operational and management experience. Mr. Hu joined CRCCG Group in 1972. Mr. Hu served as the deputy head and then head of the operation department of CRCCG from December 1990 to May 1996, the deputy chief economist of CRCCG from May 1996 to December 1997, the chief economist of CRCCG from December 1997 to April 2001, the deputy general manager and chief economist of CRCCG from April 2001 to November 2007. Mr. Hu has been the vice president and chief economist of the Company since November 2007. Mr. Hu is also an expert of China International Engineering Consulting Corporation and Beijing Urban Engineering Design & Research Institute Co., Ltd., the deputy chief of the expert committee of the economics division of the construction and commanding unit of Beijing Rail Transit, and chief of the economics division of the design, auditing and consultation committee of Hangzhou Rail Transit. Mr. Hu obtained his master degree in business administration from Xiamen University, PRC. Mr. Hu is a professor-level senior engineer and enjoys special government allowance of the State Council.

SENIOR MANAGEMENT (continued)

Mr. Xia Guobin, 50, a Chinese with no right of abode overseas, a vice president and chief engineer of the Company. Mr. Xia has significant understanding of the PRC construction industry, abundant knowledge in science and technology development, survey and design. He also has substantial experience in engineering management and construction management. Mr. Xia joined the CRCCG Group in 1975. He served as the deputy chief engineer and then chief engineer of the 13th Engineering Bureau of the MOR (the predecessor of China Railway 13th Bureau Group Co., Ltd.) from April 1996 to December 1999, the chief engineer of 13th Engineering Bureau of China Railway from December 1999 to April 2001, the deputy general manager and chief engineer of CRCCG from April 2001 to November 2007. He has served as the vice president and chief engineer of the Company since November 2007. He is responsible for the management of technology and research and development of the Company. Mr. Xia graduated from Railway Guard Engineering Institute majoring in railway and bridge engineering and obtained his bachelor degree in engineering. Mr. Xia is a professor-level senior engineer and enjoys special government allowance of the State Council.

Mr. Fan De, 55, a Chinese with no right of abode overseas, a vice president of the Company. Mr. Fan has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Fan joined CRCCG Group in 1980. From June 1988 to April 1990, he served as the deputy director for construction engineering section of the project directing department of the MOR. He served as the deputy general manager and then general manager of Beijing China Railway Construction Engineering Corporation from April 1990 to April 2001, the deputy general manager of CRCCG from April 2001 to November 2007. He has served as the vice president of the Company since November 2007. Mr. Fan graduated from Changsha Railway Institute, PRC majoring in civil construction and he is a senior engineer.

Mr. Zhao Guangfa, 56, a Chinese with no right of abode overseas, a vice president of the Company during the reporting period. Mr. Zhao has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Zhao joined CRCCG Group in 1970. He served as the deputy chief, then chief and deputy secretary to the communist party committee of the 18th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 18th Bureau Group Company Limited) from May 1994 to December 1999, a director and deputy secretary to communist party committee of China Railway 18th Engineering Bureau from December 1999 to August 2001, the chairman and deputy party secretary of China Railway 18th Bureau Group Co., Ltd. from August 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He has served as the vice president of the Company since November 2007. On 16 April 2009, a resolution was passed at the 16th meeting of the first session of the Board to appoint Mr. Zhao Guangfa as the president of the Company and nominate him as a candidate of the executive Directors. Mr. Zhao graduated from Asia International Open University (Macau) and obtained his master degree in business administration and is a senior engineer.

Mr. Zhou Zhiliang, 44, a Chinese with no right of abode overseas, a vice president of the Company. Mr. Zhou has significant knowledge and understanding of the PRC construction industry and in-depth expertise and abundant operational and management experience. Mr. Zhou joined CRCCG in 2003. Mr. Zhou served as the chairman of the labor union of Fourth Survey and Design Institute of the Ministry of Railways from January 2000 to November 2001, and the president and deputy party secretary of Fourth Survey and Design Institute of the Ministry of Railways from November 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He has served as the vice president of the Company since November 2007. Mr. Zhou graduated from China University of Mining, PRC with a bachelor degree in engineering majoring in hydrogeology and engineering geology and is a senior engineer.

SENIOR MANAGEMENT (continued)

Mr. Zhuang Shangbiao, 46, a Chinese with no right of abode overseas, a vice president, the chief financial officer, and chief legal adviser of the Company. Mr. Zhao has in-depth knowledge and understanding of the PRC construction industry and in-depth financial expertise and substantial corporate finance and financial management experience. He also has in-depth legal and financial expertise and substantial financial experience in the PRC construction industry. Mr. Zhuang joined CRCCG in 2005. He served as the deputy general manager of the financial division of China Road and Bridge Construction Corporation from March 1992 to February 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from February 1994 to February 2001, the chief accountant of China Road and Bridge (Group) Corporation from February 2001 to August 2005, the chief accountant of CRCCG from August 2005 to November 2007, the chief legal adviser of CRCCG from April 2006 to November 2007. He has served as the chief financial officer of the Company since November 2007 and a vice president and the Chief Financial Officer of the Company since April 2008. Mr. Zhuang graduated from Changsha Jiaotong Institute, PRC majoring in engineering and financial accounting and obtained a bachelor degree in engineering. He is a senior accountant.

SECRETARY TO THE BOARD

Mr. Li Tingzhu, 58, a Chinese with no right of abode overseas, the secretary to the Board of the Company. Mr. Li has significant knowledge and understanding of the PRC construction industry and abundant operational and management experience. He also has the qualification accredited by the PRC regulatory authority for appointment as a secretary to the board of the directors of a listed company. Mr. Li joined the CRCCG Group in 1968. Mr. Li served as the vice division head of the party committee organization of CRCCG from September 1989 to November 1998, a director of the party office of CRCCG from April 1998 to January 2005, the vice president of the labor union and the director of the party office of CRCCG from January 2005 to December 2005, the secretary to the board of directors of CRCCG from December 2005 to November 2007. Mr. Li has been the secretary to the Board of the Company since November 2007. Mr. Li graduated from the Central Communist Party School, PRC majoring in economics and management and is a senior political engineer.

QUALIFIED ACCOUNTANT

Mr. Law Chun Biu, 35, has served as the qualified accountant of the Company since December 2007. Mr. Law is employed by the Company on a full-time basis and is a member of our senior management. Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. Before joining the Company, Mr. Law was the group finance manager of South East Asia Holdings Ltd. From October 2006 to April 2007, Mr. Law was a finance manager of Fujikon Industrial Co. Ltd. From March 2003 to October 2006, Mr. Law was a senior accountant of Tonic Electronics Ltd. From March 2000 to December 2002, Mr. Law worked for Harbor Ring Management Limited as an assistant accounting manager. Mr. Law graduated from the Hong Kong University of Science and Technology in1997 with a bachelor degree of business administration in accounting. He also holds a master's degree in information systems from the Hong Kong Polytechnic University in 2006.

Chairman's Statement

Dear Shareholders,

Firstly, I would like to extend my heartfelt gratitude to all Shareholders and all walks of life for the cares and supports to CRCC. I am pleased to present to the Shareholders the annual report for 2008 in my capacity as the chairman on behalf of the Board.

2008 marks an extremely important and exceptional year for the development of CRCC in which CRCC encountered severe challenges and achieved outstanding results. 2008 is a year of great achievements and milestone significance.

Facing the sharp increase in raw material prices both at home and abroad in the first three quarters and the adverse impact of the worldwide financial crisis in the fourth quarter, and against the background of great losses incurred by the enterprises due to natural disasters such as the snow storm in South China and the Wenchuan Earthquake and the significant fluctuation in exchange rates, the Company properly tackled the difficulties by leveraging on its creditability and brand image, tightly seizing the favorable opportunity brought about by the boom of the domestic and international infrastructure markets, formulating elaborate plans, optimizing the layout, improving project structures, penetrating into the regional market, improving the operation quality, strengthening coordination during this year. Thus we are able to deliver outstanding results of record key economic and technological indicators and the maintain continuous and healthy development of the Company.

Against the unfavorable background of significant fluctuations in the global stock market during this year, CRCC conducted a comprehensive reorganization of its principal operations. Through the listings of its shares on the SSE Exchange and the Hong Kong Stock Exchange, the Company received total proceeds of RMB 40.4 billion and transformed from a traditional state-owned enterprise to a state-owned public company and realized diversification of its equity interests. Following its listing, CRCC was granted various awards by some most influential financial magazines in Asia such as Finance Asia, Asiamoney and CFO Asia, including the Best Equity Transaction Award, the Best IPO Award and the Transaction of the Year Award for 2008.

CRCC was one of the five central state-owned enterprises in China being most severely affected by the devastating Wenchuan Earthquake during this year. All 180,000 CRCC employees, with a tough mind and strong belief, participated in the earthquake resistance and disaster relief and made great achievements. This reflected the noble spirit of "no obstacle and no difficulty for the Railway Corps" for the new period.

In this year when the century-old Olympics dream finally came true, we performed our responsibility in carrying out the activity of "win glory for our motherland and add color to the Olympics", losing no time in constructing Olympic projects, actively providing volunteer services and ensuring the stability of the enterprise. We were praised by the SASAC of the State Council, Beijing CPC Committee and the Beijing Municipal Government and recognized by the community for our due contribution to the "safe Olympics".

Continuing fast growth in operating profits and stable improvement in economic benefit

In face of the challenges posed by the economic conditions both domestically and abroad and the natural disasters in 2008, CRCC maintained the healthy and continuous development of its productions and operations and realized record key economic and technological indicators, with stable growth in the revenue from operations and substantial increase in profits and new contract value.

The Company's revenue from operations for 2008 amounted to RMB219,410.2 million, representing an increase of 27.6% compared with that of the corresponding period last year. Profits of the year amounted to RMB3,706.3 million, representing an increase of 60.7% compared with that of the corresponding period last year. The Group's new contract value for the year amounted to RMB423,104.6 million, representing an increase of 47.4% compared with that of the corresponding period last year. By the end of 2008, the Group had total outstanding contract value of RMB471,089.0 million, representing an increase of 45.7% compared with that of the corresponding date of last year.

Significant improvement in corporate strengths and competitiveness

The Group's strengths and market competitiveness were significantly improved in 2008. According to Fortune, the Group's ranking raised from the 385th place to the 356th place among Global 500 companies. Among the largest 225 engineering contractors in the world, the Group's ranking raised from the 6th place to the 4th place.

Compared with the end of 2007, the Group's total assets increased from RMB156,877.8 million to RMB220,101.5 million, net assets increased from RMB5,273.8 million to RMB48,301.3 million and gearing ratio lowered from 96.6% to 78.1%. Our financial structure was markedly improved.

The Group's capital expenditure for 2008 amounted to RMB12,103.0 million, mainly being used in the purchase of equipments such as tunnel boring machine and uplifting frame, which greatly enhanced the Group's construction capacity for underground projects, passenger dedicated lines and high-speed railways.

Overseas operations entering a good development trend

The overseas operations of the Group are mainly in Asia, the Middle East and Africa. In 2008, the Group continued to carry out the "Go Overseas" strategy of the government, exerted itself in the building of the "Great Overseas" strategic pattern, further enhanced its operational quality and expanded its operational coverage. Meanwhile, the Company strengthened its efforts in the organization and coordination of business processes such as information tracking, project follow-up and specific operation, thus enabled its share in the overseas market keep increasing. Revenue from overseas operations as a percentage of the Group's total revenue has increased significantly.

Vertical development of industrial restructuring and fast growth of revenue generating segments

After years of efforts, the Group made significant progress on industrial restructuring and rapid development on revenue generating segments, with a favorable momentum of coordinated and fast development of all segments.

Core advantageous segments of the construction operations continued to consolidate and strengthen its position, reflecting its prominent position of the Group's leading business segment in terms of both market share and profit contribution. The Group also saw fast growth in three other segments, including survey, design and consultancy services, manufacturing operations and logistics and trading operations. In 2008, the operating revenue from the three business segments of the Group, namely survey, design and consultancy, manufacturing operations, logistics and goods and materials trade amounted to RMB17,328.0 million (excluding inter-segment transactions), representing an increase of 120.4% over the previous year. The business mode of the Company has developed from a single mode mainly focusing on constructions to a consolidated mode incorporating scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing capabilities, and is able to provide comprehensive one-stop services for customers.

Great achievements in technological innovation

The Group made great achievements in technological innovations in 2008. Specifically, the Group made material improvements in the design and construction technology of railways, bridges and tunnels.

Also, the Group had record engineering technological awards in terms of quantity and level compared with prior years. For example, the Qinghai-Tibet Railway project won the National Special Award for Scientific-technical Progress, which is the top prize the Company has won for the past 20 years; the "key technology and application for vibration damping and disaster prevention of architectural structures" of China Railway Construction Group Ltd., a subsidiary of the Company, and the "key technology and application for the constructions and operations of large-scale highways and tunnels in high-altitude areas" of China Railway 16th Bureau Group Co., Ltd., another subsidiary of the Company, won National Science and Technology Progress Second-class Award.

Corporate governance

In the past year, the Company actively sought to optimize its corporate governance structure, establish and improve modern enterprise systems and improve operational efficiency. The Company also established and implemented a series of internal control systems and has realized the standardized operation of the Company.

Prospect

The Group operates in the construction industry which is closely correlated with the national macro-economic condition. CRCC has clear understanding and correct judgment of the current corporate condition. Currently, CRCC is in a period of once-in-a-century strategic opportunities. We will seize the new opportunities, tackle the challenges to deliver better results, achieve further developments and improve our comprehensive strengths and competitiveness to a higher level.

LI Guorui
Chairman

Beijing, PRC
28 April 2009

Corporate Governance Rules

Sound corporate governance is a target which the Company has always been in pursuit of. After reviewing the Company's corporate governance documents, the Board is of the opinion that the Company has complied with code provisions in the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the listing of Securities on Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") since 13 March 2008 when the dealing of the Company's H shares commenced on the Hong Kong Stock Exchange up to end of the reporting period.

The Directors consider that, the Articles of Association of China Railway Construction Corporation Limited (the "Articles of Association"), the Rules of Procedures of General Meetings of China Railway Construction Corporation Limited (the "Rules of Procedures of General Meetings"), the Rules of Procedures of Board Meetings of China Railway Construction Corporation Limited (the "Rules of Procedures of Board Meetings"), the Rules of Procedures of Supervisory Committee of China Railway Construction Corporation Limited (the "Rules of Procedures of Supervisory Committee"), the Work Rules for President of China Railway Construction Corporation Limited (the "Work Rules for President"), the Work Rules for Secretary to the Board of China Railway Construction Corporation Limited, the Work Manual for Independent Directors of China Railway Construction Corporation Limited, the Annual Reporting Work Manual for Independent Directors of China Railway Construction Corporation Limited (the "Annual Reporting Work Manual for Independent Directors"), the Decision-making Manual on Connected Transactions of China Railway Construction Corporation Limited (the "Decision-making Manual on Connected Transactions"), the Management Method on Information Disclosure of China Railway Construction Corporation Limited (the "Management Method on Information Disclosure"), the Management Method on Raised Proceeds of China Railway Construction Corporation Limited, the Management Manual on External Guarantees of China Railway Construction Corporation Limited, the Management Manual on External Investments of China Railway Construction Corporation Limited, the Work Rules for Audit and Risk Management Committee of the Board of China Railway Construction Corporation Limited (the "Work Rules for Audit and Risk Management Committee of the Board"), the Work Rules for Remuneration and Evaluation Committee of the Board of China Railway Construction Corporation Limited, the Work Rules for Strategy and Investment Committee of the Board of China Railway Construction Corporation Limited, the Work Rules for Nomination Committee of the Board of China Railway Construction Corporation Limited (the "Work Rules for Nomination Committee of the Board"), the Management Rules of Change in Shareholding of Directors, Supervisors and Senior Management in China Railway Construction Corporation Limited and the Code of Conduct on Directors and Special Employees' Securities Transactions together constitute the reference bases of the Company's codes on corporate governance practices, which have covered the principles and code provisions in the Corporate Governance Code. The standards of the Company's internal corporate governance documents are stricter than the Corporate Governance Code in the following aspects:

- The Company held 10 Board meetings during the reporting period;
- In addition to the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee, the Company also has established a Strategy and Investment Committee.

BOARD OF DIRECTORS

The first session of the Board comprises nine Directors, including two executive Directors of Mr. Ding Yuanchen and Mr. Jin Puqing (Mr Jin has ceased to be an executive Director of the Company since 16 April 2009), three non-executive Directors of Mr. Li Guorui, Mr. Huo Jingui and Mr. Wu Xiaohua (resigned on 16 February 2009), and four independent non-executive Directors of Mr. Li Kecheng, Mr. Zhao Guangjie, Mr. Wu Taishi and Mr. Ngai Wai Fung. During the reporting period, Mr. Li Guorui was the chairman and Mr. Jin Puqing (Mr. Jin has ceased to be the president of the Company since 16 April 2009), was the president of the Company. Pursuant to the Articles of Association, the first session of the Board has a 3-year term of office, and the Directors are eligible for re-election or re-appointment upon the expiry of the term.

To prioritise the shareholders' interest, all members of the Board take their best endeavour to fulfill their duties in accordance with the responsibilities of Directors and the relevant laws and regulations. The Board's duties include:

- determining the Company's operation plans and investment plans;
- preparing the Company's profit distribution plans and loss recovery plans;
- formulating plans relating to major acquisitions, purchase of the Company's shares, mergers, spin-off, dissolution, changes of the Company's form and implementing resolutions of the general meetings.

The Company has appointed sufficient number of independent non-executive Directors with relevant professional qualifications including expertise in accounting or financial management as required by the Hong Kong Listing Rules. The Company has received the annual confirmation issued by all independent non-executive Directors to acknowledge their respective independence. After prudent inquiry, the Board is of the view that each of the 4 independent non-executive Directors of the Company maintains the independence as required by the directions set out in Rule 3.13 of the Hong Kong Listing Rules. They have educational background in accounting, finance and/or infrastructure construction, and abundant professional experience and they diligently perform their duties. They sincerely provide professional advice for the Company's steady operation and growth; supervise and coordinate to safeguard the interests of the Company and the Shareholders.

Save for their services to the Company, there is no financial, commercial and familial connection among the Directors, Supervisors or other senior management, nor any other material relation with each other.

Save for the service contracts entered into respectively, no Directors are materially interested, either directly or indirectly, in the major contracts entered into by the Company or any of its subsidiaries in 2008.

BOARD MEETINGS

In 2008, the Company held 10 Board meetings. Minutes of the meetings were recorded by a designated officer, and all proposals approved in each meeting were passed as resolutions of the Board, which were recorded and stored electronically in accordance with relevant laws and regulations.

BOARD MEETINGS (continued)

The table below set out the details of attendance of the Board meetings held in 2008.

Name of Directors	Attendance in person	Attendance by proxy
Executive Directors		
Ding Yuanchen	10	—
Jin Puqing (note 1)	8	2
Non-executive Directors		
Li Guorui	10	—
Huo Jingui	10	—
Wu Xiaohua (note 2)	8	2
Independent Non-executive Directors		
Li Kecheng	9	1
Zhao Guangjie	9	1
Wu Taishi	10	—
Ngai Wai Fung	9	1

Note 1: Mr. Jin Puqing ceased to be an executive Director of the Company since 16 April 2009.

Note 2: Mr. Wu Xiaohua resigned as a non-executive Director of the Company on 16 February 2009.

Details of the meetings above were as follows:

Meetings	Date of meeting	Date of information disclosure	Note
The 3rd meeting of the first session of the Board	29 January 2008	–	–
The 4th meeting of the first session of the Board	25 April 2008	28 April 2008	–
The 5th meeting of the first session of the Board	24 June 2008	26 June 2008	–
The 6th meeting of the first session of the Board	22 July 2008	–	The resolution on the acquisition of equity interests in Linxi Tonghe Mining Company Limited(林西縣通和礦業有限公司) was considered and approved at the meeting.
The 7th meeting of the first session of the Board	18 August 2008	19 August 2008	–
The 8th meeting of the first session of the Board	25 August 2008	26 August 2008	–
The 9th meeting of the first session of the Board	27 October 2008	–	The resolution on funding the construction of Haihe tunnel project, phase 1, of Zhongyang Dadao in Tianjin Binhai New Area was considered and approved at the meeting, and the project is currently transformed from BT project to construction project.
The 10th meeting of the first session of the Board	30 October 2008	31 October 2008	–
The 11th meeting of the first session of the Board	28 November 2008	29 November 2008	–
The 12th meeting of the first session of the Board	22 December 2008	23 December 2008	–

BOARD MEETINGS (continued)

The time and main content of the regular meetings of the Board were all determined at the beginning of this year so as to ensure that all Directors have opportunities to put forward matters to be included in the agenda of the Board meeting and allow them to review the proposals with sufficient time.

The Directors' total emoluments for 2008 totalled RMB2,864,000.

Each Director's emoluments received from the Company for this year are as follows:

Li Guorui: RMB669,000;
Ding Yuanchen: RMB573,000;
Jin Puqing: RMB669,000;
Huo Jingui: RMB573,000;
Wu Xiaohua: RMB70,000;
Li Kecheng: RMB80,000;
Zhao Guangjie: RMB80,000;
Wu Taishi: RMB80,000;
Ngai Wai Fung: RMB70,000.

As at 31 December 2008, the Company had not formulated or implemented any share appreciation rights plan, nor granted any share appreciation rights.

CHAIRMAN AND PRESIDENT

The chairman and the president perform their respective duties in accordance with the corporate governance rules including the Articles of Association, the Rules of Procedures for the Board Meetings and the Work Rules for President.

Duties of chairman of the Company include to preside over general meetings and to convene and preside over the Board meetings; to supervise and examine the implementation of resolutions of the Board; to sign corporate shares, corporate debentures and other securities; and to sign important documents of the Board and the important legally binding documents on behalf of the Company.

The president shall report to the Board and perform the following duties: 1. to lead the Company's production, operation and management, to organise resources to implement the Board's resolutions and report to the Board; 2. to implement the Company's annual business plans and investment schemes; 3. to propose the establishment of the Company's internal management structure; 4. to formulate the Company's basic management system; 5. to formulate detailed rules and regulations for the Company; 6. to propose to the Board the appointment or dismissal of the Company's vice president(s), chief accountant, chief engineer and chief economist; 7. to propose plans on the remuneration and reward and punishment for vice presidents, head accountant, head engineer and head economist; 8. to appoint or dismiss the Company's officers other than those to be appointed or dismissed by the Board; 9. to propose convening of extraordinary meetings of the Board; 10. to prepare annual operation plans and annual investment plans of the Company; and 11. to convene and preside over president meetings to coordinate, review and monitor the production, operation, reform and management of each department, branch and subsidiary.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit Committee under the Board was renamed the Audit and Risk Management Committee on 25 April 2008. The primary duties of this committee are:

- make recommendations on the appointment and change of the external auditing firm of the Company;
- the coordination, monitoring and inspection of internal and external audits of the Company;
- the review of financial information and disclosure thereof, the inspection of internal control systems;
- the establishment of the Company's risk management strategies and solutions; and
- the risk control, management, monitoring and review of major decision-makings, major events and major business procedures.

The Audit and Risk Management Committee consists of three Directors, being Mr. Wu Taishi (independent non-executive Director), Mr. Ding Yuanchen (executive Director) and Mr. Ngai Wai Fung (independent non-executive Director). Mr. Wu Taishi currently serves as the chairman of the Audit and Risk Management Committee.

For each year at least one regular meeting of the Audit and Risk Management Committee shall be convened in the first and second half of this year respectively, to review the accounting standards and internal control system adopted by the Company, the relevant financial issues and the connected transactions of the Group so as to ensure the integrity, fairness and accuracy of the Company's financial statements and other relevant information.

As at 31 December 2008, the Audit and Risk Management Committee held 5 meetings, each with full attendance of all the meetings.

On 25 March 2008, the Audit Committee of the first session of the Board held its first meeting, during which the reporting on the annual report and overall arrangement for financial statements auditing for 2007, and the specific plan and major accounting issues presented by the auditors for preparation of the auditing of the financial statements for 2007 were heard. The meeting approved the auditing schedule co-developed by the Company and the auditors, and advised the auditors to complete the auditing engagement in a timely manner. The Audit Committee maintained continuing communication with the auditors during the annual auditing. After the auditors had issued their preliminary opinions on the annual auditing, the Audit Committee reviewed again the Company's financial statements and issued a statement in writing stating that the Company's financial statements gave a true, accurate and complete view of the Company's overall position.

On 23 April 2008, the Audit Committee of the first session of the Board held its second meeting, where the audited annual financial statements were approved to be submitted to the Board for review. In addition, the Audit Committee reviewed and submitted to the Board the auditors' report on the Company's consolidated financial statements for 2007 and the resolution on retaining or change of auditors for 2008, and reviewed the 2007 annual report for the Company and the summary thereof and the first quarterly report for 2008 and the summary thereof.

On 23 June 2008, the Audit and Risk Management Committee of the first session of the Board held its third meeting to consider the overall risk management report of the Company for 2008.

On 24 August 2008, the Audit and Risk Management Committee of the first session of the Board held its fourth meeting, where 4 resolutions were approved: (1) to agree on the preparation procedures and contents of the 2008 Interim Report of China Railway Construction Corporation Limited and the summary thereof and submit the same to the 8th meeting of the first session of the Board for consideration; (2) to recommend the Company to negotiate with Ernst & Young Hua Ming on adding independent auditors' review procedures to be performed on the interim report with auditing costs under reasonable control; (3) to propose the Board and the management to strengthen the application of information technologies in financial systems; and (4) to propose management of the Company to pay further attention to the utilization efficiency of the fund, third-party guarantees and matters related to connected transactions.

AUDIT AND RISK MANAGEMENT COMMITTEE (continued)

On 22 December 2008, the Audit and Risk Management Committee of the first session of the Board held its fifth meeting, where the Annual Reporting Rules for Independent Directors, including rules for reporting and communication, were discussed, the resolution regarding the amendment of the Work Rules for Audit and Risk Management Committee of the Board, and the audit, year-end internal control reporting and risk management reporting for 2008 were planned.

REMUNERATION AND EVALUATION COMMITTEE

A Remuneration and Evaluation Committee has been established under the Board. The Remuneration and Evaluation Committee consists of three Directors: Mr. Zhao Guangjie (independent non-executive Director), Mr. Ding Yuanchen (executive Director) and Mr. Li Kecheng (independent non-executive Director). Mr. Zhao Guangjie currently serves as the chairman of the Remuneration and Evaluation Committee. The primary responsibilities of the Remuneration and Evaluation Committee are to formulate the training and remuneration policies and to determine and manage the remuneration of our senior management, which include, among other things:

- approving, overseeing and evaluating the performance of senior management of the Company and determining and approving their remuneration;
- reviewing and making recommendations to the Board with respect to the Directors' remuneration; and
- supervising the execution of remuneration system of the Company.

The remuneration in 2008 of the Company's independent non-executive directors and those non-executive directors who have not taken up any other positions in the Company other than being directors comprise of basic salary and meeting subsidies. Specific standards on the annual basic salary and meeting subsidies were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC.

The Company's executive directors and those non-executive directors who have other positions in the Company on top of being directors do not receive remuneration from their positions as directors but are remunerated in accordance with their positions and performance at the Company.

As at 31 December 2008, the Remuneration and Evaluation Committee performed its duties by focusing on the establishment of performance assessment and remuneration incentives system for senior management of the Company. It held 3 meetings on 20 April, 5 August and 20 November 2008 respectively, each with full attendance.

On 20 April 2008, the Remuneration and Evaluation Committee considered the Rules for Annual Evaluation and Evaluation on Term of Office for President and the Rules for Remuneration of President. On 5 August 2008, it discussed the rules for performance evaluation for senior management and the formulation of option incentive plans for management and core staff. On 20 November 2008, it considered the Rules for Performance Evaluation and Remuneration Management for Senior Management (draft) and the Option Incentive Plan for Senior Management and Core Staff, and considered and approved the resolution on the remuneration of senior management for 2007.

NOMINATION COMMITTEE

A Nomination Committee has been established under the Board. The Nomination Committee consists of three Directors, being Mr. Li Kecheng(independent non-executive Director), Mr. Huo Jingui (non-executive Director) and Mr. Zhao Guangjie (independent non-executive Director). Mr. Li Kecheng currently serves as the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee are:

- to formulate the nomination procedures and standards for the candidates for the Directors and the senior management;
- to conduct preliminary review of the qualifications and other credentials of the candidates for the Directors and the senior management; and
- to formulate, review and supervise the implementation of the performance of the Directors and the senior management.

The Nomination Committee held one meeting during the reporting period with full attendance. At the meeting, the Work Rules for Nomination Committee of the Board was discussed, the Report on the Construction of Management of Subsidiaries of Joint-stock Company was heard, and the Provisional Rules for External Directors of China Railway Construction Corporation Limited and the Implementation Rules on Employing Administrative Personnel among Public of China Railway Construction Corporation Limited.

STRATEGY AND INVESTMENT COMMITTEE

A Strategy and Investment Committee is also established under the Board. The Strategy and Investment Committee consists of three Directors, being Mr. Jin Puqing (executive Director who has ceased to be an executive Director of the Company since 16 April 2009), Mr. Wu Xiaohua (non-executive Director who has resigned on 16 February 2009) and Mr. Wu Taishi (independent non-executive Director). During the reporting period, Mr. Jin Puqing serves as the chairman of the Strategy and Investment Committee. The primary responsibilities of the Strategy and Investment Committee of the Company are to formulate the overall development plans and the investment decision-making procedures of the Company, which include, among other things:

- reviewing long-term development strategies of the Company;
- reviewing major issues affecting development of the Company; and
- reviewing significant capital expenditure, investment and financing projects that require approvals of the Board.

As at 31 December 2008, the Strategy and Investment Committee held one meeting with full attendance. At the meeting, the Strategy and Investment Committee analyzed the impact of macro-economic condition on the Company and its countermeasures, discussed the Guiding Principles on Further Regulating External Investments, and considered certain external investment projects.

SUPERVISORY COMMITTEE

The Supervisory Committee of the Company consists of three members, among which one supervisor is elected by the staff as a representative of the employees. The Supervisory Committee is responsible for the supervision of the Board, its members and the senior management, so as to prevent them from abusing authority and damaging the legal interests of the Shareholders, the Company and its employees.

SUPERVISORY COMMITTEE (continued)

In 2008, the Supervisory Committee held three meetings. The 2nd meeting of the first session of the Supervisory Committee was held on 25 April 2008, and three resolutions, regarding the Report of Supervisory Committee for 2007, the 2007 Annual Report of the Company and the summary thereof, and the First Quarterly Report for 2008 of the Company and the summary thereof respectively, were considered and approved at the meeting. The 3rd meeting of the first session of the Supervisory Committee was held on 25 August 2008, and the resolution regarding the Interim Report for 2008 of the Company and the summary thereof was considered and approved at the meeting. The 4th meeting of the first session of the Supervisory Committee was held on 30 October 2008, and the resolution regarding the Third Quarterly Report for 2008 of the Company was considered and approved at the meeting.

DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Board 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 guidance for Directors, Supervisors and relevant employees' securities transactions. After individual inquiry by the Company, all Directors, Supervisors and relevant employees (as defined in Appendix 10 to the Hong Kong Listing Rules) have confirmed that they have acted in compliance with the Model Code.

GENERAL MEETINGS AND INVESTOR RELATIONS

1. *General Meetings*

The general meetings are the Company's authoritative organization which exercise the powers in accordance with the rules and regulations including the Company Law of the People's Republic of China, the Articles of Association and the Rules of Procedures for General Meetings.

The Company held two general meetings in 2008.

(1) The first extraordinary general meeting

The first extraordinary general meeting of the Company was held on 29 January 2008 at No. 40 Fuxing Road, Beijing. Mr. Li Guori, the authorized representative of CRCCG, which is the sole promoter of the Company, attended the meeting to represent 8 billion shares of the Company, representing 100% of the then shares entitling holders to vote at the meeting. The meeting was convened by the Board and presided over by Mr. Li Guori, the chairman of the Board.

The Resolution regarding the Remuneration of Non-executive Director Wu Xiaohua and Four Independent Non-executive Directors including Li Kecheng was considered and approved at the meeting.

GENERAL MEETINGS AND INVESTOR RELATIONS (continued)

(2) **2007 annual general meeting**

The 2007 annual general meeting of the Company was held on 26 June 2008 at China Railway Electrification Bureau Building, No.29 Shijingshan Road, Beijing. The chairman of the Board, Mr. Li Guori, presided over the meeting and a total of 112 Shareholders and proxies of Shareholders attended. At the meeting, the Resolution on Considering the Report of Directors for 2007, the Resolution on Considering the Report of Supervisory Committee for 2007, the Resolution on Considering the Financial Budget Plan for 2007, the Resolution on Considering the Profit Distribution Plan for 2007, the Resolution on Considering the 2007 Annual Report and the Summary thereof, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Auditors of the Company and the Payment of Their Annual Fees for 2007, the Resolution on the Amendment of the Articles of Association of China Railway Construction Corporation Limited in respect of Register Capital and Relevant Terms, and the Resolution on the General Mandate to the Board to Issue H Shares were considered and approved at the meeting.

2. *Investor Relations*

The Company's investor relations continued to improve in 2008. The Company prepared and distributed the Work Rules for Investor Relations of China Railway Construction Corporation Limited (the "Work Rules for Investor Relations") and the implementation rules thereof, with a dedicated department to handle matters relating to investor relations. The Company adheres to the principles of sufficient information disclosure in compliance with the relevant rules and regulations, equal opportunity for all investors, good faith, confidentiality and interactive communication.

In 2008, the Company handled almost 1,000 mails from all kinds of investors, received more than 10 calls from investors per day, arranged nearly 150 meetings with investors and welcomed nearly 500 domestic and overseas investors. The Company organized results release meetings to cooperate with the announcement of its 2007 annual report, 2008 interim report and the third quarterly report for 2008. It also held meetings to explain and clarify facts in response to emergencies.

By effective management of investor relations, the Company established its image in the market, improved its information transparency and the positive interaction between the Company and its investors.

QUALIFIED ACCOUNTANT

Mr. Law Chun Biu has become the qualified accountant of the Company since December 2007. Mr. Law is a full-time employee and a senior management member of the Company. Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants of the United Kingdom.

CORPORATE MANAGEMENT, FINANCIAL REPORTING AND INTERNAL CONTROL

The Directors confirmed that they were responsible for preparing the financial statements for each financial period to give a true and fair view of the business affairs, results and cash flow of the Company during the relevant period. During preparing the accounts for the year ended 31 December 2008, the Directors:

– have chosen and implemented proper accounting policies;

– have adopted standards in accordance with IFRSs; and

– have given prudent and reasonable judgment and valuation and have prepared accounts on a going concern basis.

The Board and senior management attach great importance to the establishment and improvement of the internal control system. Since its establishment, the Company, in accordance with the laws, regulations and listing rules of the stock exchanges in the jurisdiction where the Company's shares are listed, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Guidance on Internal Control of Listed Companies, has been improving its corporate governance structure and strengthening its internal control, by preparing and amending documents relating to internal control including the Articles of Association, the Rules of Procedures of General meetings, the Rules of Procedures of Board Meetings, the Rules of Procedures of Supervisory Committee, the Rules for Investor Relations Management and the Rules for Information Disclosure Management and various implementation rules for each department, which in aggregate have formed an internal control system suitable for the Company's operation and management. A corporate structure fitting the Company's business size and operation and management has been established, and a sound internal control system, combining internal environment, risk assessment, control activities, information and communication as well as internal monitoring, has been formed.

In line with its development and strategic goals, the Company has formulated the Implementation Rules of Internal Control System of China Railway Construction Corporation Limited in 2008. The rules provide the general goals of CRCC and overall planning for 2009 and the coming two years, and that the Company will strive to complete the substantial construction of its internal control systems within three years in order to improve its internal control and establish a mature culture of internal control, by way of trials first and then application progressively. In the meantime, the Company also has formulated the Implementation Rules of Key Works on Internal Control for 2009, which prescribes respective responsible departments and ensures the construction of the internal control system.

The Board has reviewed the Group's internal control, and no material flaws were identified in the design or implementation of the internal control in the Group.

REMUNERATION OF AUDITORS

During the reporting period, the Company has not changed its auditors and has appointed Ernst & Young Hua Ming and Ernst & Young as its domestic and overseas auditors, respectively. As at the end of the reporting period, the Company has appointed Ernst & Young Hua Ming and Ernst & Young to provide auditing services for 2 consecutive years.

During the reporting period, the Company has paid annual auditing fee of RMB30,000,000 in total to Ernst & Young Hua Ming and Ernst & Young for their audit services in relation to the Company's financial statements. The two accounting firms provided major non-auditing services and their non-audit fees amounted to RMB5,000,000. These fees mainly comprise services fees for certain agreed-upon procedures.

The content of this section should be read in conjunction with the audited consolidated financial statements of the Group which are set out in this 2008 Annual Report (including the relevant notes).

1. SUMMARY

For the year ended 31 December 2008, the Group's revenue amounted to RMB219,410.2 million, representing an increase of 27.6% over RMB171,997.4 million of last year. Profit attributable to equity holders of the Company amounted to RMB3,643.8 million, representing an increase of 58.4% year-on-year. Basic earnings per share of the Group was RMB0.3242.

The financial results for the years ended 31 December 2007 and 2008 are set out below.

Results of operations

For the year ended 31 December 2008, the Group's profit before tax amounted to RMB4,568.8 million, representing an increase of 20.6% over RMB3,787.7 million of last year. Profit attributable to equity holders of the Company amounted to RMB3,643.8 million, representing an increase of 58.4% year-on-year. Basic earnings per share of the Group was RMB0.3242.

Revenue

For the year ended 31 December 2008, the Group's revenue amounted to RMB219,410.2 million, representing an increase of 27.6% over RMB171,997.4 million of last year. The increase was mainly attributable to the increased revenue from construction operations.

For the year ended 31 December 2008, the Group's total revenue after elimination of inter-segment sales increased by 27.6% to RMB219,410.2 million from RMB171,997.4 million for the year ended 31 December 2007. The increase was mainly attributable to an increase in revenue of RMB37,353.4 million from construction operations, an increase in revenue of RMB949.5 million from survey, design and consultancy services, an increase in revenue of RMB2,967.3 million from manufacturing operations and an increase in revenue of RMB6,142.6 million from other operations.

Cost of Sales

For the year ended 31 December 2008, the Group's cost of sales after elimination of inter-segment sales increased by 26.8% to RMB203,607.1 million from RMB160,598.3 million for the year ended 31 December 2007.

1. SUMMARY (continued)

New and outstanding contracts

In 2008, the market development trend was more favourable for the Group, market coverage was higher in both overseas and domestic markets, the value of new contracts signed during the year increased by 47.4% to a new historical high level of RMB423,104.6 million as compared to 2007.

For the on-road market (i.e. railway market),the Group strengthened internal management, organization and coordination during 2008 to ensure the target of maximum market share was achieved. For the off-road market (i.e. other market sectors other than the railway market), the Group achieved new breakthroughs in a number of market sectors including metropolitan railway, underground railway, hydropower facilities, energy resources development, environmental protection, mining, etc. The number of some brand operation projects such as turnkey projects, state-of-the-art projects as well as projects of bridges and tunnels involving complicated technologies etc. undertaken by the Group had increased. With continuous reinforcement in the regional markets, further optimisation in operation planning and continuous improvement in task structures, the quality of operations was further enhanced.

In 2008, the value of new contracts signed by the Group increased significantly, task reserves were fairly sufficient. As at 31 December 2008, the aggregated value of outstanding contracts of the Group amounted to RMB471,089.0 million, representing an increase of 45.7% over 2007.

The major indicators for the values of new and outstanding contracts of the Group are set out as follows:

(RMB million)

	Value of new contracts			Value of outstanding contracts		
				31 December	31 December	
	2008	2007	Growth	2008	2007	Growth
Construction operations	399,022.9	265,650.5	50.2%	459,090.8	312,079.8	47.1%
Survey, design and consultancy operations	4,608.9	3,657.8	26.0%	2,426.3	2,523.9	-3.9%
Manufacturing operations	3,534.2	6,321.5	-44.1%	4,039.7	6,311.5	-36.0%
Other operations	15,938.7	11,369.2	40.2%	5,532.1	2,513.4	120.1%
Total	423,104.6	286,999.0	47.4%	471,089.0	323,428.5	45.7%

Notes:

Of the total value of the Group's new contracts signed in 2008, new domestic contracts accounted for RMB380,934.9 million and new overseas contracts accounted for RMB42,169.7 million.

Of the total value of the Group's outstanding contracts as at 31 December 2008, domestic outstanding contracts accounted for RMB388,261.1 million and overseas outstanding contracts accounted for RMB82,827.9 million.

Finance revenue

The finance revenue of the Group mainly includes bank interest income. For the year ended 31 December 2008, the Group's finance revenue increased by 103.1% to RMB1,324.8 million from RMB652.2 million for the year ended 31 December 2007. The increase was mainly due to an increase in total bank deposit balance of the Group for the year ended 31 December 2008.

1. SUMMARY (continued)

Finance costs

The finance costs of the Group include interest and finance expenses of bank borrowings, other borrowings, finance leases and discounted notes, less capitalised interests of construction in progress and construction contracts. For the year ended 31 December 2008, the Group's finance costs decreased by 0.2% to RMB1,269.7 million from RMB1,272.2 million for the year ended 31 December 2007.

Share of profits of jointly-controlled entities and associates

For the year ended 31 December 2008, the Group's share of profits of jointly-controlled entities and associates decreased by RMB48.4 million or 125.4% to RMB-9.8 million from RMB38.6 million for the year ended 31 December 2007.

Income tax expense

For the year ended 31 December 2008, the Group's income tax expenses decreased by 41.8% to RMB862.6 million from RMB1,481.8 million for the year ended 31 December 2007.

Minority interests

For the years ended 31 December 2007 and 2008, the profit attributable to minority interests of the Group amounted to RMB5.2 million and RMB62.4 million respectively.

2. DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT

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

	Revenue Year ended 31 December		Profit from operations Year ended 31 December		Operating margin Year ended 31 December	
	2008	2007	2008	2007	2008	2007
	(RMB million)		(RMB million)		(%)	
Construction operations	200,973.3	162,932.0	3,840.4	3,624.3	1.9	2.2
Survey, design and consultancy operations	4,550.9	3,709.1	354.6	299.6	7.8	8.1
Manufacturing operations	4,780.9	1,856.0	265.2	124.8	5.5	6.7
Others	12,123.3	5,376.7	63.4	320.4	0.5	6.0
Subtotal	222,428.4	173,873.7	4,523.6	4,369.1	2.0	2.5
Inter-segment elimination	-3,018.2	-1,876.3	—	—	—	—
Total	219,410.2	171,997.4	4,523.6	4,369.1	2.1	2.5

2. DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT (continued)

1. Construction operations

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

	Year ended 31 December	
	2007	2008
	(RMB million)	
Segment revenue	162,932.0	**200,973.3**
Cost of sales	(153,306.7)	**(188,061.3)**
Selling and distribution costs	(492.6)	**(425.5)**
Administrative expenses and others	(5,508.5)	**(8,646.1)**
Segment results	3,624.3	**3,840.4**
Depreciation and amortization	3,244.2	**3,720.9**

Segment revenue. For the year ended 31 December 2008, the Group's segment revenue before elimination of inter-segment sales from construction operations increased by 23.3% to RMB200,973.3 million from RMB162,932.0 million for the year ended 31 December 2007. The increase was mainly due to the increase in the revenue from operations in the railway market.

Inter-segment sales generated from our construction operations were RMB296.9 million and RMB984.7 million for the years ended 31 December 2007 and 2008 respectively.

As a result, total segment revenue generated from external sales after elimination of inter-segment sales from our construction operations was RMB162,635.1 million for the year ended 31 December 2007 and RMB199,988.5 million for the year ended 31 December 2008.

Cost of sales. For the year ended 31 December 2008, the Group's cost of sales after elimination of inter-segment sales from construction operations increased by 22.7% to RMB188,061.3 million from RMB153,306.7 million for the year ended 31 December 2007.

Selling and distribution costs. The Group's selling and distribution costs from construction operations decreased by 13.6% or RMB67.1 million to RMB425.5 million for the year ended 31 December 2008 from RMB492.6 million for the year ended 31 December 2007. The decrease was mainly attributable to the cost control efforts made by the Group.

Administrative expenses and other expenses. Administrative expenses for the construction operations of the Group increased by 57.0% to RMB8,646.1 million for the year ended 31 December 2008 from RMB5,508.5 million for the year ended 31 December 2007. The increase was mainly due to the Group's business growth and the corresponding increase in costs.

Segment results. Total profit from the construction operations of the Group increased by RMB216.1 million to RMB3,840.4 million for the year ended 31 December 2008 from RMB3,624.3 million for the year ended 31 December 2007.

The operating margin for the construction operations of the Group decreased to 1.9% for the year ended 31 December 2008 from 2.2% for the year ended 31 December 2007.

2. DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT (continued)

2. *Survey, design and consultancy operations*

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

	Year ended 31 December	
	2007	2008
	(RMB million)	
Segment revenue	3,709.1	**4,550.9**
Cost of sales	(2,905.3)	**(3,556.2)**
Selling and distribution costs	(84.0)	**(208.8)**
Administrative expenses and other expenses	(420.2)	**(431.3)**
Segment results	299.6	**354.6**
Depreciation and amortization	130.2	**91.5**

Segment revenue. The Group's segment revenue before elimination of inter-segment sales from survey, design and consultancy operations increased by 22.7% to RMB4,550.9 million for the year ended 31 December 2008 from RMB3,709.1 million for the year ended 31 December 2007. The increase was primarily due to the Group's expanded scale of survey, design and consultancy operations.

Inter-segment sales revenue generated from the Group's survey, design and consultancy operations was RMB212.2 million and RMB104.6 million for the years ended 31 December 2007 and 2008 respectively.

As a result, total revenue generated from external sales after elimination of inter-segment sales of the Group's survey, design and consultancy operations was RMB3,496.8 million for the year ended 31 December 2007 and RMB4,446.3 million for the year ended 31 December 2008 respectively.

Cost of sales. For the year ended 31 December 2008, the Group's cost of sales after elimination of inter-segment sales from survey, design and consultancy operations increased by 22.4% to RMB3,556.2 million from RMB2,905.3 million for the year ended 31 December 2007.

Selling and distribution costs. Selling and distribution costs from the survey, design and consultancy operations of the Group increased by 148.6 % or RMB124.8 million to RMB208.8 million for the year ended 31 December 2008 from RMB84.0 million for the year ended 31 December 2007. The increase was primarily due to the business growth of the Group and the corresponding increase in costs.

Administrative expenses and other expenses. Administrative expenses for the survey, design and consultancy operations of the Group increased slightly by 2.6% to RMB431.3 million for the year ended 31 December 2008 from RMB420.2 million for the year ended 31 December 2007. The increase was primarily due to the business growth of the Group and the corresponding increase in costs.

Segment results. Profit from the survey, design and consultancy operations of the Group increased to RMB354.6 million for the year ended 31 December 2008 from RMB299.6 million for the year ended 31 December 2007. The operating margin from the survey, design and consultancy operations of the Group decreased to 7.8% for the year ended 31 December 2008 from 8.1% for the year ended 31 December 2007.

2. DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT (continued)

3. Manufacturing operations

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

	Year ended 31 December	
	2007	2008
	(RMB million)	
Segment revenue	1,856.0	4,780.9
Cost of sales	(1,552.2)	(4,162.1)
Selling and distribution costs	(17.1)	(51.0)
Administrative expenses and others	(161.8)	(302.7)
Segment results	124.8	265.2
Depreciation and amortization	85.1	217.5

Segment revenue. Segment revenue before elimination of inter-segment sales from manufacturing operations increased by 157.6% to RMB4,780.9 million for the year ended 31 December 2008 from RMB1,856.0 million for the year ended 31 December 2007. This was mainly attributable to: (i) an increase in the production scale of larger track maintenance machinery and the commissioning of part of the new track system products in 2008, and (ii) the incorporation by the Company of the factories (bridge-beams factories, metal structure factories, etc.) of its subsidiaries that engaged in manufacturing into the manufacturing segment (some of these factories produced cement products such as track crosstie) in 2008.

Cost of sales. For the year ended 31 December 2008, the Group's cost of sales after elimination of inter-segment sales from manufacturing operations increased by 168.1% to RMB4,162.1 million from RMB1,552.2 million for the year ended 31 December 2007.

Selling and distribution costs. Selling and distribution costs from the manufacturing operation of the Group increased by 198.2% to RMB51 million for the year ended 31 December 2008 from RMB17.1 million for the year ended 31 December 2007, primarily due to the growth of the Group's operations and a corresponding increase in costs.

Administrative expenses and other expenses. Administrative expenses for the manufacturing operations of the Group increased by 87.1% to RMB302.7 million for the year ended 31 December 2008 from RMB161.8 million for the year ended 31 December 2007, primarily due to the growth of the Group's operations and a corresponding increase in costs.

Segment results. As a result of the foregoing reasons, profit from the manufacturing operations of the Group increased substantially to RMB265.2 million from RMB124.8 million. The operating margins for the manufacturing operations of the Group for the years ended 31 December 2007 and 2008 were 6.7% and 5.5%, respectively.

2. DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT (continued)

4. Other businesses

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

	Year ended 31 December	
	2007	2008
	(RMB million)	
Segment revenue	5,376.7	**12,123.3**
Cost of sales	(4,710.4)	**(10,845.8)**
Selling and distribution costs	(102.5)	**(163.6)**
Administrative expenses and others	(243.4)	**(1,050.5)**
Segment results	320.4	**63.4**

Segment revenue. Segment revenue derived from other operations mainly include income from the sales of real estate properties and provision of logistics services to external customers. Revenue before elimination of inter-segment sales of these businesses increased by 125.5% to RMB12,123.3 million for the year ended 31 December 2008 from RMB5,376.7 million for the year ended 31 December 2007. This was mainly attributable to a substantial increase in revenue from logistics trade. Inter-segment sales revenue generated from other operations for the years ended 31 December 2007 and 2008 was RMB892.1 million and RMB1,496.1 million respectively. As a result, total revenue generated from external sales after elimination of inter-segment sales of the Group's other operations was RMB4,484.6 million for the year ended 31 December 2007 and RMB10,627.2 million for the year ended 31 December 2008.

Cost of sales. For the year ended 31 December 2008, the Group's cost of sales after elimination of inter-segment sales from other businesses increased by 130.3% to RMB10,845.8 million from RMB4,710.4 million for the year ended 31 December 2007.

Selling and distribution costs. Selling and distribution costs from the Group's other operations increased to RMB163.6 million for year ended 31 December 2008 from RMB102.5 million for the year ended 31 December 2007. This was mainly attributable to the growth of the Group's operations.

Administrative and other expenses. Administrative expenses for the Group's other operations increased to RMB1,050.5 million for the year ended 31 December 2008 from RMB243.4 million for the year ended 31 December 2007. This was mainly attributable to the growth of the Group's operations.

Segment results. As a result of the foregoing reasons, total profits from the Group's operations other than construction, survey, design and consultancy and manufacturing operations for the years ended 31 December 2007 and 2008 were RMB320.4 million and RMB63.4 million, respectively. The Group's segment operating margins for the years ended 31 December 2007 and 2008 were 6.0% and 0.5%, respectively.

3. LIQUIDITY AND CAPITAL RESOURCES

1. Cash Flow

	Year ended 31 December 2007	Year ended 31 December 2008
	(RMB million)	
Cash/cash equivalents as at 1 January	18,373.6	23,188.5
Net cash inflow from operating activities	9,420.8	7,299.9
Net cash outflow from investing activities	(12,182.6)	(13,068.2)
Net cash inflow from financing activities	7,631.0	32,286.5
Net increase in cash/cash equivalents	4,869.2	26,518.2
Impact on cash and cash equivalents from the changes in exchange rate	(54.4)	(251.4)
Cash/cash equivalents as at 31 December	23,188.5	49,455.3

2. Cash flows from operating activities

For the year ended 31 December 2008, the Group's net cash inflow from operating activities was RMB7,299.9 million, mainly attributable to the profit-before-tax in the amount of RMB4,568.8 million generated in the year, as well as the following adjustments to cash flow statements: (i) depreciation in fixed assets of RMB4,066.5 million; (ii) increase in trade and bills payables of RMB17,831.3 million due to the Group's involvement in an increased number of construction projects which increased the purchases of raw materials and engagement of subcontractors; and (iii) increase in other payables and accruals of RMB7,952.4 million, mainly consisting of advances from customers, accrued salaries, wages and benefits and other tax payables; and partially offset by: (i) increase in trade receivables and bills receivable of RMB2,650.3 million due to the expanded scale of the Group's business; (ii) increase in prepayments, deposits and other receivables of RMB13,112.7 million due to the increase in projects for which the Group was subject to performance bond and retention money; (iii) increase in inventories of RMB5,022.9 million; (iv) increase in completed properties held for sale and properties under development of RMB5,100.9 million; and (v) net increase in construction contracts of RMB1,014.0 million due to expansion of the Group's construction operations.

For the year ended 31 December 2007, the Group's net cash inflow from operating activities was RMB9,420.8 million, mainly attributable to the profit-before-tax in the amount of RMB3,787.7 million generated in the year, as well as the following adjustments to cash flow statements: (i) depreciation in fixed assets of RMB3,405.6 million; (ii) increase in trade and bills payables of RMB8,364.7 million due to the Group's involvement in an increased number of construction projects which increased the purchases of raw materials and engagement of subcontractors; and (iii) increase in other payables and accruals of RMB13,770 million, mainly consisting of advances from customers, accrued salaries, wages and benefits and other tax payables; and partially offset by: (i) increase in trade and bills receivables of RMB7,099.3 million due to the growth of the Group's operations; (ii) increase in prepayments, deposits and other receivables of RMB3,308.7 million due to the increase in projects for which the Group was subject to performance bond and retention money; (iii) increase in inventories of RMB2,032.6 million; (iv) increase in completed properties held for sale and properties under development of RMB1,872.8 million; and (v) net increase in construction contracts of RMB4,992.5 million due to expansion of the Group's construction operations.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

3. *Cash flow from investing activities*

For the year ended 31 December 2008, the Group's net cash outflow from investing activities was RMB13,068.2 million. The Group's net cash outflow for investing activities mainly consists of (i) purchase of property, plant and equipment of RMB9,982.8 million; (ii) the increase of guaranteed deposit expenses of RMB1,166.0 million; (iii) the increase of in expenses for non-restricted term deposit with a term of more than three months of RMB2,549.0 million; (iv) purchase of available-for-sale investments of RMB925.0 million; (v) the increase of intangible assets of RMB641.30 million. The Group's net cash inflow for investing activities mainly consists of: (i) proceeds from disposal of property, plant and equipment of RMB1,134.1 million; (ii) interest received of RMB1,301.0 million; and (iii) the net inflow of RMB206.2 million in respect of balances with the ultimate holding company.

For the year ended 31 December 2007, the Group's net cash outflow from investing activities was RMB12,182.6 million. The Group's net cash outflow for investing activities mainly consists of (i) purchase of property, plant and equipment of RMB8,832.0 million; (ii) purchase of minority interests of RMB2,425.1 million; (iii) the increase of RMB1,118.0 million in balances with the ultimate holding company. The Group's net cash inflow for investing activities mainly consists of: (i) proceeds from disposal of property, plant and equipment of RMB1,114.5 million; (ii) dividends received of RMB171.7 million; and (iii) the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary, China Railway Energy Investment Co., Ltd., of RMB117.2 million.

4. *Net cash flow from financing activities*

For the year ended 31 December 2008, the Group's net cash inflow from financing activities was RMB32,286.5 million. The Group's net cash inflow for financing activities mainly consists of proceeds from listing of RMB39,084.3 million and newly borrowed bank loans and other borrowings of RMB26,199.9 million. The Group's net cash outflow for financing activities mainly consists of: (i) cash used in repayment of bank loans and other borrowings of RMB30,294.4 million; and (ii) cash used in the payment of interests of RMB1,736.5 million; and (iii) special bonus of RMB1,023.9 million with the ultimate holding company.

For the year ended 31 December 2007, the Group's net cash inflow from financing activities was RMB7,631.0 million. The Group's net cash inflow for financing activities mainly consists of newly borrowed bank loans and other borrowings of RMB27,017.3 million in cash. The Group's cash outflow for financing activities mainly consists of: (i) cash used in repayment of bank and other borrowings of RMB17,920.2 million; and (ii) cash used in the payment of interests of RMB1,507.6 million.

5. *Capital Expenditures*

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and purchase of equipment used for construction projects. Besides, the Group incurred additional capital expenditures for the expansion of production capacity of large track maintenance machinery and railway track components. The Group's capital expenditures were RMB12,397.0 million and RMB12,103.0 million for the years ended 31 December 2007 and 2008, respectively.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

5. *Capital Expenditures (continued)*

The following table sets forth the capital expenditures for the Group's business operations for the years ended 31 December 2007 and 2008:

	Year ended 31 December	
	2007	2008
	(RMB million)	
Construction operations	10,843.0	**10,663.9**
Survey, design and consultancy operations	525.0	**273.9**
Manufacturing operations	844.6	**617.5**
Others	184.4	**547.8**
Total	12,397.0	**12,103.0**

As at 31 December 2008, the Company had no material capital commitments for external investment.

6. *Working Capital*

(a) **Construction contracts in progress**

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

	As of 31 December	
	2007	2008
	(RMB million)	
Contract cost incurred plus recognized profit less recognized losses	522,645.7	**685,036.9**
Less: progress billings received and receivable	(504,109.2)	**(665,523.8)**
Contract work-in-progress	18,536.6	**19,513.2**
Representing:		
Amount due from customers for contract work	35,928.3	**36,317.3**
Amount due to customers for contract work	(17,391.8)	**(16,804.1)**
	18,536.6	**19,513.2**

The Group's construction contracts in progress increased to RMB19,513.2 million as at 31 December 2008 from RMB18,536.6 million as at 31 December 2007.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

6. *Working Capital (continued)*

(b) Trade receivables and trade payables

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

	As of 31 December	
	2007	2008
Turnover days of trade receivables[1]	59	54
Turnover days of trade payables[2]	95	98

(1) The number of turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables (including non-current portion and portion classified as current assets) for the relevant year by revenue multiplying 365 days.

(2) The number of turnover days of trade payables is derived by dividing the arithmetic mean of opening and closing balances of trade payables (including non-current portion and portion classified as current liabilities) for the relevant year by cost of sales multiplying 365 days.

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

	As of 31 December	
	2007	2008
	(RMB million)	
Less than one year	27,528.2	30,614.3
One to two years	2,376.2	2,196.9
Two to three years	909.6	798.0
More than three years	484.9	401.0
Total	31,298.8	34,010.2

As of 31 December 2008, the Group had a provision for impairment of RMB537.3 million. The directors of the Company believe that the provision for impairment of the Group is adequate.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

6. *Working Capital (continued)*

(b) Trade receivables and trade payables (continued)

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

	As of 31 December	
	2007	2008
	(RMB million)	
Less than one year	42,010.7	60,887.2
One to two years	1,893.7	1,937.1
Two to three years	933.8	536.7
More than three years	579.7	465.4
Total	45,418.0	63,826.3

As of 31 December 2008, the Group's trade and bills payable increased to RMB63,826.3 million from RMB45,418.0 million as of 31 December 2007.

7. *Retentions*

The Group's trade and bills receivables, including retention money receivables, as of 31 December 2007 and 31 December 2008 amounted to RMB5,232.4 million and RMB5,557.7 million, respectively. The Group's trade and bills payables, including retention money payables, as of 31 December 2007 and 31 December 2008 amounted to RMB657.8 million and RMB1,001.9 million, respectively.

8. *Prepayments, deposits and other receivables*

The Group's prepayments, deposits and other receivables increased to RMB36,384.9 million as at 31 December 2008 from RMB23,625.2 million as at 31 December 2007.

9. *Provision for supplementary pension subsidies and early retirement benefits*

In the attempt to streamline the Group's workforce and improve efficiency, the Group implemented an early retirement plan, under which the Group compensate certain early-retired employees till they formally retire. Upon retirement, they will be covered by government-sponsored retirement plans. The Group's early retirement scheme has ceased to be in effect after the listing of the Company's H Shares on the Hong Kong Stock Exchange and as such, no further new early retirement application will be accepted by the Group after the listing of the Company's H Shares on the Hong Kong Stock Exchange.

The Group's obligations in respect of the supplementary pension subsidies and early retirement benefits at the balance sheet dates were computed by an independent actuary, Towers, Perrin, Forster & Crosby, Inc., Hong Kong, which is a member of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method. As of 31 December 2007 and 31 December 2008, the Group's provision for those obligations were RMB7,745.6 million and RMB6,947.3 million, respectively.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

10. Other payables and accruals

Other payables and accruals included advances from customers, accrued salaries, wages and benefits, other tax payables and others. Advances from customers mainly represented advances received from customers for the construction contracts. Accrued salaries, wages and benefits mainly represented accruals of salaries, bonuses, allowances, housing fund, social insurance and union and education funds. Other tax payables mainly represented business tax and value-added tax payables. Others mainly represented payables to sub-contractors for payments made by the Group, deposits and performance bonds received from sub-contractors, payables for the purchases of machinery and equipment and payables for repair and maintenance expenses. As of 31 December 2007 and 31 December 2008, the Group had other payables and accruals of RMB53,582.3 million and RMB60,958.8 million, respectively. The increase in other payables and accruals was primarily due to the increase in customer advances resulting from the enlarged operating scale of the Group. The Group's advances from customers increased from RMB32,624.9 million as of 31 December 2007 to RMB33,889.9 million as of 31 December 2008.

11. Indebtedness

(a) **Borrowings**

The maturity profile of interest-bearing borrowings of the Group as of 31 December 2007 and 31 December 2008 is as follows:

	As of 31 December	
	2007	2008
	(RMB million)	
Within one year	20,766.4	**16,411.6**
In the second year	1,451.0	**2,024.1**
In the third to fifth years (inclusive)	2,250.8	**770.8**
Beyond five years	1,495.0	**2,924.7**
Total	25,963.1	**22,131.2**

The Group's gearing ratio was 83.1% and 31.4% as of 31 December 2007 and 31 December 2008, respectively. Gearing ratio is derived by dividing total interest-bearing bank loans and other borrowings by total interest bearing bank loans, other borrowings and shareholders' equity. As in March 2008, guarantees previously provided by CRCCG and its subsidiaries to the Group have been fully released or cancelled. As at 31 December 2007 and 31 December 2008, certain of the Group's interest-bearing bank loans and other borrowings were secured by certain of the Group's assets, details of which are set out in note 33 to the financial statements.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

11. Indebtedness (continued)

(b) Capital commitments

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

	As of 31 December	
	2007	2008
	(RMB million)	
Contracted, but not provided for:		
Property, plant and equipment	2,254.2	1,931.7
Intangible assets	1,107.7	159.3
Available-for-sale investment	35.0	—
	3,397.0	2,090.9
Authorized, but not contracted for:		
Property, plant and equipment	17.7	16,849.8
Properties under development	—	367.2
Available-for-sale investment	—	600.0
	17.7	17,816.9

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

12. *Use of Proceeds*

(1) Use of proceeds raised from A shares of the Company

The A shares of the Company was listed on the SSE on 10 March 2008, and the Company raised a net proceeds of RMB21,725.7 million. As at 31 December 2008, an aggregate proceeds of RMB17,169.2 million had been used and the unused proceeds amounted to RMB4,556.5 million. The application of the Company's proceeds is in line with the proposed uses disclosed in the prospectus issued in relation to the public offer of the A shares. Certain temporarily unused proceeds have been deposited in the account for proceeds of the Company, part of which has been deposited as call deposits and fixed deposits. As at 31 December 2008, specific details in relation to various projects financed by the A share proceeds of the Company are as follows:

(RMB million)

Project	Any changes in projects	Planned investment	Actual amount of proceeds applied	Unused amount	On schedule or not	In accordance with estimated earnings or not
1. Acquisition of equipment required by domestic construction projects	No	10,500.0	7,393.5	3,106.5	Basically on schedule	N/A
2. Expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	No	1,150.0	400.0	750.0	Basically on schedule	N/A
3. The project of railway system of China Railway Rail System Group Co., Ltd.	No	320.0	320.0	–	Yes	Yes
4. The project of Changsha Xiu Feng Shan Zhuang	No	400.0	300.0	100.0	Basically on schedule	N/A
5. Shijiazhuang – Wuhan Passenger Railway Line Project	No	1,500.0	900.0	600.0	No	N/A
6. Replenishment of working capital and repayment of loans	No	7,855.7	7,855.7	–	Yes	N/A
Total		21,725.7	17,169.2	4,556.5	–	–

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

12. Use of Proceeds (continued)

As at 31 December 2008, the progress of some of the Company's projects financed by the proceeds exceeded the planned schedule: The amount for the acquisition of equipment required by domestic construction projects was RMB7,393.5 million, representing an increase of RMB1,393.5 million as compared with the scheduled amount of RMB6,000 million; the amount for the Shijiazhuang — Wuhan Passenger Railway Line Project was RMB900 million, representing an increase of RMB700 million as compared with the scheduled amount of RMB200 million, which was attributed to the adjustment made by the investee, Beijing-Guangzhou Railway Passenger Line Henan Co., Ltd.(京廣鐵路客運專線河南有限公司)to the schedule of capital injection. Some of the projects financed by the proceeds failed to meet the original plan: The amount for the expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd. was RMB400 million, representing a decrease of RMB250 million as compared with the scheduled amount of RMB650 million, which was attributed to the postponement of the payment term; the amount for the project of Changsha Xiu Feng Shan Zhuang was RMB300 million, representing a decrease of RMB50 million as compared with the scheduled amount of RMB350 million.

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

The Company's H shares was listed on the Hong Kong Stock Exchange on 13 March 2008 and the Company raised a total net proceeds of approximately RMB17,358.6 million. As at 31 December 2008, an aggregate proceeds of RMB2,573.7 million was used, a net exchange loss and interest of RMB502.0 million was incurred, and the unused proceeds amounted to RMB14,282.9 million. The application of the Company's proceeds is in line with the proposed uses disclosed in the prospectus (the "Prospectus") issued in relation to the global offering of the H shares of the Company dated 29 February 2008. Temporarily unused proceeds have been deposited in the account for proceeds of the Company, part of which has been deposited as fixed deposits and structural deposits. As at 31 December 2008, specific details in relation to various projects financed by the H share proceeds of the Company are set out as follows:

(RMB million)

Project	Any changes in projects	Planned investment	Actual amount of proceeds applied	Unused amount	On schedule or not	In accordance with estimated earnings or not
1. Acquisition of equipment	No	14,107.6	837.9	13,269.8	No	N/A
2. Cement plant in Nigeria	No	1,515.1	–	1,515.1	No	N/A
3. Replenishment of working capital	No	1,735.9	1,735.9	–	Yes	N/A
4. Foreign exchange loss and interest (loss is denoted by '–')				-502.0	–	–
Total		17,358.6	2,573.7	14,282.8	–	–

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

12. Use of Proceeds (continued)

The amount of RMB14,107.6 million originally planned to be used for purchases of construction equipment for overseas projects should be completed within 2 to 3 years. Under the impact of global financial crisis and other factors, the amount of funds used for purchases of construction equipment for overseas projects as at the end of 2008 totalled RMB837.9 million, representing 6.0% of the proposed investment amount. Under the impact of global financial crisis and other factors, the cement plant project in Nigeria has not been implemented for the time being.

13. Progress of and gains from substantial projects other than proceeds investments

During the reporting period, the substantial projects other than projects financed by the listing proceeds resolved by the Board are as follows:

(1) The Company will inject additional capital of RMB65 million to CCECC-BEYOND which engaged in the development, operation and management of the Lekki Free Trade Zone in Lagos, Nigeria. CCECC, a wholly-owned subsidiary of the Company, also increased the capital injection into CCECC-BEYOND by RMB22.50 million. Upon completion of capital increase by the Company and CCECC, with additional capital increase by other investors, the registered capital of CCECC-BEYOND will increase from RMB50 million to RMB200 million. The Company's direct and indirect capital contribution to CCECC-BEYOND will be RMB100 million, representing 50% of the entire registered capital of CCECC-BEYOND. The direct shareholding of the Company will be 35% and the shareholding of CCECC will be 15%.

(2) The Company will contribute RMB150.00 million to China Railway Rail System Group Co., Ltd., a wholly-owned subsidiary of the Company, by way of capital increase for use in the newly established project of high manganese steel fork.

(3) The Company will acquire an aggregate equity interest of 60% in China Railway Real Estate Group Co., Ltd. ("CRRE") from the wholly-owned subsidiaries of the Company, namely China Railway 12th Bureau Group Co., Ltd., China Railway Fourth Survey and Design Institute Group Co., Ltd. and China Railway Construction Group Ltd., for the purpose of turning CRRE into a wholly-owned subsidiary of the Company. Upon completion of equity acquisition, the Company will inject additional capital in CRRE, which will increase the registered capital of CRRE from RMB500 million to RMB2,000 million.

(4) The Group is implementing the BT project under the secondary contract section for the expansion of the Second-Ring highway system, which is located in the main city in southeast Kunming, Yunnan Province. Such contract section has a total length of 9.8 km. The aggregate quotation is RMB2,402.28 million and the capital of the project accounted for 35% or RMB840.80 million of the total investment.

The above substantial projects other than proceeds financed by the listing proceeds have been considered and approved at the 5th meeting of the first session of the Board of the Company.

3. LIQUIDITY AND CAPITAL RESOURCES (continued)

14. Litigations and other proceedings

The Group is involved in a number of legal proceedings and claims against either the Group or its subsidiaries in the ordinary course of business. The provisions regarding these proceedings and claims were approximately RMB2.9 million as at 31 December 2008, based on the estimates of the Company's management.

15. Risk of foreign exchange

A significant portion of the Group's operating revenue is denominated in Renminbi, but some of the Group's construction operations are conducted overseas. The foreign exchange assets of the Group may increase following the development of overseas operations. In addition, some of the Group's machinery and equipment are imported from overseas. Accordingly, the Group is required from time to time to make payments in Euro or in other foreign currencies. Loans borrowed in foreign countries and the interests on these loans may need to be repaid in U.S. dollars or in other foreign currencies. The conversion of Renminbi for repayment of foreign loans via foreign currency remittances and payment of dividends are subject to the relevant PRC foreign exchange regulations. As a result, the Group is exposed to foreign exchange fluctuations and movements in the exchange rate of Renminbi, which may have a direct impact on Group's profit.

On 21 July 2005, the PRC Government reformed the Renminbi exchange rate mechanism so that the Renminbi is no longer pegged to the U.S. dollar but to a basket of currencies. A revaluation of Renminbi resulted in the appreciation of Renminbi against the U.S. dollar and Hong Kong dollar by approximately 13%. Further appreciation of Renminbi could cause increase in the Group's costs or decrease in the Group's operating revenues. In addition, the Company deposited the unused proceeds from the global offering of the H shares in bank accounts outside of China without remitting those funds into China or converting them into Renminbi assets for the time being. In the event that the appreciation of Renminbi against the U.S. dollar and Hong Kong dollar continues, the Company may incur foreign exchange loss. Conversely, depreciation of Renminbi could adversely affect the value of dividends, if any, payable on the H Shares by the Company in foreign currency terms, and could increase the cost of importing equipment and facilities that are quoted in foreign currencies.

16. Financial risks

The Group's exposed to various types of financial risks in the ordinary course of business, including fair value risk, cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk, details of which are set out in note 46 to the financial statements.

17. Property valuation

During the reporting period, the Group did not carry out valuation on its properties.

4. Outlook for the future development of the Company

1. The trend of the industry in which the Company operates

To actively tackle the global financial crisis, the PRC government has implemented certain measures to further expand the internal demand and promote economic growth. One such measure is to speed up the construction of important infrastructure such as railways, highways and airports. In the next couple of years, the Group will encounter strategic opportunities rarely seen in one hundred years. In respect of different industry segments:

(1) Railway industry

In the plan for expanding internal demand with a total investment amount of RMB4 trillion introduced by the PRC government, railway construction is a major factor driving internal demand. Under the "Medium-to-long-term Railway Network Plan (adjusted in 2008)" of the PRC, in 2020, the planned objective for the operating mileage of railways in the PRC is adjusted from the original 100,000 km to more than 120,000 km. The construction mileage of passenger lines is adjusted from the original 12,000 km to 16,000 km. The electrization rate is adjusted from 50% to 60%. It is planned that separate lines will be constructed for passengers and cargoes for major busy trunk lines, basically establishing a railway network with a reasonable layout, a clear structure, sound functions and smooth connection. The transportation capacity can meet national economy and social development needs. Major technical equipment attains or is close to the international advanced standard.

(2) Highway industry

Pursuant to the "Highway, Waterway Transportation "11th Five-year Plan" Plan" and the medium-to-long-term plan for the communication and transportation industry of the PRC, the investment made by the PRC government in highways (including expressways) is expected to reach RMB2.1 trillion. Before 2010, the annual average investment scale is approximately RMB140,000 million. From 2010 to 2020, the investment will be approximately RMB100,000 million. Meanwhile, the Ministry of Transport made an additional investment of more than RMB2 trillion on the basis of the original construction objective. It is planned that, by 2010, the total mileage of highways in the PRC will reach 2,300,000 km; the mileage open to traffic of expressways will reach 65,000 km; the mileage of highways of Class II or above will reach 450,000 km, and the county and village highways will reach 1,800,000 km.

4. Outlook for the future development of the Company (continued)

1. *The trend of the industry in which the Company operates (continued)*

(3) Metropolitan railway industry

Currently, the construction of metropolitan railways in the PRC has entered a period of rapid development. Up to present, metropolitan railways such as underground railways and light rails are being constructed or under preparation in more than 40 cities in the PRC. Under the plan of 15 cities which have been approved for the construction of metropolitan railways, it is planned metropolitan railways of a total length of 1,700 km will be constructed by 2015, with a total investment of exceeding RMB600 billion. The planned urban lines of metropolitan railways under preparation for construction also exceeds 1,700 km. Together with railways currently under construction, metropolitan railways in the PRC will reach 3,400 km, with a total investment amount of exceeding RMB1 trillion. Of the more than 60 railways recently planned 15 cities such as Beijing, Shanghai, Guangzhou and Shenzhen, underground railways account for 72% and light rails account for 10%.

(4) Manufacturing industry

Under the "Medium-to-long-term Railway Network Plan (adjusted in 2008)", in order to achieve the objective of basically establishing a railway network with a reasonable layout, a clear structure, sound functions and smooth connection by constructing separate lines for passengers and cargoes for major busy railway trunk lines in the PRC by 2020, major technical equipment for railways will attain or be close to the international advanced standard. This has offered broad development prospects for manufacturing enterprises which are engaged in the manufacture of railway equipment such as large track maintenance machinery and high-speed railway switches. The two manufacturing enterprises which mainly rely on railway development, Kunming China Railway Large Road Maintenance Machinery Co., Ltd. and China Railway Rail System Group Co., Ltd., which are subsidiaries of the Company, have met a rare period of development opportunities.

(5) Logistics industry

The implementation of the policy of tax for fees in respect of refined oil in the PRC and the change to disposition prices of specialized refined oil will bring new challenges to the operation of refined oil. Meanwhile, the PRC central government will step up its efforts in infrastructure construction and increase investment in railways and highways, bring opportunities for the rapid development of the logistics industry.

In 2008, there were further changes to the material management mode for railway construction. The original task in respect of the supply of materials under the management of the Ministry of Railway will be handed over to the materials agency companies so as to reduce costs and increase supply efficiency. The Company's major logistics enterprise, China Railway Goods and Materials Co., Ltd. ("CRGM"), used its best endeavour to achieve the qualification of a material agency company and secured the agency service contract awarded by the Ministry of Railway for 55 projects in respect of materials under the ministry's management, and will integrate services in respect of materials under the ministry's management such as invitation to tender for purchase, organization of supply, quality control and on-site manufacturing supervision for 55 construction projects including the Jingshi Passenger Line (京石客運專線). This has opened a shortcut for further expanding the material sales share in the railway construction market and at the same time, has provided an effective platform for expanding the engineering logistics operations by CRGM.

4. Outlook for the future development of the Company (continued)

1. The trend of the industry in which the Company operates (continued)

(6) Overseas markets

As far as overseas construction markets are concerned, affected by the financial crisis, oil prices currently stay at a relatively low level. Given the impact to a certain extent on the revenue of oil export countries in Africa and the Middle East, the growth of the demand for infrastructure has slowed down. However, in respect of local economic development, the demand for infrastructure construction is still imminent. With a gradual pickup in the global economy, a rebound in energy prices and the growth of economy in the above regions, there is still much space in overseas construction markets.

2. Opportunities, challenges and risks faced by the Company

In 2009, the impact of the global financial crisis on the world economy and the economy of the PRC will persist. However, to the Company, this will bring a negative impact, together with rare opportunities, with opportunities greater than challenges.

The opportunities are reflected in:

(1) Opportunities for construction operations

Construction operations are the principal business of the Company and determine the foundation of the Company. The PRC central government has decided to use large infrastructure as a driving force for expanding internal demand and maintaining growth. Accordingly, the infrastructure industry has encountered an unprecedented development opportunity, giving rise to the peak of the industry boom. The unprecedented investment scale has offered a historical opportunity rarely seen in one hundred years as well as an unprecedented development space for the Company.

(2) Opportunities for structural change

The financial crisis and the economic downturn have provided a rare opportunity for the Company to accelerate structural change and develop profitable segments. The rapid development of railway construction and the expansion of the national infrastructure scale will result in the rapid development of the design business segment and create much room for the growth of the relevant industries such as manufacturing and logistics segments.

(3) Opportunities for fiscal, tax and financial policies

To tackle the financial crisis and curtail the rapid decline in the economy, the State has introduced and may continue to introduce a series of preferential fiscal, tax and financial policies to reduce burdens and generate profits for enterprises and facilitate the development of enterprises. Following a reduction in the enterprise income tax, the State has implemented the policy of value-added tax transformation since 1 January 2009 and adjusted the policy of export tax refund, the policy of supporting the adjustment, optimization and upgrade of the industrial structure, the fiscal and tax policy of supporting self-innovation by enterprises, the fiscal and tax policy of supporting energy saving and discharge reduction, the financial policy of supporting enterprises to go international and increase special funds of US$50 billion used for export buyer's credit, the policy of supporting central enterprises to exploit important mineral resources overseas by establishing the Central State-owned Capital Operation Budget Overseas Important Mineral Resource Equity Investment Fund (中央國有資本經營預算境外重要礦產資源權益投資資金), the policy of reducing interest rates etc. These policies will have favourable impacts on the Company.

4. Outlook for the future development of the Company (continued)

2. *Opportunities, challenges and risks faced by the Company (continued)*

Challenges and risks are mainly reflected in:

(1) With the rapid expansion of the operation scale of the Company, the demand for resources such as equipment and manpower will also increase. The Company has occupied a leading position in capital, technology, experience and equipment in the industry but the potential of various resources still awaits further exploitation. Over the next few years, the business scale of the Company may see robust growth, with an increase in large construction operations projects. The State will also impose increasingly stringent requirements on the construction plan, technical standard, working efficiency and energy saving and environmental protection. All these changes will impose stricter requirements for the Company on its ability to allocate resources, technological research and development and innovation as well as manpower demand.

(2) The successful operation of the Company's infrastructure engineering business depends on the purchase of sufficient raw materials and energy of reasonable quality from suppliers at reasonable prices. Under the impact of the complicated economic situation, there are still relatively great uncertainties associated with prices of major materials such as steel, cement and oil in the domestic and international markets.

(3) Under the impact of the financial crisis and the economic downturn, the ability of overseas owners and some domestic owners to make payment will decline. In particular, if housing owners postpone settlement, the impact will be relatively significant.

(4) The Company's exchange rate risks represent (i) exchange losses generated from proceeds from overseas listing caused by exchange rate fluctuations; and (ii) given the relatively large scale of overseas operations, there is a certain amount of foreign currency assets in respect of overseas projects. In particular, the Company's major projects are mainly concentrated in oil export countries in Africa and the Middle East. Fluctuations in oil prices will directly affect the exchange rates of local currencies.

(5) Overseas construction markets may be affected. On a global scale, the overseas construction industry is one of the industries that have suffered the greatest impact amidst the financial crisis. In recent years, the projects undertaken by the Company in the international market have mainly been distributed over major oil production countries. Affected by the economic crisis and a decline in oil prices, these countries have seen a slowdown in their infrastructure construction. The Company will find it more difficult to operate businesses overseas.

4. Outlook for the future development of the Company (continued)

3. Operation plan of the Company for 2009

Over the next couple of years, in accordance with the development thought of capturing opportunities and maintaining growth, driving improvement through optimization, enhancing control and increasing effectiveness, deepening the reform with a changing mechanism, the Company, while continuing to strengthen and develop the core business of construction operations, will further step up market development efforts in businesses such as overseas operations, survey, design and consultancy, manufacturing, logistics and goods and materials trade, capital operation and real estate development so as to gradually form new economic growth points and profit growth points. While strengthening its leading position in the domestic construction industry, the Company will actively change its operation thought and change its operation mode to realize the transformation from the labour intensive mode to the management, technology and capital intensive mode, the transformation from extensive management to lean production and intensive operation, the transformation from mainly single construction projects in the PRC to placing equal emphasis on the six major profitable segments within and outside the country and their coordinated development, the transformation from the traditional enterprise system to the modern enterprise system in an effort to develop the Company into a large construction group with the strongest competitiveness in the world.

In 2009, the Company plans to realize new contract value of RMB322,100 million and revenue from operations of RMB260,300 million (before deduction of business tax and surcharges). To achieve the aforesaid objectives, the Company will mainly undertake the following tasks in 2009 and the next few years:

(1) Capturing opportunities and maintaining growth. First, the Company will capture the opportunity of the rapid development of the railway market to continue to expand the scale of its railway operations and at the same time, continue to strengthen and expand the construction areas, regions with advantages and generating satisfactory income. Second, the Company will overcome the conflict between resources and scale and effectively allocate its internal resources. Besides, it will capitalize on the market mechanism to allocate social resources so that engineering projects can be commenced in an orderly way, and effectively control project costs while ensuring safety, quality and progress. Third, in respect of the operation strategy, the Company will prepare well by planning earlier, screening projects and locking targets and firmly abandon projects requiring advances and projects without guaranteed funds.

(2) Driving improvement through optimization. The Company will further optimize the industrial structure with a focus on expediting the growth of profitable segments so as to lead to a considerable growth of the market share, revenue from operations and profit in relation to profitable segments such as survey, design and consultation, manufacturing, logistics and material trade, capital operation and real estate development etc. and at the same time, increase the contribution proportion of profitable segments to economic benefits. Since the gross profit margin for overseas operations is higher than the domestic market, the Company has to rely on mature overseas markets, step up efforts in operation and actively undertake new projects to accomplish more vigorous development of overseas operations.

4. Outlook for the future development of the Company (continued)

3. Operation plan of the Company for 2009 (continued)

(3) Enhancing control and increasing effectiveness. First, the Company will continue to increase its internal management standard. Under the new condition of the rapid expansion of the output value, the Company will continue to strengthen and improve its internal operational management, and drive further improvement in its operational decision making, technological advancement, engineering company construction, project management, internal control and overall team building. Second, the Company will continue to step up its efforts in capital management, centralized procurement of materials and equipment, implement the frame-type construction brigade, responsibility cost management and safety and quality control to ensure the concurrent growth of revenue from operations and effectiveness. As for strengthening overall risk management and internal control, the Company and its subsidiary and project companies will all need to establish a sound and comprehensive risk management system and internal control system. In particular, they will strengthen internal control over finance and capital, and avert risks such as investment and exchange risks to ensure returns are generated for investments made by them.

(4) Deepening the reform with a changing mechanism. First, the Company will propel the trial regulated operation of the boards of its subsidiaries, establish a science corporate governance mechanism and ensure the sustained and healthy development of the Company. Second, the Company will enhance the performance appraisal and rely on policies and mechanisms to drive the initiative of the entire group.

The Board hereby presents the Report of Directors and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL OPERATIONS

The Company and the Group are principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, logistics and goods and materials trade, capital investment operations and real estate development, etc.

FINANCIAL HIGHLIGHTS

Annual results for the year ended 31 December 2008 of the Group are set out in the Consolidated Income Statement on page 85. The financial highlights of the Group for the most recent five financial years as set out from pages 193 to 194 are extracted from the 2008 annual report of the Company and the Prospectus.

DIVIDENDS

The Board recommends the payment of a final dividend in cash of RMB1 per 10 shares (including tax) for the year ended 31 December 2008, on the basis of total share capital (12,337,541,500 shares) of the Company as at 31 December 2008. The final dividend proposed is subject to the approval by the Shareholders at the annual general meeting. If approved, the Company will further announce the arrangement for the distribution of dividends, including the record date for distribution of dividend and the closure of H shares register of members.

The Company did not pay any interim dividend for the six months ended 30 June 2008.

TAXATION ON DIVIDEND

In accordance with the relevant regulations on taxation in the PRC, foreign individuals holding H shares are exempted from paying individual income tax for dividends (bonus) obtained from companies incorporated in the PRC issuing H shares. When a PRC enterprise distributes annual or interim dividends for the year 2008 and years thereafter to their H share shareholders who are overseas non-resident enterprises (including any H shares registered under the name of HKSCC Nominees Limited, other institutional nominees, trustees, or other organizations or groups, shall be treated as shares being held by a non-resident enterprise shareholder), enterprise income tax shall be withheld at a uniform rate of 10% by the relevant PRC enterprise. Any natural person investor holding H shares of the Company registered under the names of these non-resident enterprise Shareholders, who does not wish to have its enterprise income tax to be withheld by the Company, may consider transferring the legal title of the relevant H shares under his/her own name, and lodge all the related H share certificates together with transfer documents with the Company’s H share registrar for registration.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends payable by the Company.

SHARE CAPITAL

Details of share capital of the Company are set out in note 14 to the financial statements.

In 2008, none of the Company or its subsidiaries had issued any convertible or redeemable securities, options, warrants or any other similar rights.

RESERVES

Changes to reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity from pages 88 to 90 and note 39(b) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to Article 184 of the Articles of Association, the reserves available for distribution during a period is the lower of the amounts as shown in financial statements prepared in accordance with PRC generally acceptable accounting principles and international financial reporting standards.

In accordance with the PRC Company Law, the profits after tax may be distributed as dividends after the Company has set aside funds for statutory reserves. As at 31 December 2008, the Company had a distributable reserve of approximately RMB1,978,688,000.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2008, the Group had no designated deposits placed with any financial institution in China, nor any time deposit which could not be recovered upon maturity.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC laws, according to which the Company would be obliged to offer new shares on a pro rata basis to the existing Shareholders.

LITIGATIONS OR CONTINGENT LIABILITIES

(a) Pending litigations

As at 31 December 2008, the Group had one pending litigation involving an amount exceeding RMB50.0 million, i.e, China Railway 14th Bureau Group Co., Ltd. commenced a litigation against China Group Real Estate Development Group Jinan Junan Construction Company Limited (中國房地產開發集團濟南軍安工程有限公司) for construction contractual dispute. At present, the case is still under trial. An agent has been appointed to conduct valuation on the construction cost, and measures have been taken for protection of property.

During the reporting period, the Group was involved in 17 outstanding law suits each with a claim exceeding RMB10 million, totaling RMB569.9 million. Each of the 17 outstanding law suits has an insignificant claim, with the Group being the plaintiff of 9 claims (with an aggregate amount of claims of RMB461.8 million) and it has taken measures for protection of property. Therefore, these suits will not cause significant loss to the Company, nor will they have material adverse effects on the Company's operation and financial position.

LITIGATIONS OR CONTINGENT LIABILITIES (continued)

(b) Contingent liabilities

The details of the contingent liabilities of the Company are set forth in note 41 of the financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and senior management of the Company are set out on pages 17 to 24.

Pursuant to Articles 104 and 145 of the Articles of Association, the term of office for the Directors and the Supervisors is three years, being eligible for re-election upon expiry.

SERVICE CONTRACTS AND REMUNERATION OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors entered into a service contract with the Company for a term of three years. None of the Directors and Supervisors had entered into service contract with the Company which could not be terminated by the Company without compensation (other than statutory compensation) within one year. Remuneration of Directors and Supervisors and details of the five persons with the highest remuneration are set out in note 10 to the financial statements in this annual report. For the year ended 31 December 2008, none of the Directors and Supervisors of the Company waived or agreed to waive any remuneration.

INTERESTS IN THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

For the year ended 31 December 2008, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong) which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified by the directors, supervisors and chief executives to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2008, neither the Company nor its subsidiaries had entered into any contracts in which any Director or Supervisor had a material interest, whether directly or indirectly. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

EMPLOYEES AND RETIREMENT PLAN

As at 31 December 2008, the Group had 190,545 employees. Employees' emolument includes salary, performance bonus and allowance. Employees of the Company also receive welfare benefits including pension insurance, medical insurance, unemployment insurance, workplace injury insurance, maternity insurance, housing fund and other benefits.

EMPLOYEES AND RETIREMENT PLAN (continued)

According to applicable PRC laws and regulations, the premiums for pension insurance and unemployment insurance are contributed strictly pursuant to PRC national, provincial and municipal regulations, among which basic pension insurance is contributed according to the national standard of 8% by the employee and 20% to 23% by the employer. Employees contribute 1% and employer must pay a corresponding rate of 2% of their wages to unemployment insurance. Workplace injury insurance rates vary with different industries, ranging from 0.5% to 1.5% of employees' wages. The contribution rate for medical insurance and maternity insurance are subject to local regulations.

SHARE CAPITAL STRUCTURE

As at 31 December 2008, share capital structure of the Company was as follows:

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

* Lock-up period is 36 months from the date of listing of the A shares of the Company (i.e. 10 March 2008)

** Including the National Council for Social Security Fund

PARTICULARS OF THE TOP 10 SHAREHOLDERS AND THE TOP 10 HOLDERS OF TRADABLE SHARES

As at 31 December 2008, particulars of the top 10 Shareholders and the top 10 holders of tradable shares were as follows:

Total number of Shareholders at the end of the reporting period	268,769

Particulars of the top 10 Shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
China Railway Construction Corporation	State-owned shares	63.31%	7,811,245,500	-188,754,500	7,811,245,500	–
HKSCC NOMINEES LIMITED	Overseas listed foreign invested shares	16.65%	2,054,087,000	2,054,087,000	–	–
Industrial and Commercial Bank of China - China Universal Asset Management Balanced Growth Equity Securities Investment Fund (中國工商銀行－匯添富均衡增長股票型證券投資基金)	A shares	0.43%	52,540,264	52,540,264	–	–
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund (中國農業銀行－中郵核心成長股票型證券投資基金)	A shares	0.35%	43,596,118	43,596,118	–	–
Industrial and Commercial Bank of China - Boshi Selective Shares Securities Investment Fund (中國工商銀行－博時精選股票證券投資基金)	A shares	0.33%	40,473,588	40,473,588	–	–
Bank of Communications - Boshi Emerging Growth Fund (交通銀行－博時新興成長股票型證券投資基金)	A shares	0.31%	38,241,842	38,241,842	–	–
Industrial and Commercial Bank of China - Southern Carefully Chosen Securities Investment Fund (中國工商銀行－南方成份精選股票型證券投資基金)	A shares	0.30%	37,534,343	37,534,343	–	–

PARTICULARS OF THE TOP 10 SHAREHOLDERS AND THE TOP 10 HOLDERS OF TRADABLE SHARES (continued)

Name of Shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
Industrial and Commercial Bank of China - Southern Securities Investment Fund for Stocks with Good Performance and Growth (中國工商銀行－南方績優成長股票型證券投資基金)	A shares	0.30%	37,281,247	37,281,247	–	–
China Construction Bank - China AMC Dividend Mixed Open-end Securities Investment Fund (中國建設銀行－華夏紅利混合型開放式證券投資基金)	A shares	0.29%	35,234,808	35,234,808	–	–
Industrial and Commercial Bank of China - Huitianfu Growth Focus Securities Investment Fund (中國工商銀行－匯添富成長焦點股票型證券投資基金)	A shares	0.27%	33,738,143	33,738,143	–	–

PARTICULARS OF THE TOP 10 SHAREHOLDERS AND THE TOP 10 HOLDERS OF TRADABLE SHARES (continued)

Particulars of the top 10 Shareholders not subject to trading moratorium:

Name of Shareholder	Number of shares not subject to trading moratorium at end of the reporting period	Type of shares
HKSCC NOMINEES LIMITED	2,054,087,000	H
Industrial and Commercial Bank of China - China Universal Asset Management Balanced Growth Equity Securities Investment Fund (中國工商銀行－匯添富均衡增長股票型證券投資基金)	52,540,264	A
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund (中國農業銀行－中郵核心成長股票型證券投資基金)	43,596,118	A
Industrial and Commercial Bank of China - Boshi Selective Shares Securities Investment Fund (中國工商銀行－博時精選股票證券投資基金)	40,473,588	A
Bank of Communications - Boshi Emerging Growth Fund (交通銀行－博時新興成長股票型證券投資基金)	38,241,842	A
Industrial and Commercial Bank of China - Southern Carefully Chosen Securities Investment Fund (中國工商銀行－南方成份精選股票型證券投資基金)	37,534,343	A
Industrial and Commercial Bank of China - Southern Securities Investment Fund for Stocks with Good Performance and Growth (中國工商銀行－南方績優成長股票型證券投資基金)	37,281,247	A
China Construction Bank - China AMC Dividend Mixed Open-end Securities Investment Fund (中國建設銀行－華夏紅利混合型開放式證券投資基金)	35,234,808	A

PARTICULARS OF THE TOP 10 SHAREHOLDERS AND THE TOP 10 HOLDERS OF TRADABLE SHARES (continued)

Name of Shareholder	Number of shares not subject to trading moratorium at end of the reporting period	Type of shares
Industrial and Commercial Bank of China - Huitianfu Growth Focus Securities Investment Fund (中國工商銀行－匯添富成長焦點股票型證券投資基金)	33,738,143	A
Boshi Value Growth Fund (博時價值增長證券投資基金)	30,000,000	A

Explanations of the connected relationship or concerted action among the above Shareholders	Among the above Shareholders, Industrial and Commercial Bank of China - China Universal Asset Management Balanced Growth Equity Securities Investment Fund and Industrial and Commercial Bank of China - Huitianfu Growth Focus Securities Investment Fund are managed by Huitianfu Fund Management Co. Ltd. Industrial and Commercial Bank of China - Boshi Selective Shares Securities Investment Fund, Bank of Communications - Boshi Emerging Growth Fund and Boshi Value Growth Fund are managed by Boshi Fund Management Co. Ltd. Industrial and Commercial Bank of China - Southern Carefully Chosen Securities Investment Fund and Industrial and Commercial Bank of China - Southern Securities Investment Fund for Stocks with Good Performance and Growth are managed by Boshi Fund Management Co. Ltd. The Company has no information on whether there is any connected relationship among other Shareholders or whether such shareholders are parties to any concerted action.

PARTICULARS OF LEGAL PERSON SHAREHOLDER HOLDING 10% OR MORE OF THE TOTAL ISSUED SHARES

As at 31 December 2008, other than HKSCC NOMINEES LIMITED, CRCCG was the only Shareholder holding 10% or more of the total issued shares.

PUBLIC FLOAT

As at the date of this annual report, a total of 4,526,296,000 shares were held by the public, representing 36.69% of the total issued share capital of the Company; of which, 2,076,296,000 H shares were held by the public, representing 16.83% of the total issued share capital of the Company, and 2,450,000,000 A shares were held by the public, representing 19.86% of the total issued share capital of the Company.

The Company maintained sufficient public float as required by the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDER

So far as the directors of the Company are aware, as at 31 December 2008, the persons who have interests or short positions in the shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholders (Note 1)	Class of shares	Capacity	Number of shares held (Note 2)	Percentage in the relevant class of issued share capital	Percentage in total share capital
China Railway Construction Corporation	A shares	Beneficial owner	7,811,245,500	76.12%	63.31%
National Council for Social Security Fund of the PRC	H shares	Beneficial owner	170,600,000 (L)	9.09%	1.40%
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager, trustee	170,688,518 (L) 1,403,000 (S) 71,975,518 (P) (Note 3)	8.22% 0.07% 3.47%	1.38% 0.01% 0.58%

Notes:

1. Source of data on the shareholdings of the substantial holders of H shares: the HKExnews website of the Hong Kong Stock Exchange.
2. L— long positions; S— short positions; P— lending pool.
3. As at 31 December 2008, JPMorgan Chase & Co. held long positions in an aggregate of 170,688,518 H shares in the Company, through some of its controlled corporations, of which 71,975,518 H shares were in the lending pool, and held short positions in an aggregate of 1,403,000 H shares through some of its controlled corporations.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

In 2008, the Company did not redeem any of its shares. In 2008, none of the Company or its subsidiaries purchased or disposed of any shares in the Company.

MANAGEMENT CONTRACT

In 2008, there was no management or administration contract in respect of all of, or substantial part of, the Company's business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, the purchase from the largest supplier accounted for 0.8% of the Company's total cost of sales, and the purchase from the top five suppliers accounted for 2.0% of the total cost of sales for construction operations of the Company.

For the year ended 31 December 2008, the sales to the largest customer of construction operations accounted for 6.3% of the segment's revenue of the Company, and the sales to the top five customers of construction operations accounted for 18.3% of the segment's revenue of the Company in 2008.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

At any time of 2008, none of Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing Shareholders who held, as to the knowledge of Directors, 5% or more of the Company's issued share capital held any interest in the five largest suppliers or customers of the Group.

CONNECTED TRANSACTIONS

Transactions between the Company and its connected persons (as defined in the Hong Kong Listing Rules) constitute connected transactions of the Company under the Hong Kong Listing Rules. These transactions shall be monitored and managed by the Company under the Hong Kong Listing Rules. Set out below are non-exempt connected transactions recorded by the Company during this year:

Non-exempt continuing connected transactions

During the year ended 31 December 2008, the Company had the following non-exempt continuing connected transactions with CRCCG, the controlling Shareholder of the Company, and/or its associates which were disclosable under Chapter 14A of the Hong Kong Listing Rules ("Non-exempt Continuing Connected Transactions") and the approved annual caps and actual income or expenditure in respect of the respective Non-exempt Continuing Connected Transactions are set out below:

	Nature of transaction	2008 annual cap as set out in the Prospectus RMB'000	Revised 2008 annual cap RMB'000	Actual annual value of the accumulated transactions in 2008 RMB'000
	Revenue			
1	Provision by the Company and/or its subsidiaries of construction services in respect of the CRCCG office building (note 1)	170,000	–	121,432
2	Provision by the Company and/or its subsidiaries of construction and related services in respect of the BOT projects partially retained by CRCCG (note 2)	1,700,000	–	1,002,028
	Expenditure			
3	Provision of services by CRCCG (or its associates) to the Company and/or its subsidiaries (note 1)	225,000	420,000 (note 3)	418,468

Notes:

1. As stated in the Prospectus, CRCCG retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these operations continued to provide ancillary construction survey and supervisory services to the Company and/or its subsidiaries. In addition, certain subsidiaries of the Company have been providing survey, design and supervisory services as well as construction services to CRCCG for the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC commencing from 2005. In order to regulate the provision of the above services between the Company and/or its subsidiaries and CRCCG, the Company and CRCCG entered into a Services Mutual Provision Framework Agreement on 5 November 2007 (as supplemented by a supplemental agreement dated 29 January 2008). The agreement will expire on 31 October 2010, subject to renewal.

CONNECTED TRANSACTIONS (continued)

2. As stated in the Prospectus, in the process of the restructuring and listing of the Company, CRCCG retained the equity interests in the project companies of five BOT projects, namely, 80% equity interest in Chongqing Tiefa Suiyu Highway Co., Ltd. ("Suiyu Highway"), 80% equity interest in Nanjing Changjiang Tunnel Co., Ltd. ("Changjiang Tunnel"), 70% equity interest in Beijing Tongda Jingcheng Highway Co., Ltd. ("Jingcheng Highway"), 55% (subject to completion of the transfer procedures, 90%) equity interest in Xianyang Zhongtie Road and Bridge Co., Ltd. and 90% equity interest in Guangdong Chaojie Highway Co., Ltd. Following the listing of its H shares on the Hong Kong Stock Exchange, the Company continued to provide construction services and related services such as construction, survey, design and supervision services ("Construction and Related Services'') for the partially Retained BOT Projects. In order to regulate the business relationship between the Company and/or its subsidiaries and the Retained BOT Projects, the Company and CRCCG entered into a Construction and Related Services Framework Agreement on 5 November 2007 (as supplemented by a supplemental agreement dated 29 January 2008). The agreement will expire on 31 October 2010, subject to renewal. During this year, the Group only provided Construction and Related Services to Suiyu Highway, Changjiang Tunnel and Jingcheng Highway.

3. As the PRC Government has increased investments in railway construction, including investments in new construction and renovation projects of railways, to stimulate domestic demand and the Ministry of Railways has shortened the scheduled construction periods of some railway construction projects which resulted in an acceleration of the work progress, causing an increase in the provision of ancillary services by CRCCG to the Group, the original annual cap for 2008 disclosed in the Prospectus was insufficient to meet the demand of the Group. As such, the Company has revised the 2008 annual cap for the transactions in relation to the expenditure incurred for provision of services by CRCCG in the announcement "Continuing Connected Transactions – Revision of the 2008 Annual Cap for the Provision of Ancillary Services by CRCCG" released by the Company on 2 April 2009.

Independent non-executive Directors of the Company have reviewed the Non-Exempt Continuing Connected Transactions and confirm that:

1. such transactions have been entered into by the Company in the ordinary and usual course of the Company's business;

2. the terms of such transactions are fair and reasonable so far as the interest of the Shareholders as a whole are concerned;

3. such transactions have been entered into on normal commercial terms or, where there is available for comparison, on terms no less favorable than those available to or from independent third parties; and

4. such transactions have been entered into in accordance with the terms of the agreement governing such transactions.

The Company's auditors had provided a report to the Directors on the execution of agreed-upon procedures of the Non-exempt Continuing Connected Transactions that:

1. the transactions have been approved by the Board;

2. the sample transactions have been entered into in accordance with the pricing policies of the Group;

3. the sample transactions have been entered into in accordance with the respective terms of the agreements governing such transactions; and

4. the actual value of the transactions in 2008 had not exceeded the respective annual caps as disclosed by the Company in the Prospectus or the announcement dated 2 April 2009.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

CRCCG confirmed that during 2008, it had not breached its undertakings under the non-competition agreement entered into with the Company on 5 November 2007.

DONATION

The Group has always been supporting social charity and actively participating social donation, with a view to feedback to the society through various means and endeavour to promote the harmonious development between the Group and the society. During the reporting period, the Group and the Group's employees donated RMB53.344 million in aggregate to the earthquake disaster areas in Sichuan. Besides, the Group donated HK$1,000,000 to the Corporate and Employee Contribution Programme of the Community Chest of Hong Kong, which made the Group be awarded with the "President ward" in Hong Kong.

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY

None of our Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MAJOR EVENTS

1. ASSETS TRANSACTIONS

(1) Assets acquisitions

(1) On 11 January 2008, China Railway Real Estate Group Co., a subsidiary of the Company, entered into an equity transfer agreement with Hunan Xingsha Enterprise Development Co., Ltd. 湖南星沙實業發展有限公司 ("Xingsha Enterprise") to acquire 51% of equity interests in Hunan Xingsha International Logistics Company Limited 湖南星沙國際物流有限公司 ("Xingsha Logistics") held by Xingsha Enterprise, at a consideration of RMB200 million. On 16 December 2008, Xingsha Logistics was renamed Hunan Zhongshengjiaye Property Development Company Limited 湖南中盛嘉業房地產開發有限公司, and its principal activity is property development. The company has a parcel of land of 685 mu, with a net usage area of 613 mu, located in Changsha National Economic Development Zone, which is of national grade and can be used for commercial and residential purposes.

(2) On 11 August 2008, China Railway 19th Bureau Group Co., Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Geng Fengwen (耿鳳文), a shareholder of Linxi Xian Tonghe Mining Co., Ltd. 林西縣通和礦業有限公司 ("Tonghe Mining"), to acquire 100% equity interests in Tonghe Mining from that shareholder, at a consideration of RMB205 million.

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

1. ASSETS TRANSACTIONS (continued)

(1) Assets acquisitions (continued)

Counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Acquisition price	Net profits contributed to the Company from the date of acquisition to the end of 2008	Net profits contributed to the Company from the beginning of 2008 to the end of 2008 (applicable to consolidation between the enterprises under common control)	Was it a connected transaction? (if so, please address the pricing principles)	Did the titles of related assets have all been transferred?	Did the related creditors have all been assigned?
Xingsha Enterprise	51% equity interests in Xingsha Logistics	31 March 2008	RMB200,000,000	RMB-1,690,000	—	No	Yes	Yes
Geng Fengwen 耿鳳文	100% equity interest in Tonghe Mining	13 August 2008	RMB205,000,000	—	—	No	Yes	Yes

(2) Assets disposals

In August 2007, China Railway 23rd Bureau Group Co., Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Yitai Coal Company Limited (內蒙古伊泰煤炭股份有限公司) ("Inner Mongolia Yitai"), to transfer 35% equity interests in Inner Mongolia Huzhun Railways Limited ("Huzhun Railways") (內蒙古呼准鐵路有限公司) held by it to Inner Mongolia Yitai. The transfer price was RMB354 million. Gains from such disposal of equity interest amounted to RMB144 million. As at the date of the financial statements for the reporting period, the equity transfer has been completed, and the transfer price of RMB354 million has been settled in full.

Counterparty	Assets disposed	Date of disposal	Disposal price	Net profits contributed to the Company from the beginning of 2008 to date of disposal	Loss or gains from the disposal	Was it a connected transaction? (if so, please address the pricing principles)	Did the titles of related assets have all been transferred?	Did the related creditors have all been assigned?
Inner Mongolia Yitai	35% equity interests in Huzhun Railways held by China Railway 23rd Bureau Group Co., Ltd.	March 2008	RMB353,877,400	–	RMB143,877,400	No	Yes	Yes (date of release of the guaranteed debts: 7 July 2008)

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

2. **Significant guarantees**

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

External guarantees granted by the Company (excluding guarantees provided to the subsidiaries)

Name of the guaranteed party	Date of guarantee (date of the agreement)	Amount of guarantee (RMB million)	Type of guarantee	Guarantee period	Has it been completed	Was it provided to a related party? (yes or no)
ChunWo-Henryvicy-CRCC-Queensland Rail Joint Venture	4 May 2006	1.1	General liability guarantee	4 May 2006 to 8 August 2010	No	Yes
CLPE-CRCC-HG Joint Venture	28 September 2006	1.0	General liability guarantee	28 September 2006 to 30 June 2009	No	Yes
Sichuan Naxu Railway Company Limited 四川納敘鐵路有限公司	28 December 2006	67.2	General liability guarantee	28 December 2006 to 28 December 2026	No	Yes
Sichuan Naxu Railway Company Limited 四川納敘鐵路有限公司	16 April 2008	42.0	General liability guarantee	16 April 2008 to 16 April 2028	No	Yes

Total amount of guarantee during the reporting period (RMB million)	42.0
Total amount of outstanding guarantee as at the end of the reporting period (RMB million)	111.3
Guarantees granted by the Company to its subsidiaries	
Total amount of guarantee provided to the subsidiaries during the reporting period (RMB million)	3,839.9
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period (RMB million)	13,303.2
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantee (RMB million)	13,414.6
Percentage of the total amount of guarantee to the net assets of the Company	27.8%
Including:	
Amount of guarantee provided to the shareholders, actual controllers and other related parties (RMB million)	—
Amount of guarantee provided directly or indirectly to the guaranteed parties with gear ratio of over 70% (RMB million)	12,940.6
Total amount of guarantee exceeding 50% of the net assets (RMB million)	—
Total amount of the above three guarantees	12,940.6

Note: The subsidiaries mentioned in this table are all wholly-owned subsidiaries of the Company.

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

3. MATERIAL CONTRACTS

Material contracts signed by the Group during the reporting period

No.	Date of the contract	Summary of the contract	Contract amount RMB100 million	Subject of the contract	Performance period
Domestic operating contracts					
1	31 January 2008	Civil works for the TJ-1 section of the New Beijing-Shanghai Express Railway	166.988	China Railway 17th Bureau Group Co., Ltd.	59 months
2	31 January 2008	Civil works for the TJ-4 section of the New Beijing-Shanghai Express Railway	170.446	China Railway 12th Bureau Group Co., Ltd.	59 months
3	20 August 2008	Station construction works for the HNCJZQ-6 section of the New Shanghai-Nanjing Intercity Rail Transit	32.187	China Railway 11th Bureau Group Co., Ltd.	17.5 months
4	24 July 2008	The JS-3 section of the New Passenger Railway Line from Beijing to Shijiazhuang	52.775	China Railway 11th Bureau Group Co., Ltd.	48 months
5	24 July 2008	The JS-4 section of the New Passenger Railway Line from Beijing to Shijiazhuang	36.629	China Railway 12th Bureau Group Co., Ltd.	48 months
6	20 September 2008	Station construction works for the XSGZQ-4 section of the section from the border between Guangdong and Fujian to the southern part of Huizhou of the Xiashen Railway	37.766	China Railway 19th Bureau Group Co., Ltd., China Railway 11th Group Third Engineering Co., Ltd.	33 months
7	3 October 2008	The Futian, Shenzhen station construction works and related civil works for the ZH-4 section	43.450	China Railway 15th Bureau Group Co., Ltd.	46 months
8	15 October 2008	The XPJX-4 section of the section from Sanjiang town to Fuzhou of the New Xiangtang-Putian Railway	31.864	China Railway 24th Bureau Group Co., Ltd.	36 months
9	15 December 2008	The XPFJ-1 section of the section from Sanjiang town to Fuzhou of the New Xiangtang-Putian Railway	40.153	China Railway 18th Bureau Group Co., Ltd.	43 months
10	15 December 2008	The XPFJ-3 of the section from Sanjiang town to Fuzhou of the New Xiangtang-Putian Railway	45.027	China Railway 14th Bureau Group Co., Ltd.	44 months
11	20 October 2008	Civil works for the TJ I section of the Hubei section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan	39.860	China Railway 23rd Bureau Group Co., Ltd.	38 months
12	20 October 2008	Civil works for the TJ II section of the Hubei section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan	50.807	China Railway 11th Bureau Group Co., Ltd.	38 months
13	14 October 2008	The SZ-2 section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan (Hebei section)	45.052	China Railway 14th Bureau Group Co., Ltd.	41 months
14	20 October 2008	Station construction works for the SWZQ-2 section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan (Henan section)	55.271	China Railway 19th Bureau Group Co., Ltd.	32.5 months

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

3. MATERIAL CONTRACTS

Material contracts signed by the Group during the reporting period

No.	Date of the contract	Summary of the contract	Contract amount RMB100 million	Subject of the contract	Performance period
Domestic operating contracts (continued)					
15	20 October 2008	Station construction works for the SWZQ-8 section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan (Henan section)	42.804	China Railway 18th Bureau Group Co., Ltd.	32.5 months
16	20 October 2008	Station construction works for the SWZQ-9 section of the New Passenger Railway Line from Shi Jiazhuang to Wuhan (Henan section)	38.210	China Railway 17th Bureau Group Co., Ltd.	32.5 months
17	16 November 2008	Project construction for the section 1 of the New Passenger Railway Line from Tianjin to Qin Huangdao	47.138	China Railway 22nd Bureau Group Co., Ltd.	48 months
18	16 November 2008	Project construction for the section 3 of the New Passenger Railway Line from Tianjin to Qin Huangdao	48.938	China Railway 17th Bureau Group Co., Ltd.	48 months
19	16 November 2008	Project construction for the section 4 of the New Passenger Railway Line from Tianjin to Qin Huangdao	36.514	China Railway 21st Bureau Group Co., Ltd.	48 months
20	22 December 2008	Station construction works for the GGTJ-4 section of the New Railway Line from Guiyang to Guangzhou	32.966	China Railway 18th Bureau Group Co., Ltd.	72 months
21	22 December 2008	Station construction works for the GGTJ-6 section of the New Railway Line from Guiyang to Guangzhou	56.059	China Railway 12th Bureau Group Co., Ltd.	72 months
22	22 December 2008	Station construction works for the GGTJ-7 section of the New Railway Line from Guiyang to Guangzhou	52.664	China Railway 23rd Bureau Group Co., Ltd.	72 months
23	22 December 2008	Station construction works for the GGTJ-9 section of the New Railway Line from Guiyang to Guangzhou	35.431	China Railway 14th Bureau Group Co., Ltd.	72 months
24	22 December 2008	Station construction works for the GGTJ-11 section of the New Railway Line from Guiyang to Guangzhou	43.210	China Railway 16th Bureau Group Co., Ltd.	72 months
25	21 December 2008	Civil works and laying and erecting construction works for the section 1 of the New Railway Line from Chongqing to Lichuan	36.401	China Railway 12th Bureau Group Co., Ltd.	60 months

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

3. MATERIAL CONTRACTS

Material contracts signed by the Group during the reporting period

No.	Date of the contract	Summary of the contract	Contract amount RMB100 million	Subject of the contract	Performance period
Oversea operating contracts					
1	3 February 2008	Libya Coastal Railway	128.450	China Civil Engineering Construction Corporation	48 months
2	3 February 2008	Libya Alhishe-Sabha Railway	58.373	China Civil Engineering Construction Corporation	36 months
3	22 May 2008	Social Housing Project of Angola	47.976	China Railway 14th Bureau Group Co., Ltd., China Railway 17th Bureau Group Co., Ltd.	September 2008 to August 2011
4	19 August 2008	Extension Project of Libya Coastal Railway	56.606	China Civil Engineering Construction Corporation	November 2008 to February 2013

4. IMPLEMENTATION OF COMMITMENTS

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

(2) As disclosed in the Prospectus, the Group owned 836 parcels of land in total, including 349 parcels of original allocated land for which the Group was in the process of applying for land use rights by way of capital contribution by the State as the consideration, and 53 parcels for which the Group was in the process of going through the procedures for granted land use rights. During the reporting period, the Group continued to press ahead works on renewing and applying for land use rights certificates. As at 31 December 2008, land use right certificates had been obtained for 300 parcels of original allocated land by way of capital contribution by the State as consideration of the land use rights, and the granting procedures for 42 parcels of land had been completed and land use right certificates had been obtained accordingly. The Group will further push ahead with the perfection of the land use rights certificates to fulfill its undertakings to the shareholders.

5. SUBSEQUENT EVENTS

(1) On 5 January 2009, China Railway Rail System Group Co., Ltd. ("CRRS"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CRCCG to acquire the entire State-owned interest in Longchang Railway Materials Factory 隆昌工務器材廠 held by CRCCG at a consideration of RMB56.3 million, which was the public listed price of such State-owned interest on the China Beijing Equity Exchange. (Please refer to the announcement of the Company dated 6 January 2009 for details).

THE DIRECTORS' INTERESTS IN THE BUSINESSES THAT COMPETE WITH THE COMPANY (continued)

MAJOR EVENTS (continued)

5. SUBSEQUENT EVENTS (continued)

(2) On 16 February 2009, Mr. WU Xiaohua resigned as a non-executive director of the Company. (Please refer to the announcement of the Company dated 17 February 2009 for details). A resolution relating to the proposed appointment of Mr. ZHU Mingxian as a non-executive director of the Company was passed at the 15th meeting of the first session of the Board held on 27 March 2009. (Please refer to the announcement of the Company dated 31 March 2009).

(3) On 16 April 2009, at the 16th meeting of the first session of the Board, the Board resolved that Mr. JIN Puqing retire as an executive director and president of the Company as he has reached the age of retirement and agreed the proposed appointment of Mr. ZHAO Guangfa as a director and the president of the Company and engage Mr. ZHANG Zongyan and Mr. LIU Ruchen as the vice-presidents of the Company. (Please refer to the announcement of the Company in relation to the change in directorship and the overseas regulatory announcement, both dated 17 April 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2008, the Company had fully complied with the code provisions in the Corporate Governance Code.

For details of the Company's corporate governance, please refer to the section headed "Corporate Governance Report" in this annual report.

AUDIT AND RISK MANAGEMENT COMMITTEE

Terms of reference of the audit and risk management committee were prepared and adopted in accordance with the Guide for the Formation of an Audit Committee issued by the Hong Kong Institute of Certified Public Accountants.

The Company's financial statements for the year ended 31 December 2008 were reviewed by the audit and risk management committee of the Company.

AUDITORS

The Company has appointed Ernst & Young and Ernst & Young Hua Ming respectively as international and domestic auditors for the year ended 31 December 2008. Ernst & Young has performed auditing on the accompanying financial statements which were prepared in accordance with IFRSs. The Company has employed Ernst & Young and Ernst & Young Hua Ming since the date of its listing. The proposal for retaining Ernst & Young and Ernst & Young Hua Ming respectively as international and domestic auditors for the year ending 31 December 2009 will be put forward for approval at the forthcoming annual general meeting of the Company.

By order of the Board of Directors
LI Guorui
Chairman

Beijing, PRC
28 April 2009

Report of Supervisory Committee

Dear Shareholders,

On behalf of the first session of the Supervisory Committee of CRCC, I would like to submit to the Shareholders a report on the work of the Supervisory Committee in the reporting period. The Supervisory Committee was established upon the approval of the general meeting of the Company on 5 November 2007. The first session of the Supervisory Committee comprises three Supervisors, namely, Mr. Peng Shugui, Mr. Huang Shaojun and Ms. Yu Fengli.

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

During the year 2008, the Supervisory Committee held three meetings, among which, the resolutions in respect of 2007 Work Report of Supervisory Committee, the Company's 2007 Annual Report and its summary and the 2008 First Quarterly Report of the Company were considered and passed at the second meeting of the first session of the Supervisory Committee held on 25 April; the resolution in respect of the 2008 Interim Report and its summary of the Company was considered and passed at the third meeting of the first session of the Supervisory Committee held on 25 August; and the resolution in respect of the 2008 Third Quarterly Report of the Company was considered and passed at the forth meeting of the first session of the Supervisory Committee held on 30 October.

II. PRINCIPAL DUTIES OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the Board, its members and senior management, so as to prevent them from abusing authority and infringing the legal interests of the Shareholders, the Company and its staff members. The Supervisory Committee conducted the following activities during the reporting period:

1. *Review of implementation of resolutions of the general meetings*

During the reporting period, the Supervisory Committee attended ten Board meetings and two general meetings. The Supervisory Committee has thoroughly supervised and examined the procedures of convening Board meetings and the general meetings and the events proposed at the meetings, the implementation by the Board of the resolutions approved at the general meetings and the performance of Directors, managers and senior management of their duties. The Supervisory Committee is of the view that the decision making procedures of the Company are effective and in compliance with laws, the resolutions of general meetings and Board meetings are implemented in good manner, and the corporate governance and internal control system are sound and a relatively good balance mechanism among the operational departments, decision making departments and supervision departments is in place.

2. *Inspection of legal compliance of the Company's operations*

During the reporting period, the Supervisory Committee has inspected the legal compliance of the Company's operations. The Supervisory Committee is of the view that, during the reporting period, the Directors, managers and other senior management of the Company were upright, diligent and dedicated, in strict compliance with relevant national laws and regulations and various rules and systems of the Company, and implemented due diligence in respect of the Company's development, so as to complete the tasks set forth in the beginning of the year. The Directors, managers and senior management did not violate laws and regulations and the Articles of Association nor did they prejudice against the interests of the Shareholders.

3. *Inspection of the Company's daily operating activities*

During the reporting period, the Supervisory Committee closely monitored the operations of the Company, duly supervised the financial and capital operations of the Company and reviewed the performance by the directors and senior management of the Company of their duties. The Supervisory Committee was of the opinion that, during the reporting period, the governance structure of the Company was in normal operation, the internal control system of the Company was sound and the significant economic decision-making and the operating and management activities of the Company were in compliance with the laws and regulations.

II. PRINCIPAL DUTY OF THE SUPERVISORY COMMITTEE (continued)

4. *Inspection of the actual application of proceeds*

The Supervisory Committee was of the opinion that the actual application of proceeds of the Company was in line with the proposed use of proceeds as set out in the Prospectus during the reporting period, and was not aware of any misappropriation of proceeds or any matters that impaired the interests of the Company and its Shareholders.

5. *Inspection of the Company's financial status*

The Supervisory Committee verified cautiously the Company's 2008 final financial statements, and supervised and inspected the Company's implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure and connected transactions. The Supervisory Committee was of the opinion that the operating results achieved by the Company were true and the expenses were reasonable. The Supervisory Committee reviewed the auditors' report provided by the international auditors Ernst & Young and did not have any objection.

6. *Connected transactions*

The Supervisory Committee is of the opinion that the Company implemented the Decision Manual on Connected Transactions and the Notice on Strict Prohibition of Appropriation of Funds of Listed Companies by their Controlling Shareholders during the reporting period, and is not aware of any acts which may prejudice the interests the minority Shareholders of the Company through connected transactions, or any appropriation of funds by the controlling Shareholders or other related parties for non-operating purposes.

7. *Disclosure of information*

The Supervisory Committee is of the opinion that, during the reporting period, the Company had established the Management Method on Information Disclosure and the Internal Reporting System for Material Information, proactively enhanced the connection and communication with domestic and overseas regulators and strictly complied with the regulatory rules of the places where the Company is listed, and the information disclosure made by the Company was true, accurate, complete, timely and fair.

8. *Inspection of assets purchased and disposed by the Company*

The Supervisory Committee is of the opinion that, during the reporting period, the acquisition or disposal of assets by the Company was conducted at fair price under lawful process and was in the interests of the Shareholders.

By order of the Supervisory Committee
PENG Shugui
Chairman of the Supervisory Committee

Beijing, PRC
28 April 2009

Independent Auditors' Report

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

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

We have audited the accompanying financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 85 to 192, which comprise the consolidated and the Company's balance sheets 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 financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs") promulgated 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 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 financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
28 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	6	219,410,188	171,997,410
Cost of sales		(203,607,081)	(160,598,330)
Gross profit		15,803,107	11,399,080
Other income and gains, net	6	413,110	612,945
Selling and distribution costs		(848,886)	(696,113)
Administrative expenses		(9,384,169)	(6,736,186)
Other expenses		(1,459,610)	(210,599)
PROFIT FROM OPERATIONS	7	4,523,552	4,369,127
Finance revenue	8	1,324,847	652,160
Finance costs	8	(1,269,715)	(1,272,223)
Share of profits and losses of:			
Jointly-controlled entities		15,656	14,624
Associates		(25,495)	24,010
PROFIT BEFORE TAX		4,568,845	3,787,698
Tax	11	(862,554)	(1,481,766)
PROFIT FOR THE YEAR		3,706,291	2,305,932
Attributable to:			
Equity holders of the Company	12	3,643,843	2,300,770
Minority interests		62,448	5,162
		3,706,291	2,305,932
Distributions/dividend:	13		
Distributions		—	4,684,989
Proposed final dividend		1,233,754	—
		1,233,754	4,684,989
Earnings per share attributable to equity holders of the Company:			
Basic	14	32.42 cents	28.76 cents
Diluted	14	N/A	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	21,886,854	15,997,957
Prepaid land lease payments	16	4,858,618	4,695,513
Intangible assets	17	686,992	1,132,542
Interests in jointly-controlled entities	19	97,123	71,814
Interests in associates	20	347,495	256,971
Held-to-maturity investments	21	7,288	18,358
Available-for-sale investments	22	1,654,096	872,418
Deferred tax assets	23	2,754,787	3,140,236
Trade and bills receivables	27	1,236,469	1,033,832
Prepayments, deposits and other receivables	28	64,684	81,750
Total non-current assets		33,594,406	27,301,391
CURRENT ASSETS			
Prepaid land lease payments	16	102,044	101,901
Inventories	24	13,049,538	8,026,889
Properties under development	25	8,779,448	3,510,042
Completed properties held for sale		320,701	352,398
Construction contracts	26	36,317,258	35,928,314
Trade and bills receivables	27	32,773,743	30,265,003
Prepayments, deposits and other receivables	28	36,320,174	23,543,418
Held-to-maturity investments	21	10,000	25,000
Financial assets at fair value through profit or loss	29	32,853	125,131
Pledged deposits	30	2,464,099	1,298,142
Cash and cash equivalents	30	55,005,965	26,190,152
		185,175,823	129,366,390
Non-current asset held for sale	44	1,331,306	210,000
Total current assets		186,507,129	129,576,390
TOTAL ASSETS		220,101,535	156,877,781

Consolidated Balance Sheet (continued)

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	31	62,824,384	44,676,793
Construction contracts	26	16,804,081	17,391,764
Other payables and accruals	32	60,452,573	53,199,850
Interest-bearing bank and other borrowings	33	16,411,635	20,766,407
Provision for early retirement benefits	35	1,000,412	1,077,140
Tax payable		572,894	1,021,936
Provision	37	2,898	7,610
Total current liabilities		158,068,877	138,141,500
NET CURRENT ASSETS/(LIABILITIES)		28,438,252	(8,565,110)
TOTAL ASSETS LESS CURRENT LIABILITIES		62,032,658	18,736,281
NON-CURRENT LIABILITIES			
Trade and bills payables	31	1,001,925	741,228
Other payables and accruals	32	506,262	382,401
Interest-bearing bank and other borrowings	33	5,719,540	5,196,736
Provision for early retirement benefits	35	5,946,929	6,668,470
Deferred tax liabilities	23	301,141	194,994
Other long term liabilities		98,222	100,922
Deferred revenue	36	157,376	177,692
Total non-current liabilities		13,731,395	13,462,443
NET ASSETS		48,301,263	5,273,838
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued share capital	38	12,337,542	8,000,000
Reserves	39(a)	34,202,229	(2,942,040)
Proposed final dividend	13	1,233,754	—
		47,773,525	5,057,960
MINORITY INTERESTS		527,738	215,878
TOTAL EQUITY		48,301,263	5,273,838

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the Company								
	Owner's equity RMB'000	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000 (note (e))	Exchange fluctuation reserve RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007	2,637,393	–	–	–	–	–	2,637,393	1,050,376	3,687,769
Changes in fair values of available -for-sale investments (note 22)	–	–	–	269,628	–	–	269,628	–	269,628
Deferred tax liabilities arising from changes in fair values of available-for-sale investments (note 23)	–	–	–	(31,688)	–	–	(31,688)	–	(31,688)
Exchange realignment	–	–	–	–	–	27,452	27,452	16	27,468
Total income and expense for the year recognised directly in equity	–	–	–	237,940	–	27,452	265,392	16	265,408
Profit for the year	2,008,655	–	–	–	292,115	–	2,300,770	5,162	2,305,932
Total income and expense for the year	2,008,655	–	–	237,940	292,115	27,452	2,566,162	5,178	2,571,340
Capital contributions	–	–	–	–	–	–	–	86,198	86,198
Distributions (note 13)	(701,455)	–	–	–	–	–	(701,455)	–	(701,455)
Other distribution (note 13)	(2,252,651)	–	–	–	–	–	(2,252,651)	–	(2,252,651)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	(257,085)	(257,085)
Acquisition of minority interests (note (a))	(1,937,993)	–	–	–	–	–	(1,937,993)	(717,672)	(2,655,665)
Distributions pursuant to the Restructuring (note 13):									
(i) Property, plant and equipment (note 15)	(1,111,263)	–	–	–	–	–	(1,111,263)	–	(1,111,263)
(ii) Prepaid land lease payments (note 16)	(229,087)	–	–	–	–	–	(229,087)	–	(229,087)
(iii) Provision for supplementary pension subsidies	2,880,020	–	–	–	–	–	2,880,020	–	2,880,020
(iv) Deferred tax assets arising from provision for supplementary pension subsidies (note 23)	(846,670)	–	–	–	–	–	(846,670)	–	(846,670)
(v) Special distribution (note (b))	(2,423,883)	–	–	–	–	–	(2,423,883)	–	(2,423,883)
Capital contribution of prepaid land lease payments (note (c))	3,074,967	–	–	–	–	–	3,074,967	–	3,074,967
Capital contribution of cash	2,400,000	–	–	–	–	–	2,400,000	–	2,400,000
Deferred tax assets on revaluation surplus arising from the Restructuring (note 23)	1,002,420	–	–	–	–	–	1,002,420	48,883	1,051,303
Capitalisation upon the Restructuring (note (d))	(4,500,453)	8,000,000	(3,499,547)	–	–	–	–	–	–
As at 31 December 2007	–	8,000,000	(3,499,547)	237,940	292,115	27,452	5,057,960	215,878	5,273,838

	Attributable to equity holders of the Company									
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000 (note (e))	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2008	8,000,000	(3,499,547)	237,940	292,115	27,452	–	–	5,057,960	215,878	5,273,838
Changes in fair values of available-for-sale investments (note 22)	–	–	(130,938)	–	–	–	–	(130,938)	–	(130,938)
Deferred tax liabilities arising from changes in fair values of available-for-sale investments (note 23)	–	–	32,472	–	–	–	–	32,472	–	32,472
Exchange realignment	–	–	–	–	85,935	–	–	85,935	62	85,997
Total income and expense for the year recognised directly in equity	–	–	(98,466)	–	85,935	–	–	(12,531)	62	(12,469)
Profit for the year	–	–	–	3,643,843	–	–	–	3,643,843	62,448	3,706,291
Total income and expense for the year	–	–	(98,466)	3,643,843	85,935	–	–	3,631,312	62,510	3,693,822
Capital contributions	–	–	–	–	–	–	–	–	67,403	67,403
Acquisition of assets and liabilities (note 40(b))	–	–	–	–	–	–	–	–	192,157	192,157
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	(10,210)	(10,210)
Issue of shares (note 38)	4,337,542	36,062,862	–	–	–	–	–	40,400,404	–	40,400,404
Share issue expenses	–	(1,316,151)	–	–	–	–	–	(1,316,151)	–	(1,316,151)
Transfer from retained earnings to reserve funds (note 13)	–	–	–	(219,512)	–	219,512	–	–	–	–
Proposed final 2008 dividend (note 13)	–	–	–	(1,233,754)	–	–	1,233,754	–	–	–
As at 31 December 2008	12,337,542	31,247,164	139,474	2,482,692	113,387	219,512	1,233,754	47,773,525	527,738	48,301,263

Notes:

(a) The minority interests in certain subsidiaries were held by employees through Employees Share Ownership Committees. During the year ended 31 December 2007, China Railway Construction Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") entered into purchase agreements and supplementary purchase agreements with the respective Employees Share Ownership Committees to acquire the minority interests. Based on the purchase agreements and supplementary purchase agreements, it was agreed that the minority interests and the associated risks and rewards, including the profits/(losses) generated by the related subsidiaries, would be transferred to the Group with effect from 31 December 2006. The acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration paid and the book value of the share of the net assets acquired is recorded in equity.

(b) In accordance with the notice (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知) "Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment" issued by the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC" or "Mainland China", which excludes, for the purpose of the financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) (the English name of the notice is a direct translation of the Chinese name), which became effective on 27 August 2002, and pursuant to a group restructuring (the "Restructuring") of China Railway Construction Corporation ("CRCCG", the ultimate holding company of the Company), the Company is required to make a distribution to CRCCG after its incorporation, which represents an amount equal to the profit attributable to the equity holder of the Company, as determined based on the audited consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF in 2006 and other related regulations issued by the MOF (collectively, the "New PRC GAAP"), generated during the period from 31 December 2006 (date of the Restructuring) to 30 November 2007 by the Core Operations (as defined in note 1 to the financial statements) contributed to the Group by CRCCG, after effecting the relevant necessary adjustments (note 13).

(c) Upon incorporation of the Company on 5 November 2007, 8,000 million shares were issued to CRCCG at RMB1.00 per share, in return for the net value of the Core Operations and certain prepaid land lease payments in an aggregate amount of approximately RMB3,075 million (note 16).

(d) As further described in note 2 to the financial statements, the consolidated financial statements have been prepared as if the Company and its current corporate structure had been in existence at all dates and during the years presented. Upon the incorporation of the Company on 5 November 2007, together with certain prepaid land lease payments described in note (c) above, the historical net carrying amount of the assets and liabilities of the Core Operations transferred to the Company was converted into the Company's share capital of RMB8,000 million, equivalent to 8,000 million shares of RMB1.00 each, with all the then existing reserves eliminated and the resulting difference dealt with in the capital reserve. Different classes of reserves, including retained earnings prior to the incorporation of the Company, were not separately disclosed as all of these reserves (save for the amount of profit attributable to the equity holder of the Company for the period from 1 January 2007 to 5 November 2007) had been capitalised and incorporated in the capital reserve of the Group pursuant to the Restructuring of CRCCG, a state-owned enterprise in the PRC. Pursuant to the Restructuring, the Company became the holding company of the Group. Details of the Restructuring are set out in note 1 to the financial statements.

(e) In accordance with the relevant regulations in the PRC and the Articles of Association of the Company, retained earnings available for distribution by the Company will be the lower of the amount determined in accordance with the New PRC GAAP and the amount determined in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB").

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,568,845	3,787,698
Adjustments for:			
Finance costs	8	1,269,715	1,272,223
Foreign exchange differences, net	7	849,534	91,957
Finance revenue	8	(1,324,847)	(652,160)
Share of profits and losses of jointly-controlled entities		(15,656)	(14,624)
Share of profits and losses of associates		25,495	(24,010)
Depreciation	15	4,066,509	3,405,608
Amortisation of prepaid land lease payments	16	108,714	45,041
Amortisation of intangible assets	17	15,538	23,190
Impairment of property, plant and equipment	15	1,003	4,785
Impairment of intangible assets	17	—	508
Impairment of available-for-sale investments	22	65	4,035
Reversal of impairment of trade and bills receivables	27	(61,082)	(24,067)
Impairment/(reversal of impairment) of other receivables	28	56,567	(20,944)
Write-down of inventories to net realisable value	7	2,654	202
Provision for properties under development		538,055	—
Provision for foreseeable losses on construction contracts	7	72,814	154,123
Loss/(gain) on disposal of property, plant and equipment, net	7	(7,526)	697
Fair value losses/(gains), net, on financial assets at fair value through profit or loss	7	31,457	(99,458)
Gain on disposal of available-for-sale investments	6	(17,201)	(17,513)
Gain on disposal of a subsidiary	6	—	(315,791)
Gain on disposal of an associate	6	(143,877)	—
Recognition of deferred revenue	6	(26,608)	(17,379)
		10,010,168	7,604,121
Increase in inventories		(5,022,924)	(2,032,622)
Increase in completed properties held for sale and properties under development		(5,100,908)	(1,872,783)
Increase in construction contracts		(1,014,016)	(4,992,496)
Increase in trade and bills receivables		(2,650,295)	(7,099,287)
Increase in prepayments, deposits and other receivables		(13,112,681)	(3,308,747)
Increase in trade and bills payables		17,831,273	8,364,666
Increase in other payables and accruals		7,952,442	13,769,968
Decrease in provision		(4,712)	(4,389)
Decrease in provision for early retirement benefits		(798,269)	(624,620)
Decrease in other long term liabilities		(2,700)	(67,921)
Cash generated from operations		8,087,378	9,735,890
Income taxes paid		(787,528)	(315,055)
Net cash inflow from operating activities		7,299,850	9,420,835

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(9,982,762)	(8,831,969)
Additions to prepaid land lease payments		(137,804)	(590,433)
Additions to intangible assets		(641,267)	(767,957)
Proceeds from disposal of property, plant and equipment		1,134,053	1,114,529
Proceeds from disposal of prepaid land lease payments		51,767	69,629
Proceeds from disposal of intangible assets		132	10,719
Capital contributions to jointly-controlled entities		(18,900)	(4,000)
Capital contributions to associates		(132,739)	(89,781)
Purchases of available-for-sale investments		(924,967)	(90,175)
Purchases of financial assets at fair value through profit or loss		(11,170)	(9,372)
Purchases of minority interests		—	(2,425,092)
Proceeds from disposal of a subsidiary	40(c)	—	117,228
Acquisition of a subsidiary	40(a)	(205,000)	—
Acquisition of assets and liabilities	40(b)	(200,000)	—
Proceeds from disposal of associates		68,331	11,536
Proceeds from disposal of held-to-maturity investments		2,347	157,310
Proceeds from disposal of available-for-sale investments		52,482	33,058
Proceeds from disposal of financial assets at fair value through profit or loss		13,763	48,925
Advance proceeds from disposal of an associate		—	300,000
Dividends received		71,227	171,695
Decrease/(increase) in balances with the ultimate holding company, net		206,241	(1,118,023)
Increase in pledged deposits		(1,165,957)	(489,877)
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(2,548,979)	(414,450)
Interest received		1,301,000	613,887
Net cash outflow from investing activities		(13,068,202)	(12,182,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		39,084,253	—
Capital contributions from the ultimate holding company		—	2,400,000
Capital contributions from minority shareholders		67,403	—
New bank and other borrowings		26,199,890	27,017,301
Repayment of bank and other borrowings		(30,294,398)	(17,920,171)
Distributions to the equity holder of the Company		—	(701,455)
Special distribution to the ultimate holding company		(1,023,883)	(1,400,000)
Dividends paid to minority shareholders		(10,210)	(257,085)
Interest paid		(1,736,514)	(1,507,588)
Net cash inflow from financing activities		32,286,541	7,631,002
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,518,189	4,869,224
Cash and cash equivalents at beginning of the year		23,188,491	18,373,635
Effect of foreign exchange rate changes, net		(251,355)	(54,368)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30	49,455,325	23,188,491

Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	41,372	40,327
Investments in subsidiaries	18	18,021,728	11,938,895
Interests in jointly-controlled entities	19	57,680	62,580
Interests in associates	20	17,236	—
Available-for-sale investments	22	1,080,994	246,967
Deferred tax assets	23	15,759	10,827
Total non-current assets		19,234,769	12,299,596
CURRENT ASSETS			
Inventories	24	29,169	3,778
Construction contracts	26	1,881,056	1,138,383
Trade receivables	27	8,906	11,743
Prepayments, deposits and other receivables	28	17,889,183	6,316,351
Financial assets at fair value through profit or loss	29	32,320	123,798
Cash and cash equivalents	30	22,624,481	2,055,928
Total current assets		42,465,115	9,649,981
TOTAL ASSETS		61,699,884	21,949,577
CURRENT LIABILITIES			
Trade payables	31	3,137,268	241,102
Other payables and accruals	32	5,030,343	3,506,927
Interest-bearing bank and other borrowings	33	1,139,371	6,188,631
Provision for early retirement benefits	35	5,290	6,180
Tax payable		29,360	—
Total current liabilities		9,341,632	9,942,840
NET CURRENT ASSETS/(LIABILITIES)		33,123,483	(292,859)
TOTAL ASSETS LESS CURRENT LIABILITIES		52,358,252	12,006,737
NON-CURRENT LIABILITIES			
Other payables and accruals	32	7,822	458,278
Interest-bearing bank and other borrowings	33	1,545,756	2,043,865
Provision for early retirement benefits	35	33,870	36,880
Deferred tax liabilities	23	—	11,845
Total non-current liabilities		1,587,448	2,550,868
NET ASSETS		50,770,804	9,455,869
EQUITY			
Issued share capital	38	12,337,542	8,000,000
Reserves	39(b)	37,199,508	1,455,869
Proposed final dividend	13	1,233,754	—
TOTAL EQUITY		50,770,804	9,455,869

1. GROUP RESTRUCTURING AND CORPORATE INFORMATION

The Company was incorporated in the PRC on 5 November 2007 as a joint stock company with limited liability pursuant to the Restructuring of CRCCG in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") and The Shanghai Stock Exchange.

In consideration for CRCCG transferring the Core Operations (as defined below) to the Company and the injection of certain prepaid land lease payments in an aggregate amount of approximately RMB3,075 million (note 16) upon its incorporation on 5 November 2007, the Company issued 8,000 million ordinary shares to CRCCG. The ordinary shares issued to CRCCG have a par value of RMB1.00 each and represented the entire registered and issued share capital of the Company upon its incorporation. CRCCG is the ultimate holding company of the Company.

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

Prior to the incorporation of the Company, the construction operations, survey, design and consultancy operations, manufacturing operations and other business operations (collectively, the "Predecessor Operations") were carried out by various companies owned or controlled by CRCCG. Pursuant to the Restructuring, the Core Operations were transferred to the Company upon its incorporation.

Core Operations

In connection with the Restructuring, the principal operations and businesses of CRCCG (the "Core Operations") were transferred to the Company which includes:

(a) all of the core assets and liabilities relating to the construction operations;

(b) all of the core assets and liabilities relating to the survey, design and consultancy operations;

(c) all of the core assets and liabilities relating to the large track maintenance machinery and railway track components manufacturing;

(d) other businesses, including certain real estate development and logistic operations;

(e) contractual rights and obligations relating to the businesses, assets and liabilities transferred to the Company;

(f) employees associated with the businesses transferred to the Company;

(g) qualifications, licences and approvals related to the businesses transferred to the Company; and

(h) business and financial records, books and data and technological data and know-how related to the businesses transferred to the Company.

1. GROUP RESTRUCTURING AND CORPORATE INFORMATION (continued)

Retained Operations

In connection with the Restructuring, the following assets and liabilities (the "Retained Operations") were not transferred to the Company upon its incorporation and were retained by CRCCG:

(a) certain operating assets and liabilities historically associated with the Predecessor Operations, which include certain buildings and prepaid land lease payments that do not have perfected titles and ownership certificates, and the supplementary defined benefits of retirees which were integral to the Predecessor Operations;

(b) equity interests in certain companies not strategically complementary to the Group's businesses;

(c) equity interests in certain companies engaging in Build-Operate-Transfer ("BOT") projects (the "Retained BOT Projects"); and

(d) ancillary facilities including hospitals, nurseries, and etc.

2. BASIS OF PRESENTATION AND PREPARATION

(a) As discussed in note 1 to the financial statements, prior to the incorporation of the Company, all the Core Operations were controlled and owned by CRCCG. Upon the incorporation of the Company on 5 November 2007, all the Core Operations were transferred to the Company. As there was no change in the ultimate controlling shareholder of the Core Operations, the Restructuring has been accounted for as a reorganisation of business under common control in a manner similar to a pooling-of-interests. Accordingly, the assets and liabilities of the Core Operations transferred to the Company have been stated at CRCCG's historical carrying amounts in the preparation of the consolidated financial statements of the Group, which have been prepared as if the Company and its current corporate structure had been in existence at all dates and during the years presented.

These financial statements include the operating results and financial position of the Retained Operations that were historically associated with the Predecessor Operations but exclude those that were not strategically complementary to the Group's businesses and the companies engaging in the Retained BOT Projects. Although the Retained Operations were not transferred to the Company, those associated with the Predecessor Operations have been included in the consolidated financial statements according to the details set out in the agreement for the Restructuring entered into by the Company with CRCCG (the "Restructuring Agreement") because the directors of the Company (the "Directors") considered that the historical financial information of the Group should reflect all of the Group's costs of doing businesses, and include all relevant activities that have been part of the history of the Group's businesses and operations. Pursuant to the Restructuring, these operating assets and liabilities historically associated with the Predecessor Operations as mentioned above were retained by CRCCG by way of distributions to CRCCG. Accordingly, these operating assets and liabilities were not injected into the Company upon its incorporation on 5 November 2007.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

(b) These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and have been prepared under the historical cost convention, except for certain financial assets, which have been measured at fair value. In addition, these financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

3.1 IMPACT OF NEW AND REVISED IFRSs

The Group has adopted the following new interpretations and amendments to IFRSs for the first time for the current year's financial statements:

IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
IFRIC 11	IFRS 2 – *Group and Treasury Share Transactions*
IFRIC 14	IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised IFRSs are as follows:

(a) Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held for trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

3.1 IMPACT OF NEW AND REVISED IFRSs (continued)

(a) Amendments to IAS 39 Financial Instruments: *Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* (continued)

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) IFRIC 11 – IFRS 2 – *Group and Treasury Share Transactions*

IFRIC 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the adoption of this interpretation has had no impact on the financial position or results of operations of the Group.

(c) IFRIC 14 – IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. The Group has amended its accounting policy accordingly. As the Group's defined benefit schemes have been in deficit and are not subject to any minimum funding requirements, the adoption of this interpretation has had no impact on the financial position or results of operations of the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
IFRS 3 (Revised)	*Business Combinations* [2]
IFRS 8	*Operating Segments* [1]
IAS 1 (Revised)	*Presentation of Financial Statements* [1]
IAS 23 (Revised)	*Borrowing Costs* [1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
IFRIC 13	*Customer Loyalty Programmes* [3]
IFRIC 15	*Agreements for the Construction of Real Estate* [1]
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation* [4]
IFRIC 17	*Distribution of Non-cash Assets to Owners* [2]
IFRIC 18	*Transfers of Assets from Customers* [2]

Apart from the above, the IASB has issued *Improvements to IFRSs* * which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.
* *Improvements to IFRSs* contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the IAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

The IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into any share-based payment schemes and, therefore, the amendments are unlikely to have any financial impact on the Group.

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

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

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

IFRS 8, which will replace IAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009.

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt IAS 1 (Revised) from 1 January 2009.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

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

IFRIC 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with IAS 18 *Revenue*. As the Group's current policy of accounting for the construction of real estate aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group expects to apply the interpretation from 1 January 2010 prospectively. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any significant financial impact on the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRIC 18 clarifies on the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation applies to agreements in which an entity receives from a customer an item of property, plant, and equipment or cash which must be used only to construct or acquire an item of property, plant and equipment whereby the item of property, plant and equipment must then be used to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The interpretation clarifies that (i) an entity should recognise the asset as an item of property, plant and equipment at its fair value on the date of the transfer if the asset meets the definition of an asset; and (ii) an entity should split the transaction into separate components if there are separately identifiable services received by the customer in exchange for the transfer and recognise revenue when the services are performed. The Group expects to apply the interpretation from 1 July 2009 prospectively.

In May 2008, the IASB issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

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

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

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

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

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

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

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. Except for the Restructuring which has been accounted for as a reorganisation of business under common control in a manner similar to a pooling-of-interests as described in note 2 to the financial statements, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the Company. The Group applies the policy of treating transactions with minority interests as transactions with equity participants of the Group. The acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less than any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties held for sale, construction contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value of 5% over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.71%
Machinery	9.50%
Vehicles	19.00%
Production equipment	9.50%
Measurement and experimental equipment	19.00%
Other equipment	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. In accordance with IFRIC 12, the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangible assets if the operator receives a right (a licence) to charge users of the public service, or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within the intangible assets classification on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession on the straight-line basis under the intangible asset model.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the straight-line basis over their estimated useful lives of two to ten years.

Others

Others include purchased patents and licences which are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of fifteen years.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the units of production method utilising only proved and probable mining reserves in the depletion base.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale (continued)

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, and are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms ranging from thirty to fifty years. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire prepaid land lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "impairment of available-for-sale investments" and are transferred from the available-for-sale investment revaluation reserve.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment; or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including trade and bills payables, other payables, interest-bearing bank and other borrowings and other long term liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settled the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development which are intended for sale are stated at the lower of cost and net realisable value, which is estimated by the Directors based on the prevailing market condition. Cost comprises all development expenditure, applicable borrowing costs and other direct costs attributable to such properties.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of fixed and variable construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total costs of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services (continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(c) from the provision of logistic services, when the services are rendered;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(e) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(g) dividend income, when the shareholders' right to receive payment has been established; and

(h) toll revenue, net of any applicable revenue taxes when received.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The 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 capitalised.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's Articles of Association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Employee benefits

Retirement benefits

The full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these retirement plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

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

The Group also provided supplementary pension subsidies to retired employees in Mainland China prior to 1 January 2007. 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 less the fair value of plan assets, together with 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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturities approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives. Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the "vesting period"). In this case, the past-service costs are amortised on the straight-line basis over the vesting period. Employees who retire after 1 January 2007 are no longer entitled to such supplementary pension subsidies.

Other post-employment obligations

Some companies within the Group 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 the Group's defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to the 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 their position, length of service, salary level at the time of application, minimum compensation levels set by the local regulatory authorities, and the district of the employee concerned.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee 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.

Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operating and financing cash flows.

Contingent liabilities arising from litigations and claims

The Group is involved in a number of litigations and claims in respect of certain construction work performed in the present and the past. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligations have been made based on management's best estimates and judgements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each balance sheet date, based on changes in circumstances.

The carrying amount of property, plant and equipment as at 31 December 2008 was RMB21,886,854,000 (2007: RMB15,997,957,000).

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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 income statement in the period in which such a reversal takes place.

The carrying amounts of tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2008 were RMB572,894,000 (2007: RMB1,021,936,000), RMB2,754,787,000 (2007: RMB3,140,236,000) and RMB301,141,000 (2007: RMB194,994,000) respectively.

Percentage of completion of construction work

The Group recognises revenue according to the percentage of completion of individual contract of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group 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, an impairment loss may arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Percentage of completion of construction work (continued)

The carrying amount of construction contracts as at 31 December 2008 was RMB19,513,177,000 (2007: RMB18,536,550,000).

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivables balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

The carrying amount of trade receivables including retention money receivables as at 31 December 2008 was RMB33,878,425,000 (2007: RMB31,136,727,000).

Provision for properties under development

The Group makes a provision for properties under development when the carrying amounts of the properties under development are lower than the net realisable values at each balance sheet date. The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to current market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and appropriate discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of properties under development as at 31 December 2008 was RMB8,779,448,000 (2007: RMB3,510,042,000).

Retirement benefits

The Group establishes liabilities in connection with benefits paid to certain early retired employees. The amounts of employee benefit expenses and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who will conduct annual assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, expected rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognised immediately and therefore, affect recognised expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the expenses related to the employee retirement benefit obligations.

The provision for early retirement benefits as at 31 December 2008 was RMB6,947,341,000 (2007: RMB7,745,610,000).

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

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

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

The profit before tax of a segment represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007:

Year ended 31 December 2008

	Construction operations RMB'000	Survey, design and consultancy operations RMB'000	Manufacturing operations RMB'000	Other business operations RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue						
Sales to external customers	199,988,542	4,446,324	4,348,091	10,627,231	–	219,410,188
Intersegment sales	984,730	104,566	432,849	1,496,083	(3,018,228)	–
Total	200,973,272	4,550,890	4,780,940	12,123,314	(3,018,228)	219,410,188
Segment results	3,840,411	354,610	265,172	63,359	–	4,523,552
Finance revenue	1,140,834	130,804	12,207	41,002	–	1,324,847
Finance costs	(1,159,934)	(5,408)	(48,478)	(55,895)	–	(1,269,715)
Share of profits and losses of:						
Jointly-controlled entities	15,931	–	–	(275)	–	15,656
Associates	(26,043)	548	–	–	–	(25,495)
Profit before tax						4,568,845
Tax						(862,554)
Profit for the year						3,706,291
Assets and liabilities						
Segment assets	189,479,799	6,725,427	6,550,698	22,852,786	(10,037,886)	215,570,824
Interests in jointly-controlled entities	82,498	–	–	14,625	–	97,123
Interests in associates	337,712	9,783	–	–	–	347,495
Non-current asset held for sale	1,331,306	–	–	–	–	1,331,306
Unallocated assets						2,754,787
Total assets						220,101,535
Segment liabilities	151,806,666	5,578,335	4,633,691	18,945,431	(10,037,886)	170,926,237
Unallocated liabilities						874,035
Total liabilities						171,800,272
Other segment information						
Depreciation and amortisation	3,720,857	91,499	217,454	160,951	–	4,190,761
Capital expenditure	10,663,943	273,863	617,459	547,753	–	12,103,018
Write-down/(reversal of write-down) of inventories to net realisable value	(897)	–	–	3,551	–	2,654
Provision for foreseeable losses on construction contracts	72,814	–	–	–	–	72,814
Provision for properties under development	–	–	–	538,055	–	538,055
Impairment losses recognised/(reversed)	(23,211)	1,865	7,021	10,878	–	(3,447)

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2007

	Construction operations RMB'000	Survey, design and consultancy operations RMB'000	Manufacturing operations RMB'000	Other business operations RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue						
Sales to external customers	162,635,137	3,496,833	1,380,832	4,484,608	–	171,997,410
Intersegment sales	296,904	212,221	475,119	892,095	(1,876,339)	–
Total	162,932,041	3,709,054	1,855,951	5,376,703	(1,876,339)	171,997,410
Segment results	3,624,330	299,586	124,773	320,438	–	4,369,127
Finance revenue	467,429	110,678	3,067	70,986	–	652,160
Finance costs	(1,189,742)	(19,887)	(22,425)	(40,169)	–	(1,272,223)
Share of profits and losses of:						
Jointly-controlled entities	14,624	–	–	–	–	14,624
Associates	23,354	656	–	–	–	24,010
Profit before tax						3,787,698
Tax						(1,481,766)
Profit for the year						2,305,932
Assets and liabilities						
Segment assets	140,140,366	5,075,559	3,111,765	8,781,551	(3,910,481)	153,198,760
Interests in jointly-controlled entities	71,814	–	–	–	–	71,814
Interests in associates	252,126	4,845	–	–	–	256,971
Non-current asset held for sale	210,000	–	–	–	–	210,000
Unallocated assets						3,140,236
Total assets						156,877,781
Segment liabilities	140,064,942	4,382,448	2,325,131	7,524,973	(3,910,481)	150,387,013
Unallocated liabilities						1,216,930
Total liabilities						151,603,943
Other segment information						
Depreciation and amortisation	3,244,212	130,242	85,092	14,293	–	3,473,839
Capital expenditure	10,842,997	525,017	844,576	184,409	–	12,396,999
Write-down of inventories to net realisable value	202	–	–	–	–	202
Provision for foreseeable losses on construction contracts	154,123	–	–	–	–	154,123
Impairment losses recognised/(reversed)	(58,103)	1,101	(1,273)	22,592	–	(35,683)

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007:

Year ended 31 December 2008

	Mainland China RMB'000	Outside Mainland China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	202,208,424	17,201,764	—	219,410,188
Other segment information				
Segment assets	196,115,346	21,231,402	—	217,346,748
Unallocated assets				2,754,787
Total assets				220,101,535
Capital expenditure	10,143,999	1,959,019	—	12,103,018

Year ended 31 December 2007

	Mainland China RMB'000	Outside Mainland China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	165,638,236	6,359,174	—	171,997,410
Other segment information				
Segment assets	141,078,835	12,658,710	—	153,737,545
Unallocated assets				3,140,236
Total assets				156,877,781
Capital expenditure	11,685,632	711,367	—	12,396,999

6. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	Group	
	2008 RMB'000	2007 RMB'000
Revenue:		
Construction contracts	199,988,542	162,635,137
Provision of survey, design and consultancy services	4,446,324	3,496,833
Manufacture, sale, repair and maintenance of large track maintenance machinery	4,348,091	1,380,832
Others (note (a))	10,627,231	4,484,608
	219,410,188	171,997,410
Other income and gains, net:		
Government grants:		
– Recognition of deferred revenue (note 36)	26,608	17,379
– Others (note (b))	34,304	27,901
Gain on disposal of a subsidiary (note 40(b))	—	315,791
Gain on disposal of an associate (note 44)	143,877	—
Gain on disposal of property, plant and equipment	7,526	—
Fair value gains, net, on financial assets at fair value through profit or loss	—	99,458
Gain on disposal of available-for-sale investments	17,201	17,513
Others (note (c))	183,594	134,903
	413,110	612,945

Notes:

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

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

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

7. PROFIT FROM OPERATIONS

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

	Notes	Group 2008 RMB'000	Group 2007 RMB'000
Cost of services rendered		190,519,408	155,685,619
Cost of goods sold		13,087,673	4,912,711
Total cost of sales		203,607,081	160,598,330
Depreciation of property, plant and equipment (note (a))	15	4,066,509	3,405,608
Amortisation of prepaid land lease payments	16	108,714	45,041
Amortisation of intangible assets	17	15,538	23,190
Total depreciation and amortisation		4,190,761	3,473,839
Impairment of property, plant and equipment	15	1,003	4,785
Impairment of intangible assets	17	—	508
Impairment of available-for-sale investments	22	65	4,035
Reversal of impairment of trade and bills receivables	27	(61,082)	(24,067)
Impairment/(reversal of impairment) of other receivables	28	56,567	(20,944)
Total reversal of impairment, net		(3,447)	(35,683)
Employee compensation costs (including Directors' and Supervisors' remuneration (note 10))	9	13,654,904	11,056,661
Research and development expenditure		1,755,850	1,049,317
Write-down of inventories to net realisable value		2,654	202
Provision for foreseeable losses on construction contracts		72,814	154,123
Provision for properties under development	25	538,055	—
Auditors' remuneration		40,947	31,536
Minimum lease payments under operating leases		81,265	30,315
Fair value losses/(gains), net, on financial assets at fair value through profit or loss		31,457	(99,458)
Loss/(gain) on disposal of property, plant and equipment, net		(7,526)	697
Foreign exchange differences, net		849,534	91,957

Note:

(a) Depreciation of RMB3,477,991,000 (2007: RMB2,896,142,000) is included in the cost of sales on the face of the consolidated income statement for the year.

8. FINANCE REVENUE AND FINANCE COSTS

The Group's finance revenue totalling RMB1,324,847,000 (2007: RMB652,160,000) mainly represented bank interest income.

The Group's finance costs are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Interest on bank loans and other loans wholly repayable within five years	1,585,559	1,281,968
Interest on bank loans repayable beyond five years	130,558	143,748
Interest on finance leases	3,133	6,047
Interest on discounted bills	13,505	20,779
Interest on corporate bonds	17,919	64,762
Total interest	1,750,674	1,517,304
Less: Interest capitalised in:		
– Construction in progress	(60,491)	(23,317)
– Construction contracts	(35,425)	(42,986)
– Properties under development	(291,957)	(108,626)
– Intangible assets	(93,086)	(70,152)
	1,269,715	1,272,223

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

	Group	
	2008 RMB'000	2007 RMB'000
Capitalisation rates	5.3% - 9.3%	4.9% - 8.9%

9. EMPLOYEE COMPENSATION COSTS

	Group	
	2008	2007
	RMB'000	RMB'000
Employee compensation costs (including Directors' and Supervisors' remuneration (note 10)):		
– Wages, salaries and allowances	9,253,968	7,666,670
– Housing benefits, medical and other expenses	2,941,436	2,151,466
– Retirement benefit costs:		
(i) Contributions to defined contribution retirement plans (note (a))	1,148,169	974,045
(ii) Contributions to defined benefit retirement plans (note (b)) (note 35(b))	311,331	264,480
Total retirement benefit costs	1,459,500	1,238,525
	13,654,904	11,056,661

Notes:

(a) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at rates ranging from 14% to 22% of the employees' basic salaries. Contributions to these plans are expensed as incurred.

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

As at 31 December 2008, the Group's forfeited contributions available to reduce its contributions to the defined contribution retirement plans in future years were not material (2007: Nil).

(b) In addition, the Group provided supplementary pension subsidies to its retired employees in Mainland China who retired prior to 1 January 2007. Employees who retire after 1 January 2007 are no longer entitled to such supplementary pension subsidies.

The Group also implemented an early retirement plan for certain employees in addition to the benefits under the government-sponsored retirement plans and the supplementary pension subsidies described above (note 35). 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 determining the amount of compensation payments made to early retired employees vary among the terminated and early retired employees depending on various factors including their position, length of service, salary level at the time of application, minimum compensation levels set by the local regulatory authorities, and the district of the employee concerned. These compensation payments to existing early retired employees will continue after the listing of the Company's shares on The Shanghai Stock Exchange and The Hong Kong Stock Exchange. However, the Group's early retirement plan will not continue after the listing of the Company's H Shares on The Hong Kong Stock Exchange and as such, no further new early retirement applications have been accepted by the Group after the listing of the Company's shares on The Shanghai Stock Exchange and The Hong Kong Stock Exchange.

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

(a) *Directors' and Supervisors' remuneration*

Directors' and Supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Fees	—	—
Other emoluments:		
– Salaries, housing benefits, other allowances and benefits in kind	1,673	1,698
– Performance related bonuses	2,210	2,309
– Pension scheme contributions	206	491
	4,089	4,498

The names of the Directors and Supervisors and their respective remuneration for the year are as follows:

(i) Independent non-executive directors

	Group	
	2008 RMB'000	2007 RMB'000
Salaries, housing benefits, other allowances and benefits in kind:		
Mr. LI Kecheng	80	70
Mr. ZHAO Guangjie	80	80
Mr. WU Taishi	80	—
Mr. NGAI Wai Fung	70	—
	310	150

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (continued)

(a) *Directors' and Supervisors' remuneration (continued)*

(ii) **Executive directors, non-executive directors and supervisors**

Group

	Fees RMB'000	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2008					
Executive directors:					
Mr. DING Yuanchen	–	171	372	30	573
Mr. JIN Puqing	–	201	438	30	669
	–	372	810	60	1,242
Non-executive directors:					
Mr. LI Guorui	–	201	438	30	669
Mr. HUO Jingui	–	171	372	30	573
Mr. WU Xiaohua	–	70	–	–	70
	–	442	810	60	1,312
Supervisors:					
Mr. PENG Shugui	–	171	372	30	573
Mr. HUANG Shaojun	–	187	108	28	323
Ms. YU Fengli	–	191	110	28	329
	–	549	590	86	1,225
	–	1,363	2,210	206	3,779

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (continued)

(a) *Directors' and Supervisors' remuneration (continued)*

(ii) Executive directors, non-executive directors and supervisors (continued)

Group

	Fees RMB'000	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2007					
Executive directors:					
Mr. DING Yuanchen	–	212	371	71	654
Mr. JIN Puqing	–	250	344	71	665
	–	462	715	142	1,319
Non-executive directors:					
Mr. LI Guorui	–	250	551	71	872
Mr. HUO Jingui	–	212	469	71	752
Mr. WU Xiaohua	–	70	–	–	70
	–	532	1,020	142	1,694
Supervisors:					
Mr. PENG Shugui	–	212	469	69	750
Mr. HUANG Shaojun	–	169	52	69	290
Ms. YU Fengli	–	173	53	69	295
	–	554	574	207	1,335
	–	1,548	2,309	491	4,348

There was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration during the year.

(b) *Five highest paid employees*

An analysis of the five highest paid employees within the Group for the year is as follows:

	Group 2008	Group 2007
Non-director and non-supervisor employees	5	5

10. DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (continued)

(b) *Five highest paid employees (continued)*

Details of the remuneration of the above non-director and non-supervisor highest paid employees are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Salaries, housing benefits, other allowances and benefits in kind	435	263
Performance related bonuses	5,355	6,543
Pension scheme contributions	77	81
	5,867	6,887

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

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

11. TAX

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatment available to the Company's subsidiaries, jointly-controlled entities and associates, which were exempted from income tax or taxed at preferential rates ranging from 15% to 16.5% primarily due to their status as entities engaging in technology development or their involvement in projects that were supported by the government, such as the Qinghai-Tibet Railway, and development projects in the western part of China, the entities within the Group are subject to corporate income tax at a rate of 25% (2007: 33%) during the year.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested enterprises and foreign-invested enterprises, which results in a reduction of income tax rate from 33% to 25%. The effect of this change has been reflected in the calculation of deferred income tax as at 31 December 2007.

11. TAX (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008.

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

	Group	
	2008 RMB'000	2007 RMB'000
Current income tax:		
– Mainland China	278,976	576,814
– Hong Kong	398	2,027
– Others	59,112	36,715
Deferred income tax (note 23)	524,068	866,210
Income tax charge for the year	862,554	1,481,766

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

	Group	
	2008 RMB'000	2007 RMB'000
Profit before tax	4,568,845	3,787,698
Income tax charge at statutory income tax rate of 25% (2007: 33%)	1,142,211	1,249,940
Lower income tax rates for specific provinces or locations	(90,553)	(224,038)
Tax effect of share of profits and losses of jointly-controlled entities and associates	2,460	739
Income not subject to tax	(42,608)	(121,164)
Expenses not deductible for tax purposes	73,300	54,501
Tax losses utilised from previous years	(60,162)	(16,778)
Income tax benefits on locally purchased machinery and research and development expenses	(173,763)	(94,345)
Tax losses not recognised	62,403	78,324
Adjustments in respect of current income tax of previous years	(50,734)	(45,602)
Effect on opening deferred income tax due to a decrease in income tax rate	—	600,189
Income tax charge for the year	862,554	1,481,766

11. TAX (continued)

The share of tax attributable to jointly-controlled entities amounting to RMB5,492,000 (2007: RMB531,000) is included in the "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

The share of tax attributable to associates amounting to RMB1,276,000 (2007: RMB464,000) is included in the "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of RMB2,276,610,000 (2007: loss of RMB61,990,000) which has been dealt with in the financial statements of the Company (note 39(b)).

13. DISTRIBUTIONS/DIVIDEND

The dividend and distributions for the year are set out below:

		Group	
	Notes	2008 RMB'000	2007 RMB'000
Proposed final dividend - RMB1.00 (2007: Nil) per 10 shares (note (a))		1,233,754	—
Distributions relating to the Retained BOT Projects (note (b))		—	701,455
Distributions pursuant to the Restructuring:			
(i) Property, plant and equipment (note (c))	15	—	1,111,263
(ii) Prepaid land lease payments (note (c))	16	—	229,087
(iii) Provision for supplementary pension subsidies (note (c))	35	—	(2,880,020)
(iv) Deferred tax assets arising from provision for supplementary pension subsidies (note (c))	23	—	846,670
(v) Special distribution (note (d))		—	2,423,883
Other distribution (note (e))		—	2,252,651
Total distributions		—	4,684,989

Notes:

(a) The proposed final dividend of RMB1.00 (2007: Nil) per 10 shares for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) The distributions mainly represent payments made by the Group on behalf of certain companies engaging in the Retained BOT Projects which had been carved-out and treated as deemed distributions pursuant to the Restructuring as set out in note 1 to the financial statements.

(c) Certain operating assets and liabilities historically associated with the Predecessor Operations include certain buildings and prepaid land lease payments that do not have perfected titles and ownership certificates, and the supplementary defined benefits of retirees together with the related deferred tax assets which were integral to the Predecessor Operations before the Restructuring. These operating assets and liabilities historically associated with the Predecessor Operations were retained by CRCCG by way of distributions to CRCCG and were not injected into the Company upon its incorporation on 5 November 2007.

13. DISTRIBUTIONS/DIVIDEND (continued)

(d) In accordance with the notice（財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知）“Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment” issued by the MOF (the English name of the notice is a direct translation of the Chinese name), which became effective on 27 August 2002, and pursuant to the Restructuring, the Company is required to make a distribution to CRCCG after its incorporation, which represents an amount equal to the profit attributable to the equity holder of the Company, as determined based on the audited consolidated financial statements prepared in accordance with the New PRC GAAP, generated during the period from 31 December 2006 (date of the Restructuring) to 30 November 2007 by the Core Operations contributed to the Group by CRCCG, after effecting the relevant necessary adjustments.

(e) The other distribution represents an amount due from the ultimate holding company included in prepayments, deposits and other receivables which had been carved-out and treated as a deemed distribution (note 28).

The rates of distribution and the number of shares ranking for distribution are not presented for the year ended 31 December 2007 as such information is not meaningful for the purpose of these financial statements.

The payment of future dividends will be determined by the Company’s Board of Directors. The payment of dividends will depend upon, inter alia, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling shareholder, CRCCG will be able to influence the Company’s dividends policy.

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars.

Following the incorporation of the Company, under the Company Law of the PRC, the Company’s Articles of Association and the prevailing PRC regulations, net profit after tax as reported in the statutory financial statements prepared in accordance with the New PRC GAAP can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years’ cumulative losses, if any.

(ii) Allocation to the statutory common reserve fund of at least 10% of net profit after tax, until the fund aggregates 50% of the Company’s registered share capital. For the purpose of calculating the transfer to reserve, the profit after tax shall be the amount determined under the New PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to the shareholders.

The statutory common reserve fund can be used to offset previous years’ losses, if any, and part of the statutory common reserve fund can be capitalised as the Company’s share capital provided that the amount of the reserve remaining after the capitalisation shall not be less than 25% of the registered share capital of the Company.

(iii) Allocation to the specific reserve for maintenance and production funds pursuant to the relevant PRC regulations for construction companies. Pursuant to the relevant PRC accounting regulations issued in December 2008, the Group is required to make a transfer of the maintenance and production funds from retained earnings to a specific reserve under the reserve funds. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised will be transferred from the maintenance and production funds to retained earnings. For the year ended 31 December 2008, the Group transferred RMB1,635,643,000 from retained earnings to the specific reserve for appropriation of maintenance and production funds which was fully utilised as at 31 December 2008.

13. DISTRIBUTIONS/DIVIDEND (continued)

(iv) Allocation to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

In accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the New PRC GAAP; and (ii) the net profit determined in accordance with IFRSs.

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

The calculation of basic earnings per share amount for the year ended 31 December 2008 is based on the profit attributable to equity holders of the Company amounting to RMB3,643,843,000 and the weighted average number of 11,238,027,000 ordinary shares in issue during the year.

The calculation of basic earnings per share amount for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company amounting to RMB2,300,770,000 and the number of ordinary shares in issue on the assumption that the 8,000,000,000 ordinary shares in issue upon the incorporation of the Company on 5 November 2007 had been in issue throughout the year ended 31 December 2007.

No diluted earnings per share amount has been presented as the Company did not have any dilutive potential ordinary shares during the year (2007: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Production equipment RMB'000	Measurement and experimental equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008								
Cost:								
At 1 January 2008	5,249,522	10,472,598	4,471,650	2,447,924	904,429	2,937,294	1,336,870	27,820,287
Additions	401,240	4,941,482	1,460,041	617,300	268,580	1,826,022	1,716,196	11,230,861
Acquisition of a subsidiary (note 40(a))	9,900	16,347	–	–	74	14,712	1,516	42,549
Acquisition of assets and liabilities (note 40(b))	–	–	–	–	–	1,838	–	1,838
Transfer from construction in progress	336,699	187,841	2,683	84,181	1,714	58,693	(671,811)	–
Transfer to prepaid land lease payments (note 16)	–	–	–	–	–	–	(184,792)	(184,792)
Disposals	(258,108)	(800,473)	(236,483)	(280,117)	(44,888)	(536,074)	–	(2,156,143)
At 31 December 2008	5,739,253	14,817,795	5,697,891	2,869,288	1,129,909	4,302,485	2,197,979	36,754,600
Accumulated depreciation and impairment:								
At 1 January 2008	(1,636,179)	(4,375,284)	(2,639,688)	(965,303)	(508,620)	(1,696,706)	(550)	(11,822,330)
Impairment for the year # (note 7)	(1,003)	–	–	–	–	–	–	(1,003)
Depreciation charge for the year (note 7)	(162,133)	(1,610,642)	(883,568)	(325,890)	(148,664)	(935,612)	–	(4,066,509)
Acquisition of a subsidiary (note 40(a))	(1,490)	(3,326)	–	–	(23)	(1,762)	–	(6,601)
Acquisition of assets and liabilities (note 40(b))	–	–	–	–	–	(919)	–	(919)
Disposals	69,436	178,582	218,001	148,203	28,869	386,525	–	1,029,616
At 31 December 2008	(1,731,369)	(5,810,670)	(3,305,255)	(1,142,990)	(628,438)	(2,248,474)	(550)	(14,867,746)
Net carrying amount:								
At 31 December 2008	4,007,884	9,007,125	2,392,636	1,726,298	501,471	2,054,011	2,197,429	21,886,854
At 31 December 2007	3,613,343	6,097,314	1,831,962	1,482,621	395,809	1,240,588	1,336,320	15,997,957

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Production equipment RMB'000	Measurement and experimental equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007								
Cost:								
At 1 January 2007	6,696,193	8,687,845	3,680,105	1,650,312	798,594	2,628,902	564,844	24,706,795
Additions	441,200	2,321,727	1,202,342	1,061,806	270,712	840,518	1,765,185	7,903,490
Transfer from construction in progress	136,732	418,180	5,276	8,232	4,174	15,977	(588,571)	–
Transfer to prepaid land lease payments (note 16)	–	–	–	–	–	–	(5,702)	(5,702)
Disposals	(185,531)	(955,154)	(414,631)	(272,426)	(169,051)	(547,532)	–	(2,544,325)
Distributions to CRCCG pursuant to the Restructuring (note 13)	(1,785,456)	–	–	–	–	–	(23,667)	(1,809,123)
Disposal of a subsidiary (note 40(b))	(53,616)	–	(1,442)	–	–	(571)	(375,219)	(430,848)
At 31 December 2007	5,249,522	10,472,598	4,471,650	2,447,924	904,429	2,937,294	1,336,870	27,820,287
Accumulated depreciation and impairment:								
At 1 January 2007	(2,152,277)	(3,757,019)	(2,101,116)	(744,884)	(412,872)	(1,371,935)	(550)	(10,540,653)
Impairment for the year # (note 7)	–	(4,739)	–	–	–	(46)	–	(4,785)
Depreciation charge for the year (note 7)	(295,876)	(1,186,361)	(779,820)	(326,123)	(153,039)	(664,389)	–	(3,405,608)
Disposals	113,064	572,835	240,862	105,704	57,291	339,343	–	1,429,099
Distributions to CRCCG pursuant to the Restructuring (note 13)	697,860	–	–	–	–	–	–	697,860
Disposal of a subsidiary (note 40(b))	1,050	–	386	–	–	321	–	1,757
At 31 December 2007	(1,636,179)	(4,375,284)	(2,639,688)	(965,303)	(508,620)	(1,696,706)	(550)	(11,822,330)
Net carrying amount:								
At 31 December 2007	3,613,343	6,097,314	1,831,962	1,482,621	395,809	1,240,588	1,336,320	15,997,957
At 31 December 2006	4,543,916	4,930,826	1,578,989	905,428	385,722	1,256,967	564,294	14,166,142

\# Impairment losses of RMB1,003,000 (2007: RMB4,785,000) were recognised in the consolidated income statement for the year, which mainly represented the write-down of certain items of machinery in the construction operations segment to their recoverable amounts.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB'000	Vehicles RMB'000	Production equipment RMB'000	Other equipment RMB'000	Total RMB'000
31 December 2008					
Cost:					
At 1 January 2008	2,389	17,155	2,026	19,945	41,515
Additions	—	7,896	94	3,236	11,226
Disposals	—	(935)	—	(700)	(1,635)
At 31 December 2008	2,389	24,116	2,120	22,481	51,106
Accumulated depreciation:					
At 1 January 2008	(10)	(823)	(79)	(276)	(1,188)
Depreciation charge for the year	(59)	(4,527)	(454)	(4,557)	(9,597)
Disposals	—	894	—	157	1,051
At 31 December 2008	(69)	(4,456)	(533)	(4,676)	(9,734)
Net carrying amount:					
At 31 December 2008	2,320	19,660	1,587	17,805	41,372
At 31 December 2007	2,379	16,332	1,947	19,669	40,327
31 December 2007					
Cost:					
Injection to the Company upon its incorporation	2,389	16,969	2,026	14,360	35,744
Additions	—	450	—	5,599	6,049
Disposals	—	(264)	—	(14)	(278)
At 31 December 2007	2,389	17,155	2,026	19,945	41,515
Accumulated depreciation:					
Depreciation charge for the period	(10)	(823)	(79)	(288)	(1,200)
Disposals	—	—	—	12	12
At 31 December 2007	(10)	(823)	(79)	(276)	(1,188)
Net carrying amount:					
At 31 December 2007	2,379	16,332	1,947	19,669	40,327

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net carrying amount of RMB922,106,000 (2007: RMB203,714,000) as at 31 December 2008 (note 33).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of machinery amounted to RMB156,640,000 (2007: RMB171,113,000) as at 31 December 2008 (note 34).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2008, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of RMB16,583,000 (2007: RMB53,718,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2008.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount at beginning of the year	4,797,414	1,470,069
Additions	137,804	590,433
Acquisition of a subsidiary (note 40(a))	1,133	—
Injection by CRCCG pursuant to the Restructuring (note 40(c))	—	3,074,967
Transfer from construction in progress (note 15)	184,792	5,702
Disposals	(51,767)	(69,629)
Amortisation for the year (note 7)	(108,714)	(45,041)
Distributions to CRCCG pursuant to the Restructuring (note 13)	—	(229,087)
Carrying amount at end of the year	4,960,662	4,797,414
Portion classified as current assets	(102,044)	(101,901)
Non-current portion	4,858,618	4,695,513

The carrying amount of the Group's prepaid land lease payments represents land use rights in the PRC which are held under the following lease terms:

	Group	
	2008	2007
	RMB'000	RMB'000
Lease term, at carrying amount:		
Long term leases of not less than 50 years	55,280	61,596
Medium term leases of less than 50 years but not less than 10 years	4,861,109	4,718,828
Short term leases of less than 10 years	44,273	16,990
	4,960,662	4,797,414

Certain of the Group's interest-bearing bank and other borrowings were secured by the Group's prepaid land lease payments, which had an aggregate carrying amount of RMB74,385,000 (2007: RMB48,753,000) as at 31 December 2008 (note 33).

As at 31 December 2008, the Group was in the process of applying for the title certificates of certain of its land use rights in the PRC with an aggregate carrying amount of RMB61,760,000 (2007: RMB153,449,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2008.

17. INTANGIBLE ASSETS

Group

	Concession assets RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
31 December 2008					
Cost:					
At 1 January 2008	1,136,581	33,295	–	20,424	1,190,300
Additions	720,030	9,059	–	5,264	734,353
Acquisition of a subsidiary (note 40(a))	–	–	167,073	–	167,073
Transfer to non-current asset held for sale (note 44)	(1,331,306)	–	–	–	(1,331,306)
Disposals	–	(8,345)	–	(5,284)	(13,629)
At 31 December 2008	525,305	34,009	167,073	20,404	746,791
Accumulated amortisation and impairment:					
At 1 January 2008	(19,015)	(19,777)	–	(18,966)	(57,758)
Amortisation for the year (note 7)	(7,131)	(4,479)	(3,528)	(400)	(15,538)
Disposals	–	8,267	–	5,230	13,497
At 31 December 2008	(26,146)	(15,989)	(3,528)	(14,136)	(59,799)
Net carrying amount:					
At 31 December 2008	499,159	18,020	163,545	6,268	686,992
At 31 December 2007	1,117,566	13,518	–	1,458	1,132,542
31 December 2007					
Cost:					
At 1 January 2007	321,292	37,506	–	17,961	376,759
Additions	815,289	5,727	–	7,093	828,109
Disposals	–	(9,938)	–	(4,630)	(14,568)
At 31 December 2007	1,136,581	33,295	–	20,424	1,190,300
Accumulated amortisation and impairment:					
At 1 January 2007	(11,885)	(13,639)	–	(12,385)	(37,909)
Impairment for the year (note 7)	–	(508)	–	–	(508)
Amortisation for the year (note 7)	(7,130)	(8,510)	–	(7,550)	(23,190)
Disposals	–	2,880	–	969	3,849
At 31 December 2007	(19,015)	(19,777)	–	(18,966)	(57,758)
Net carrying amount:					
At 31 December 2007	1,117,566	13,518	–	1,458	1,132,542
At 31 December 2006	309,407	23,867	–	5,576	338,850

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's intangible assets, which had an aggregate net carrying amount of RMB395,078,000 (2007: RMB198,412,000) as at 31 December 2008 (note 33).

18. INVESTMENTS IN SUBSIDIARIES

	Company 2008 RMB'000	Company 2007 RMB'000
Unlisted investments, at cost	18,021,728	11,938,895

Particulars of the principal subsidiaries of the Company are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
中國土木工程集團有限公司 China Civil Engineering Construction Ltd.	The PRC 1 June 1979	RMB610,000	100	–	Construction
中鐵十一局集團有限公司 China Railway 11th Bureau Group Co., Ltd.	The PRC 1 August 2001	RMB431,850	100	–	Construction
中鐵十二局集團有限公司 China Railway 12th Bureau Group Co., Ltd.	The PRC 12 May 1986	RMB460,680	100	–	Construction
中鐵十三局集團有限公司 China Railway 13th Bureau Group Co., Ltd.	The PRC 6 June 2001	RMB444,810	100	–	Construction
中鐵十四局集團有限公司 China Railway 14th Bureau Group Co., Ltd.	The PRC 12 October 1986	RMB510,000	100	–	Construction
中鐵十五局集團有限公司 China Railway 15th Bureau Group Co., Ltd.	The PRC 2 April 2001	RMB517,210	100	–	Construction
中鐵十六局集團有限公司 China Railway 16th Bureau Group Co., Ltd.	The PRC 1 August 1995	RMB468,300	100	–	Construction
中鐵十七局集團有限公司 China Railway 17th Bureau Group Co., Ltd.	The PRC 2 February 1985	RMB444,210	100	–	Construction
中鐵十八局集團有限公司 China Railway 18th Bureau Group Co., Ltd.	The PRC 18 April 2001	RMB530,000	100	–	Construction
中鐵十九局集團有限公司 China Railway 19th Bureau Group Co., Ltd.	The PRC 26 December 2001	RMB495,460	100	–	Construction

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中鐵二十局集團有限公司 China Railway 20th Bureau Group Co., Ltd.	The PRC 1 December 1993	RMB510,000	100	–	Construction
中鐵二十一局集團有限公司 China Railway 21st Bureau Group Co., Ltd.	The PRC 16 March 2004	RMB350,000	100	–	Construction
中鐵二十二局集團有限公司 China Railway 22nd Bureau Group Co., Ltd.	The PRC 3 March 2004	RMB326,000	100	–	Construction
中鐵二十三局集團有限公司 China Railway 23rd Bureau Group Co., Ltd.	The PRC 11 June 2002	RMB300,000	100	–	Construction
中鐵二十四局集團有限公司 China Railway 24th Bureau Group Co., Ltd.	The PRC 4 March 2004	RMB353,244	100	–	Construction
中鐵二十五局集團有限公司 China Railway 25th Bureau Group Co., Ltd.	The PRC 14 March 2004	RMB310,720	100	–	Construction
中鐵建設集團有限公司 China Railway Construction Group Ltd.	The PRC 1 August 1979	RMB500,000	100	–	Construction
中鐵建電氣化局集團有限公司 China Railway Electrification Bureau (Group) Co., Ltd.	The PRC 1 December 2005	RMB110,000	100	–	Construction
中鐵房地產集團有限公司 China Railway Real Estate Group Co., Ltd.	The PRC 20 April 2007	RMB2,000,000	100	–	Real estate development
中鐵第一勘察設計院集團有限公司 China Railway First Survey and Design Institute Group Co., Ltd.	The PRC 31 December 1992	RMB150,000	100	–	Survey, design and consultancy
中鐵第四勘察設計院集團有限公司 China Railway Fourth Survey and Design Institute Group Co., Ltd.	The PRC 28 May 2001	RMB150,000	100	–	Survey, design and consultancy
中鐵第五勘察設計院集團有限公司 China Railway Fifth Survey and Design Institute Group Co., Ltd.	The PRC 28 December 2001	RMB105,000	100	–	Survey, design and consultancy

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中鐵上海設計院集團有限公司 China Railway Shanghai Design Institute Group Co., Ltd.	The PRC 10 December 1992	RMB80,000	100	–	Survey, design and consultancy
中鐵物資集團有限公司 China Railway Goods and Materials Co., Ltd.	The PRC 4 June 1992	RMB81,296	100	–	Trading of construction materials
昆明中鐵大型養路機械集團有限公司 Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	The PRC 29 August 1992	RMB187,984	100	–	Manufacturing of large track maintenance machinery
中鐵軌道系統集團有限公司 China Railway Rail System Group Co., Ltd.	The PRC 23 November 2006	RMB520,000	100	–	Manufacturing of railway track systems
北京鐵城建設監理有有限責任公司 Beijing Tiecheng Construction Supervision Co., Ltd.	The PRC 11 November 1998	RMB6,000	80.02	19.98	Construction management and supervision
中國鐵道建設（香港）有限公司 China Railway Construction (HK) Limited	Hong Kong 19 November 2005	HK$6,000	100	–	Construction management

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

All the above subsidiaries are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2008. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	–	–	57,680	62,580
Share of net assets	97,123	71,814	–	–
	97,123	71,814	57,680	62,580

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities of the Group are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
HK ACE Joint Venture	Hong Kong 2 June 1999	–	25	–	Construction
新華錦集團青島錦源房地產開發有限公司 Xinhuajin Group Qingdao Jinyuan Real Estate Development Limited	The PRC 27 February 2003	RMB10,000	–	49	Real estate development
湖北萬佳房地產開發有限公司 Hubei Wanjia Real Estate Development Limited	The PRC 31 October 2002	RMB20,000	–	40	Real estate development
Chun Wo – Henryvicy – CRCC – Queensland Rail Joint Venture	Hong Kong 11 March 1999	–	20	–	Construction
Chun Wo – Henryvicy – CRCC Joint Venture	Hong Kong 7 September 2000	–	25	–	Construction
北京地匯華商置業有限公司 Beijing Dihui Huashang Real Estate Limited	The PRC 25 December 2008	RMB29,800	–	50	Real estate development

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the jointly-controlled entities of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2008. To give details of other jointly-controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following tables illustrate the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2008	2007
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	248,771	282,658
Non-current assets	49,802	1,363
Current liabilities	(201,296)	(163,138)
Non-current liabilities	(154)	(49,069)
Net assets	97,123	71,814
Share of the jointly-controlled entities' results:		
Revenue	116,276	51,705
Other income	558	11,293
	116,834	62,998
Total expenses	(95,686)	(47,843)
Tax	(5,492)	(531)
Profit after tax	15,656	14,624

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	17,236	—
Share of net assets	349,113	258,822	—	—
Provision for impairment	(1,618)	(1,851)	—	—
	347,495	256,971	17,236	—

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates of the Group are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蛇口興華實業股份有限公司 Shekou Xinghua Enterprise Co., Ltd.	The PRC 19 November 1983	RMB46,377	–	33	Real estate development
北京中鐵建協工程技術諮詢有限公司 Beijing China Railway Jianxie Engineering & Technology Consultation Co., Ltd.	The PRC 15 April 2001	RMB5,000	–	49	Technology consultancy
上海先科橋樑隧道檢測加固工程技術有限公司 Shanghai Xianke Bridge and Tunnel Inspection Engineering Technology Co., Ltd.	The PRC 1 November 2005	RMB4,000	–	48	Bridge inspection
中鐵交通國際工程技術有限公司 China Railway Communications International Engineering and Technology Co., Ltd.	The PRC 11 March 2007	RMB200,000	–	35	Survey, design and consultancy
安徽萬特投資發展有限公司 Anhui Wante Investment and Development Co., Ltd.	The PRC 9 January 2001	RMB79,500	–	43	Real estate development
中土北亞國際投資發展有限公司 CCECC-Beyond International Investment Development Co., Ltd.	The PRC 2 March 2006	RMB50,000	35	15	Investment holding and real estate development

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2008. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES (continued)

The following tables illustrate the summarised financial information of the Group's associates extracted from their audited financial statements or management accounts:

	Group	
	2008	2007
	RMB'000	RMB'000
Aggregate of associates' financial position:		
Assets	1,900,450	1,915,087
Liabilities	853,579	1,292,976
Aggregate of associates' results:		
Revenue	661,989	1,040,576
Profit	21,004	46,888

21. HELD-TO-MATURITY INVESTMENTS

	Group	
	2008	2007
	RMB'000	RMB'000
Debt investments:		
– Listed in Mainland China	6,832	6,858
– Unlisted	10,456	36,500
	17,288	43,358
Portion classified as current assets	(10,000)	(25,000)
Non-current portion	7,288	18,358
Held-to-maturity investments are analysed, by issuer, as follows:		
– Central government and central bank	1,019	2,059
– Corporate entities	16,269	41,299
	17,288	43,358

During the year, the effective interest rates of the held-to-maturity investments ranged from 4.0% to 5.2% (2007: 4.0% to 5.3%) per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity investments in Mainland China, at fair value	200,228	330,684	94,550	155,788
Unlisted equity investments, at cost	1,465,767	551,931	986,444	91,179
Provision for impairment	(11,943)	(12,461)	—	—
	1,453,824	539,470	986,444	91,179
Listed bond investments in Mainland China, at fair value	44	2,264	—	—
	1,654,096	872,418	1,080,994	246,967
Available-for-sale investments are analysed, by issuer, as follows:				
– Central government and central bank	—	2,062	—	—
– Banks and other financial institutions	173,451	263,118	103,202	155,788
– Corporate entities	1,480,645	607,238	977,792	91,179
	1,654,096	872,418	1,080,994	246,967

Movements in the provision for impairment of available-for-sale investments are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At beginning of the year	12,461	18,432
Impairment for the year (note 7)	65	4,035
Written off	(583)	(10,006)
At end of the year	11,943	12,461

The fair values of the listed equity and bond investments are based on quoted market prices. The unlisted equity investments are equity securities issued by private entities established in the PRC. 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 Group does not intend to dispose of them in the near future.

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to RMB130,938,000 (2007: gross gain of RMB269,628,000).

During the year, the gross loss of the Company's available-for-sale investments recognised in equity amounted to RMB61,238,000 (2007: gross gain of RMB47,380,000) (note 39(b)).

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
At beginning of the year/period, net	2,945,242	3,292,051	(1,018)	—
Injection to the Company upon its incorporation	—	—	—	12,448
Deferred tax charged to the income statements during the year/period (note 11)	(524,068)	(866,210)	1,467	(1,621)
Deferred tax charged to equity during the year/period:				
(i) Deferred tax assets on revaluation surplus arising from the Restructuring	—	1,051,303	—	—
(ii) Distribution of deferred tax assets arising from provision for supplementary pension subsidies to CRCCG pursuant to the Restructuring (note 13)	—	(846,670)	—	—
(iii) Deferred tax liabilities arising from changes in fair values of available-for-sale investments	32,472	(31,688)	15,310	(11,845)
Deferred tax liabilities reclassified to tax payable	—	346,456	—	—
At end of the year/period, net	2,453,646	2,945,242	15,759	(1,018)

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

The Group's and the Company's deferred tax assets and deferred tax liabilities are attributed to the following items, which are reflected in the balance sheets:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Deferred tax assets:				
Provision for early retirement benefits	1,606,392	1,842,552	9,790	10,827
Provision for impairment of assets	139,117	142,718	—	—
Provision for foreseeable losses on construction contracts	37,589	50,761	—	—
Tax losses available for offsetting against future taxable income	37,954	42,655	—	—
Accruals and provisions	31,537	35,916	—	—
Additional tax deduction on revaluation surplus arising from the Restructuring	888,715	1,018,657	—	—
Others	13,483	6,977	5,969	—
	2,754,787	3,140,236	15,759	10,827
Deferred tax liabilities:				
Recognition of revenue on construction contracts	(123,804)	(163,306)	—	—
Others	(177,337)	(31,688)	—	(11,845)
	(301,141)	(194,994)	—	(11,845)
	2,453,646	2,945,242	15,759	(1,018)

As at 31 December 2008, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB255,687,000 (2007: RMB69,929,000), which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2008, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no liability to additional tax should such amounts be remitted (2007: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	7,812,983	4,493,410	29,169	3,778
Work in progress	1,215,002	706,233	—	—
Finished goods	1,452,002	787,859	—	—
Spare parts	2,569,551	2,039,387	—	—
	13,049,538	8,026,889	29,169	3,778

As at 31 December 2007, certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's inventories, which had an aggregate carrying amount of RMB188,469,000 (note 33).

25. PROPERTIES UNDER DEVELOPMENT

	Group	
	2008	2007
	RMB'000	RMB'000
Properties under development	9,317,503	3,510,042
Provision for properties under development	(538,055)	—
	8,779,448	3,510,042

Movement in the provision for properties under development is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Impairment for the year and at end of the year (note 7)	538,055	—

As at 31 December 2008, certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's properties under development, which had an aggregate carrying amount of RMB821,253,000 (2007: RMB700,894,000) (note 33).

26. CONSTRUCTION CONTRACTS

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount due from contract customers for contract work	36,317,258	35,928,314	1,881,056	1,138,383
Gross amount due to contract customers for contract work	(16,804,081)	(17,391,764)	—	—
	19,513,177	18,536,550	1,881,056	1,138,383
Contract costs incurred plus recognised profits less recognised losses to date	685,036,939	522,645,730	5,813,073	1,988,231
Less: Progress billings received and receivable	(665,523,762)	(504,109,180)	(3,932,017)	(849,848)
	19,513,177	18,536,550	1,881,056	1,138,383

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

	Group	
	2008	2007
	RMB'000	RMB'000
Ultimate holding company	22,354	—
Fellow subsidiaries	22,457	61,072
	44,811	61,072

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

	Group	
	2008	2007
	RMB'000	RMB'000
Ultimate holding company	2,025	—
Fellow subsidiaries	92,098	249,123
	94,123	249,123

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

27. TRADE AND BILLS RECEIVABLES

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	131,787	162,108	—	—
Trade receivables	28,857,935	26,521,634	1,411	4,247
Retention money receivables	5,557,740	5,232,386	7,495	7,496
Provision for impairment	(537,250)	(617,293)	—	—
	34,010,212	31,298,835	8,906	11,743
Portion classified as current assets	(32,773,743)	(30,265,003)	(8,906)	(11,743)
Non-current portion	1,236,469	1,033,832	—	—

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	26,498,405	22,850,161	681	3,518
6 months to 1 year	4,115,923	4,678,012	—	—
1 to 2 years	2,196,856	2,376,177	—	—
2 to 3 years	798,003	909,552	—	8,225
More than 3 years	401,025	484,933	8,225	—
	34,010,212	31,298,835	8,906	11,743

27. TRADE AND BILLS RECEIVABLES (continued)

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	28,351,993	25,840,190	8,906	10,783
Past due but not impaired:				
Less than 3 months past due	634,579	552,478	—	—
3 to 6 months past due	303,590	253,318	—	—
Over 6 months past due	330,924	459,040	—	960
	29,621,086	27,105,026	8,906	11,743

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

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

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

	Group	
	2008	2007
	RMB'000	RMB'000
At beginning of the year	617,293	711,253
Reversal of impairment for the year (net) (note 7)	(61,082)	(24,067)
Written off	(18,961)	(69,893)
At end of the year	537,250	617,293

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB537,250,000 (2007: RMB617,293,000) with a carrying amount of RMB4,926,376,000 (2007: RMB4,811,102,000). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

27. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2008 RMB'000	2007 RMB'000
Ultimate holding company	419	—
Fellow subsidiaries	96,816	107,084
Jointly-controlled entities	—	4,321
Associates	6,483	46,709
	103,718	158,114

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

The weighted average effective interest rate on non-current trade and bills receivables is as follows:

	Group	
	2008	2007
Effective interest rate	7.3%	6.9%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current trade and bills receivables approximate to their fair values. In addition, as the non-current trade and bills receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade and bills receivables approximate to their fair values.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Advances to suppliers	21,258,665	13,375,754	5,572,092	2,163,802
Prepayments	64,684	98,902	—	—
Deposits and other receivables, net of provision for impairment (note (a)) *	15,061,509	10,150,512	12,317,091	4,152,549
	36,384,858	23,625,168	17,889,183	6,316,351
Portion classified as current assets	(36,320,174)	(23,543,418)	(17,889,183)	(6,316,351)
Non-current portion	64,684	81,750	—	—

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note:

(a) As at 31 December 2008, deposits and other receivables include an interest-free loan of RMB2,055,501,000 given by the Group's wholly-owned subsidiary, China Railway Real Estate Group Co., Ltd., to an independent third party, 北京第六大洲房地產開發有限公司 (Beijing Sixth Continent Real Estate Development Co., Ltd.).

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	14,442,960	9,517,890	12,882,566	4,152,549

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

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

	Group	
	2008	2007
	RMB'000	RMB'000
At beginning of the year	209,663	298,726
Impairment/(reversal of impairment) for the year (net) (note 7)	56,567	(20,944)
Written off	(16,242)	(68,119)
At end of the year	249,988	209,663

The above provision for impairment of deposits and other receivables is a provision for individually impaired deposits and other receivables of RMB249,988,000 (2007: RMB209,663,000) with a carrying amount of RMB868,537,000 (2007: RMB842,285,000). The individually impaired deposits and other receivables relate to debtors that were in financial difficulties or debtors that were in default or delinquency in payments and only a portion of the balances is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Ultimate holding company	—	—	—	351,136
Fellow subsidiaries	650	—	—	—
Jointly-controlled entities	123,360	387,925	—	—
Associates	45,836	415,221	54,918	—
Subsidiaries	—	—	16,007,283	4,801,939
	169,846	803,146	16,062,201	5,153,075

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

During the year ended 31 December 2007, an amount due from the ultimate holding company included in prepayments, deposits and other receivables of RMB2,252,651,000 had been carved-out and treated as a deemed distribution (note 13).

The weighted average effective interest rate on non-current deposits and other receivables is as follows:

	Group	
	2008	2007
Effective interest rate	7.3%	6.9%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current deposits and other receivables approximate to their fair values. In addition, as the non-current deposits and other receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current deposits and other receivables approximate to their fair values.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Bond investments:				
– Listed in Mainland China, at market value	–	800	–	–
Equity investments:				
– Listed in Mainland China, at market value	32,853	124,331	32,320	123,798
	32,853	125,131	32,320	123,798
Financial assets at fair value through profit or loss are analysed, by issuer, as follows:				
– Central government and central bank	–	800	–	–
– Banks and other financial institutions	1,967	5,207	1,967	5,207
– Corporate entities	30,886	119,124	30,353	118,591
	32,853	125,131	32,320	123,798

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	32,966,935	23,971,215	4,312,913	2,015,928
Time deposits	24,503,129	3,517,079	18,311,568	40,000
	57,470,064	27,488,294	22,624,481	2,055,928
Less: Pledged bank balances for				
– Bills payable (note 31)	(969,252)	(597,111)	–	–
– Projects bidding	(1,494,847)	(681,031)	–	–
Less: Pledged time deposits for				
– Bank loans (note 33)	–	(20,000)	–	–
	(2,464,099)	(1,298,142)	–	–
Cash and cash equivalents in the balance sheets	55,005,965	26,190,152	22,624,481	2,055,928
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(5,550,640)	(3,001,661)		
Cash and cash equivalents in the consolidated cash flow statement	49,455,325	23,188,491		
Cash and bank balances and time deposits denominated in:				
– RMB	37,689,435	24,781,758	5,751,979	1,889,019
– United States dollars	5,551,507	1,187,778	5,065,043	134,432
– Hong Kong dollars	10,843,769	88,055	10,203,731	81
– Other currencies	3,385,353	1,430,703	1,603,728	32,396
	57,470,064	27,488,294	22,624,481	2,055,928

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

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

31. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	63,826,309	45,418,021	3,137,268	241,102
Portion classified as current liabilities	(62,824,384)	(44,676,793)	(3,137,268)	(241,102)
Non-current portion	1,001,925	741,228	—	—

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	53,039,994	34,658,770	3,088,624	199,889
6 months to 1 year	7,847,160	7,351,934	15,413	31,709
1 to 2 years	1,937,088	1,893,723	30,683	9,504
2 to 3 years	536,661	933,849	2,548	—
More than 3 years	465,406	579,745	—	—
	63,826,309	45,418,021	3,137,268	241,102

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Fellow subsidiaries	391	14,846	—	—
Associates	8,693	100,401	—	—
Subsidiaries	—	—	3,010,916	29,678
	9,084	115,247	3,010,916	29,678

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

31. TRADE AND BILLS PAYABLES (continued)

The weighted average effective interest rate on non-current trade and bills payables is as follows:

	Group	
	2008	2007
Effective interest rate	7.3%	6.9%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current trade and bills payables approximate to their fair values. In addition, as the non-current trade and bills payables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade and bills payables approximate to their fair values.

The Group's bills payable were secured by pledged bank balances of RMB969,252,000 (2007: RMB597,111,000) as at 31 December 2008 (note 30).

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Advances from customers	33,889,939	32,624,866	656,368	1,720,748
Accrued salaries, wages and benefits	5,640,457	4,735,751	24,394	32,998
Other taxes payable	2,089,705	1,725,087	—	—
Current portion of deferred revenue (note 36)	18,138	18,079	—	—
Others *	19,320,596	14,478,468	4,357,403	2,211,459
	60,958,835	53,582,251	5,038,165	3,965,205
Portion classified as current liabilities	(60,452,573)	(53,199,850)	(5,030,343)	(3,506,927)
Non-current portion	506,262	382,401	7,822	458,278

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

32. OTHER PAYABLES AND ACCRUALS (continued)

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Ultimate holding company (note (a))	210,299	1,042,537	189,660	—
Fellow subsidiaries	155,889	370,598	—	—
Jointly-controlled entities	1,501,702	152,227	57,309	58,055
Associates	5,786	80,535	—	—
Subsidiaries	—	—	1,632,151	1,388,010
	1,873,676	1,645,897	1,879,120	1,446,065

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

Note:

(a) In accordance with the notices《財政部關於下達中國鐵建建築總公司2008年中央國有資本經營預算(撥款)的通知》(財企[2008]260號)"Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260)" and《財政部關於撥付2008年中央企業汶川地震災害後恢復重建基金的通知》(財企[2008]399號)"Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399)" issued by the MOF (the English names of the notices are direct translation of the Chinese names), the MOF injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC. Accordingly, CRCCG injected the reconstruction fund received from the MOF to the Company. The notices issued by the MOF stated that the injected fund is to be accounted for as an increase in state-owned capital. As the Company has not completed the necessary procedures in relation to the increase in state-owned capital, the Company has recorded the fund received of RMB189,660,000 in other payables as at 31 December 2008.

The weighted average effective interest rate on non-current other payables is as follows:

	Group	
	2008	2007
Effective interest rate	7.3%	6.9%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current other payables approximate to their fair values. In addition, as the non-current other payables have been discounted based on the effective interest rate, the carrying amounts of the non-current other payables approximate to their fair values.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Current						
Finance lease payables (note 34)	5.8 - 12.7	2009	97,157	79,431	—	—
Short term bank loans:						
– unsecured	3.6 - 9.7	2009	13,076,454	16,434,823	300,000	4,115,574
– secured	4.8 - 10.1	2009	136,040	386,880	—	—
Short term other loans:						
– unsecured	5.8 - 6.0	2009	67,018	749,956	—	—
Short term corporate bonds:						
– unsecured	7.0	2009	346,599	2,013,057	—	2,013,057
Current portion of long term bank loans:						
– unsecured	0.8 - 11.5	2009	2,667,390	797,484	839,371	60,000
– secured	5.3 - 9.3	2009	20,977	301,500	—	—
Current portion of long term other loans:						
– unsecured	13.3	2008	—	3,276	—	—
			16,411,635	20,766,407	1,139,371	6,188,631
Non-current						
Finance lease payables (note 34)	5.8 - 12.7	2010 - 2013	204,753	87,989	—	—
Long term bank loans:						
– unsecured	0.8 - 8.0	2010 - 2024	4,150,614	4,747,173	1,545,756	2,043,865
– secured	0.8 - 8.6	2010 - 2026	1,358,123	293,944	—	—
Long term other loans:						
– unsecured	2.3	2011	6,050	67,630	—	—
			5,719,540	5,196,736	1,545,756	2,043,865
			22,131,175	25,963,143	2,685,127	8,232,496
Interest-bearing bank and other borrowings denominated in:						
– RMB			20,350,884	25,106,536	2,564,670	7,488,144
– Euro			1,689,252	741,010	120,457	628,778
– United States dollars			91,039	115,597	—	115,574
			22,131,175	25,963,143	2,685,127	8,232,496

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

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	15,900,861	17,920,687	1,139,371	4,175,574
In the second year	1,936,173	1,308,019	861,501	80,751
In the third to fifth years, inclusive	647,895	2,238,141	74,636	1,291,561
Beyond five years	2,924,669	1,494,957	609,619	671,553
	21,409,598	22,961,804	2,685,127	6,219,439
Other borrowings (including finance lease payables) repayable:				
Within one year	164,175	832,663	–	–
In the second year	87,939	142,942	–	–
In the third to fifth years, inclusive	122,864	12,677	–	–
	374,978	988,282	–	–
Corporate bonds repayable:				
Within one year	346,599	2,013,057	–	2,013,057
	22,131,175	25,963,143	2,685,127	8,232,496

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

	Group	
	2008	2007
	RMB'000	RMB'000
Property, plant and equipment (note 15)	922,106	203,714
Prepaid land lease payments (note 16)	74,385	48,753
Intangible assets (note 17)	395,078	198,412
Inventories (note 24)	–	188,469
Properties under development (note 25)	821,253	700,894
Time deposits (note 30)	–	20,000

Certain interest-bearing bank and other borrowings of the Company of approximately RMB120 million (2007: RMB215 million) were guaranteed by the subsidiaries of the Company as at 31 December 2008 (note 41(d)).

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

Other interest rate information:

Group

	2008 Fixed rate RMB'000	2008 Floating rate RMB'000	2007 Fixed rate RMB'000	2007 Floating rate RMB'000
Bank loans – unsecured	11,795,684	8,098,774	16,403,001	5,576,479
Bank loans – secured	1,046,149	468,991	164,880	817,444
Other borrowings – unsecured	8,050	65,018	759,128	61,734
Other borrowings – secured	301,910	—	167,420	—
Corporate bonds – unsecured	346,599	—	2,013,057	—

Company

	2008 Fixed rate RMB'000	2008 Floating rate RMB'000	2007 Fixed rate RMB'000	2007 Floating rate RMB'000
Bank loans – unsecured	1,591,032	1,094,095	5,366,993	852,446
Corporate bonds – unsecured	—	—	2,013,057	—

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

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

Group

	2008 Carrying amounts RMB'000	2008 Fair values RMB'000	2007 Carrying amounts RMB'000	2007 Fair values RMB'000
Bank loans – unsecured	1,531,861	1,419,911	2,080,260	1,911,515
Bank loans – secured	935,309	756,632	7,800	7,833
Other borrowings – unsecured	6,050	5,316	67,630	64,300
Other borrowings – secured	204,753	218,003	87,989	95,667
	2,677,973	2,399,862	2,243,679	2,079,315

The fair value of the Company's non-current unsecured bank loans at fixed rates with an aggregate carrying amount of RMB820,457,000 (2007: RMB1,564,938,000) was RMB779,589,000 (2007: RMB1,435,096,000) as at 31 December 2008.

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

34. FINANCE LEASE PAYABLES

The Group leases certain of its machinery for its construction operations segment. These leases are classified as finance leases and have remaining lease terms ranging from one to four years. The Group has the option to purchase the machinery at nominal amounts upon the expiry of the lease terms.

At the balance sheet date, the Group's total future minimum lease payments under finance leases and their present values are as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:				
Within one year	118,377	87,932	97,157	79,431
In the second year	94,151	79,816	87,939	75,312
In the third to fifth years, inclusive	123,852	15,852	116,814	12,677
Total minimum finance lease payments	336,380	183,600	301,910	167,420
Future finance charges	(34,470)	(16,180)		
Total net finance lease payables	301,910	167,420		
Portion classified as current liabilities (note 33)	(97,157)	(79,431)		
Non-current portion (note 33)	204,753	87,989		

The effective interest rates of the finance lease payables range from 5.8% to 12.7% (2007: 7.7% to 12.9%) per annum. The carrying amounts of the finance lease payables approximate to their fair values.

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of machinery amounted to RMB156,640,000 (2007: RMB171,113,000) as at 31 December 2008 (note 15).

35. PROVISION FOR EARLY RETIREMENT BENEFITS

The Group implemented an early retirement plan for certain employees in addition to the benefits under the government-sponsored retirement plans. The Group's obligations in respect of the early retirement benefits at the balance sheet date were computed by an independent actuary, Towers, Perrin, Forster & Crosby, Inc., Hong Kong, whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method.

35. PROVISION FOR EARLY RETIREMENT BENEFITS (continued)

The components of net benefit expenses recognised in the consolidated income statement and the amounts recognised in the balance sheets are summarised below:

(a) The provision for early retirement benefits recognised in the balance sheets is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of defined benefit obligations	7,270,420	7,446,410	39,160	43,060
Unrecognised net actuarial gain/(loss)	(323,079)	299,200	—	—
Defined benefit liabilities on the balance sheets	6,947,341	7,745,610	39,160	43,060
Portion classified as current liabilities	(1,000,412)	(1,077,140)	(5,290)	(6,180)
Non-current portion	5,946,929	6,668,470	33,870	36,880

(b) The movements in the provision for early retirement benefits recognised in the balance sheets are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Net liabilities at beginning of the year/period	7,745,610	11,250,250	43,060	—
Injection to the Company upon incorporation	—	—	—	43,948
Benefits paid during the year/period	(1,109,600)	(889,100)	(5,626)	(910)
Distributions to CRCCG pursuant to the Restructuring (note 13) (note (i))	—	(2,880,020)	—	—
Net expense recognised in the consolidated income statement (note 9)	311,331	264,480	—	—
Net expense recognised in the Company's income statement	—	—	1,726	22
Net liabilities at end of the year/period	6,947,341	7,745,610	39,160	43,060

Note:

(i) The Group paid supplementary pension subsidies (including post-retirement medical benefits) to its employees who retired prior to 1 January 2007. Pursuant to the Restructuring, CRCCG has agreed to assume the liabilities of the supplementary pension subsidies (including post-retirement medical benefits) of the retired employees of the Group from 1 January 2007. Subsequent to 1 January 2007, the Group terminated the supplementary pension subsidies plan (including post-retirement medical benefits) for its employees who retired after 1 January 2007.

35. PROVISION FOR EARLY RETIREMENT BENEFITS (continued)

(c) The net expense recognised in the consolidated income statement of the Group is as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Interest cost	311,331	264,480

(d) The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:

	Group	
	2008	2007
Discount rate	2.0%	4.5%
Medical cost trend rate	8.0%	8.0%
Early-retirees' salary inflation rate	2.5%	2.5%

(e) A one percentage point change in the assumed rate of increase in medical cost would have the following effects:

	Group	
	2008 RMB'000	2007 RMB'000
Increase in effect on the interest cost	10	—
Decrease in effect on the interest cost	(10)	—
Increase in effect on the defined benefit obligations	360	100
Decrease in effect on the defined benefit obligations	(330)	(90)

36. DEFERRED REVENUE

The Group received government grants from the Ministry of Railways of the PRC for subsidising its purchase of machinery and equipment in respect of customer-related railway projects. The government grants are recognised as income on the straight-line basis over the expected useful life of the relevant machinery and equipment of ten years.

The movements in deferred revenue in relation to government grants as stated under current and non-current liabilities are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Carrying amount at beginning of the year	195,771	210,150
Received during the year	6,351	3,000
Released to the consolidated income statement during the year (note 6)	(26,608)	(17,379)
Carrying amount at end of the year	175,514	195,771
Current portion included in other payables and accruals (note 32)	(18,138)	(18,079)
Non-current portion	157,376	177,692

37. PROVISION

The movements in the provision for pending litigations are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At beginning of the year	7,610	11,999
Provision for the year	—	789
Utilised during the year	(4,712)	(5,178)
At end of the year	2,898	7,610

The Group has been named in a number of legal proceedings and claims arising from disputes of construction contracts in which the subsidiaries of the Company are defendants. The provision regarding these proceedings and claims was made at the balance sheet date based on the best estimates from the Directors and advice from the Company's legal advisor.

38. ISSUED SHARE CAPITAL

	2008		2007	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
– State legal person shares of RMB1.00 each	7,811,245	7,811,245	8,000,000	8,000,000
– A Shares of RMB1.00 each	2,450,000	2,450,000	—	—
– H Shares of RMB1.00 each	2,076,297	2,076,297	—	—
	12,337,542	12,337,542	8,000,000	8,000,000

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

	2008		2007	
	Number of shares RMB'000	Nominal value RMB'000	Number of shares RMB'000	Nominal value RMB'000
At beginning of the year/period	8,000,000	8,000,000	—	—
At date of incorporation (note (a))	—	—	8,000,000	8,000,000
Public offer of A Shares (note (b))	2,450,000	2,450,000	—	—
Public offer of H Shares (note (c), (d))	2,076,297	2,076,297	—	—
State legal person shares converted into H Shares (note (d))	(188,755)	(188,755)	—	—
	12,337,542	12,337,542	8,000,000	8,000,000

38. ISSUED SHARE CAPITAL (continued)

Notes:

(a) The Company was incorporated on 5 November 2007 with an initial registered share capital of RMB8,000 million divided into 8,000 million shares with a par value of RMB1.00 each. 8,000 million state legal person shares with a par value of RMB1.00 each were issued to CRCCG, all of which were credited as fully paid, in consideration for the transfer of the Core Operations, together with certain prepaid land lease payments, to the Company pursuant to the Restructuring as set out in note 1 to the financial statements.

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

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

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

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

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 88 to 90 of the financial statements.

(b) Company

	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Reserve funds RMB'000	Total RMB'000
Upon incorporation of the Company (note (i))	1,498,744	—	—	—	1,498,744
Loss for the period from 5 November 2007 (date of incorporation of the Company) to 31 December 2007 (note 12)	—	—	(61,990)	—	(61,990)
Changes in fair values of available-for-sale investments (note 22)	—	47,380	—	—	47,380
Deferred tax liabilities arising from changes in fair values of available-for-sale investments (note 23)	—	(11,845)	—	—	(11,845)
Special distribution (note (ii))	—	—	(16,420)	—	(16,420)
At 31 December 2007 and 1 January 2008	1,498,744	35,535	(78,410)	—	1,455,869
Profit for the year (note 12)	—	—	2,276,610	—	2,276,610
Changes in fair values of available-for-sale investments (note 22)	—	(61,238)	—	—	(61,238)
Deferred tax assets arising from changes in fair values of available-for-sale investments (note 23)	—	15,310	—	—	15,310
Issue of shares (note 38)	36,062,862	—	—	—	36,062,862
Share issue expenses	(1,316,151)	—	—	—	(1,316,151)
Transfer from retained earnings to reserve funds (note 13)	—	—	(219,512)	219,512	—
Proposed final 2008 dividend (note 13)	—	—	(1,233,754)	—	(1,233,754)
At 31 December 2008	**36,245,455**	**(10,393)**	**744,934**	**219,512**	**37,199,508**

Notes:

(i) Upon incorporation of the Company on 5 November 2007, 8,000 million shares of RMB1.00 each were issued to CRCCG in return for the net value of the Core Operations and certain prepaid land lease payments with the resulting difference dealt with in the capital reserve.

(ii) Pursuant to the Restructuring, after the Company's incorporation, the Company is required to make a distribution to CRCCG, which represents an amount equal to the profit of the Company, as determined based on the audited financial statements prepared in accordance with the New PRC GAAP, generated during the period from 5 November 2007 (date of incorporation of the Company) to 30 November 2007. The net profit of the Company under the New PRC GAAP for the period from 5 November 2007 (date of incorporation of the Company) to 30 November 2007 was RMB16,420,000 and therefore, the special distribution payable by the Company to CRCCG was RMB16,420,000.

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) *Acquisition of a subsidiary*

On 13 August 2008, the Group acquired a 100% equity interest in 林西縣通知礦業有限責任公司 (Linxi Xian Tonghe Mining Co., Ltd.) ("Tonghe"). The purchase consideration of RMB205,000,000 was determined based on the valuation amount of the net assets of Tonghe and was paid in the form of cash prior to 31 December 2008. The principal activities of Tonghe are mining and sale of mining products.

The fair values of the identifiable assets and liabilities of Tonghe acquired as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Property, plant and equipment (note 15)	35,948	25,799
Prepaid land lease payments (note 16)	1,133	25
Intangible assets (note 17)	167,073	—
Prepayments and other receivables	1,780	1,780
Inventories	2,379	2,379
Other payables and accruals	(3,313)	(3,313)
Net assets	205,000	26,670
Satisfied by:		
Cash	205,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	205,000

From the date of acquisition to 31 December 2008, Tonghe's operating results have had no significant impact on the Group's consolidated revenue nor net profit for the year ended 31 December 2008. Had the acquisition taken place at the beginning of the year, Tonghe's operating results will have no significant impact on the Group's consolidated revenue nor net profit for the year ended 31 December 2008.

There were no acquisitions during the year ended 31 December 2007.

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) *Acquisition of assets and liabilities*

On 31 March 2008, the Group acquired a 51% equity interest in湖南星沙國際物流有限公司 (Hunan Xingsha International Logistics Co., Ltd.) ("Xingsha") for the primary purpose of acquiring certain assets and liabilities held by Xingsha. The purchase consideration of RMB200,000,000 was paid in the form of cash prior to 31 December 2008. In December 2008, the registered name of Xingsha was changed to 湖南中盛嘉業房地產開發有限公司 (Hunan Zhongsheng Jiaye Real Estate Development Co., Ltd.) and its principal activity is real estate development.

The fair values of the assets and liabilities of Xingsha acquired by the Group were as follows:

	RMB'000
Assets and liabilities acquired:	
Property, plant and equipment (note 15)	919
Prepayments and other receivables	162,873
Properties under development	382,899
Interest-bearing bank and other borrowings	(128,050)
Trade payables	(1,940)
Other payables and accruals	(24,544)
Minority interests	(192,157)
Net assets	200,000
Satisfied by:	
Cash	200,000

There were no acquisitions of assets during the year ended 31 December 2007.

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) *Disposal of a subsidiary*

On 11 November 2007, the Group entered into an agreement for the disposal of the Group's wholly-owned subsidiary, 中鐵能源投資有限公司 (China Railway Energy Investment Co., Ltd.), to an independent third party for a consideration of RMB435,890,000. The principal activity of 中鐵能源投資有限公司 is investment holding in an entity engaging in the investment and construction of water conservancy and hydropower facilities.

	Group	
	2008	2007
	RMB'000	RMB'000
Net assets disposed of:		
Property, plant and equipment (note 15)	–	429,091
Cash and bank balances	–	144,306
Prepayments and other receivables	–	806
Trade payables	–	(49,639)
Interest-bearing bank and other borrowings	–	(400,000)
Other payables and accruals	–	(4,465)
	–	120,099
Gain on disposal of a subsidiary (note 6)	–	315,791
	–	435,890
Satisfied by:		
Cash	–	261,534
Receivable from an independent third party	–	174,356
	–	435,890

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Cash consideration	–	261,534
Cash and bank balances disposed of	–	(144,306)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	117,228

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) *Major non-cash transactions*

Major non-cash transactions are set out as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Distributions pursuant to the Restructuring (note 13):		
(i) Property, plant and equipment	–	1,111,263
(ii) Prepaid land lease payments	–	229,087
(iii) Provision for supplementary pension subsidies	–	2,880,020
(iv) Deferred tax assets arising from provision for supplementary pension subsidies	–	846,670
Other distribution (note 13)	–	2,252,651
Deferred tax assets on revaluation surplus arising from the Restructuring (note 23)	–	1,051,303
Capital contribution of prepaid land lease payments (note 16)	–	3,074,967

41. CONTINGENT LIABILITIES

(a) In connection with the Restructuring Agreement, except for liabilities constituting or arising out of or relating to the businesses undertaken by the Company after the Restructuring, no other liabilities were assumed by the Company and the Company is not liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the Restructuring by CRCCG. CRCCG has also undertaken to indemnify the Company in respect of any loss or damage incurred relating to the Core Operations prior to their transfer by CRCCG to the Company in the Restructuring, any loss or damage suffered or incurred by the Company in relation to the novation of relevant contracts from CRCCG to the Company and as a result of any breach by CRCCG of any provision of the Restructuring Agreement. The Company has also undertaken to indemnify CRCCG in respect of any loss or damage suffered or incurred by CRCCG as a result of any breach by the Company of any provision of the Restructuring Agreement.

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

41. CONTINGENT LIABILITIES (continued)

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Associates	—	247,000	—	—
Jointly-controlled entities	2,132	5,228	—	—
Subsidiaries	—	—	13,303,241	9,463,310
An investee of the Company (note (i))	109,200	117,600	109,200	117,600
An associate of the ultimate holding company	—	30,000	—	—
An independent third party	—	50,000	—	—
	111,332	449,828	13,412,441	9,580,910

Note:

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

(d) Certain interest-bearing bank and other borrowings of the Company of approximately RMB120 million (2007: RMB215 million) were guaranteed by the subsidiaries of the Company as at 31 December 2008 (note 33).

42. COMMITMENTS

(a) *Operating lease arrangements*

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

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

	Group	
	2008 RMB'000	2007 RMB'000
Within one year	10,789	27,309
In the second to fifth years, inclusive	9,208	12,489
Beyond five years	584	1,753
	20,581	41,551

42. COMMITMENTS (continued)

(b) Capital commitments

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Contracted, but not provided for:				
Property, plant and equipment	1,931,676	2,254,206	521,810	470,149
Intangible assets	159,253	1,107,715	—	—
Available-for-sale investment	—	35,040	—	—
	2,090,929	3,396,961	521,810	470,149
Authorised, but not contracted for:				
Property, plant and equipment	16,849,785	17,665	—	—
Properties under development	367,162	—	—	—
Available-for-sale investment	600,000	—	600,000	—
	17,816,947	17,665	600,000	—

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	Group 2008 RMB'000	Group 2007 RMB'000
Construction operations revenue			
Fellow subsidiaries		976,995	843,348
Associates		21,137	111,690
Jointly-controlled entity		1,580,470	29,562
Ultimate holding company		120,571	93,776
		2,699,173	1,078,376
Survey, design and consultancy operations revenue			
Fellow subsidiary		36,041	7,000
Ultimate holding company		861	5,734
		36,902	12,734
Other income	(i)		
Fellow subsidiaries		—	405
Associate		—	240
Jointly-controlled entities		47,173	58,349
		47,173	58,994
Operating expenses	(ii)		
Fellow subsidiaries		76,146	27,038
Associates		219,960	77,705
Jointly-controlled entity		689,054	226,980
		985,160	331,723

43. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

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

(iii) 北京鐵城建設監理有限責任公司, a subsidiary of the Company, obtained corporate guarantees from the ultimate holding company for project bidding purposes with maximum guarantee amount of RMB21,370,000 for the period from 6 November 2006 to 6 November 2007. The maximum guarantee amount of RMB21,370,000 was fully released as at 3 September 2007.

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

	Group	
	2008 RMB'000	2007 RMB'000
Associates	—	247,000
Jointly-controlled entities	2,132	5,228
	2,132	252,228

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

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

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

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 26, 27, 28, 31 and 32 to the financial statements.

43. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

Save as disclosed in note 10 to the financial statements, no remuneration has been paid or is payable during the year by the Company or any of the companies now comprising the Group, to the Directors and Supervisors of the Company.

	Group	
	2008	2007
	RMB'000	RMB'000
Short term employee benefits	7,447	7,954
Post-employment benefits	401	977
	7,848	8,931

44. NON-CURRENT ASSET HELD FOR SALE

31 December 2008

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

On 10 July 2006, the Group through its wholly-owned subsidiary, China Railway 13th Bureau Group Co., Ltd. ("13th Bureau"), entered into a BOT agreement with an external third party, Heilongjiang Provincial Bureau of Highway Construction under Heilongjiang Provincial Transport Department, for the construction of Harbin Highway Circle. The construction of Harbin Highway Circle has not been completed as at 31 December 2008.

In 2008, Heilongjiang Provincial Transport Department decided to acquire back the operating right of Harbin Highway Circle from 13th Bureau upon the completion of its construction. In addition, the Group has also agreed to hand over the operating right of Harbin Highway Circle to Heilongjiang Provincial Transport Department based on a price mutually agreed between both parties upon the completion of the construction of Harbin Highway Circle in 2009. As the construction of Harbin Highway Circle is not completed as at 31 December 2008, this transaction is hence not completed as at 31 December 2008.

As the transaction is expected to be completed within the next twelve months from 31 December 2008, the concession asset is classified as a non-current asset held for sale in the consolidated balance sheet as at 31 December 2008. As at the date of issuance of these financial statements, the transaction has not been completed.

44. NON-CURRENT ASSET HELD FOR SALE (continued)

31 December 2007

As at 31 December 2007, the non-current asset held for sale represents the Group's investment in an associate, 內蒙古呼准鐵路有限公司 (Inner Mongolia Huzhun Railways Limited) ("Huzhun Railways"), which is engaged in railway construction and is included in the construction operations segment.

In August 2007, the Group through its wholly-owned subsidiary, China Railway 23rd Bureau Group Co., Ltd., entered into a disposal agreement (the "Disposal Agreement") with an external third party, Inner Mongolia Yitai Coal Co., Ltd. ("Yitai Coal"), for the disposal of the Group's entire shareholding of 35% in Huzhun Railways. The consideration for the disposal is based on 35% of the valuation amount of the net assets of Huzhun Railways as determined from an independent valuation.

In November 2007, the Group entered into a supplementary disposal agreement with Yitai Coal whereby Yitai Coal would make an advance payment of RMB300 million to the Group. As at 31 December 2007, the Group received the advance payment of RMB300 million from Yitai Coal and recorded the same in other payables.

In March 2008, the consideration for the disposal of Huzhun Railways of RMB353,877,000 was agreed and finalised by the Group with Yitai Coal. As a result, the Group recorded a gain on disposal of Huzhun Railways of RMB143,877,000 (note 6) in the consolidated income statement for the year ended 31 December 2008. The Group has received the full consideration from Yitai Coal and the disposal transaction was thus completed as at 31 December 2008.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008

Financial assets

	Group				
	Financial assets at fair value through profit or loss – Held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Held-to-maturity investments	–	17,288	–	–	17,288
Available-for-sale investments	–	–	–	1,654,096	1,654,096
Trade and bills receivables	–	–	34,010,212	–	34,010,212
Financial assets included in prepayments, deposits and other receivables	–	–	15,061,509	–	15,061,509
Financial assets at fair value through profit or loss	32,853	–	–	–	32,853
Pledged deposits	–	–	2,464,099	–	2,464,099
Cash and cash equivalents	–	–	55,005,965	–	55,005,965
	32,853	17,288	106,541,785	1,654,096	108,246,022

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	63,826,309
Financial liabilities included in other payables and accruals	19,320,596
Interest-bearing bank and other borrowings	22,131,175
	105,278,080

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2007

Financial assets

	Group				
	Financial assets at fair value through profit or loss – Held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Held-to-maturity investments	—	43,358	—	—	43,358
Available-for-sale investments	—	—	—	872,418	872,418
Trade and bills receivables	—	—	31,298,835	—	31,298,835
Financial assets included in prepayments, deposits and other receivables	—	—	10,150,512	—	10,150,512
Financial assets at fair value through profit or loss	125,131	—	—	—	125,131
Pledged deposits	—	—	1,298,142	—	1,298,142
Cash and cash equivalents	—	—	26,190,152	—	26,190,152
	125,131	43,358	68,937,641	872,418	69,978,548

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	45,418,021
Financial liabilities included in other payables and accruals	14,478,468
Interest-bearing bank and other borrowings	25,963,143
	85,859,632

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2008

Financial assets

	Company			
	Financial assets at fair value through profit or loss – Held for trading RMB'000	Loans and receivables RMB'000	Available -for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	1,080,994	1,080,994
Trade receivables	—	8,906	—	8,906
Financial assets included in prepayments, deposits and other receivables	—	12,317,091	—	12,317,091
Financial assets at fair value through profit or loss	32,320	—	—	32,320
Cash and cash equivalents	—	22,624,481	—	22,624,481
	32,320	34,950,478	1,080,994	36,063,792

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	3,137,268
Financial liabilities included in other payables and accruals	4,357,403
Interest-bearing bank and other borrowings	2,685,127
	10,179,798

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2007

Financial assets

	Company			
	Financial assets at fair value through profit or loss – Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	246,967	246,967
Trade receivables	—	11,743	—	11,743
Financial assets included in prepayments, deposits and other receivables	—	4,152,549	—	4,152,549
Financial assets at fair value through profit or loss	123,798	—	—	123,798
Cash and cash equivalents	—	2,055,928	—	2,055,928
	123,798	6,220,220	246,967	6,590,985

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	241,102
Financial liabilities included in other payables and accruals	2,211,459
Interest-bearing bank and other borrowings	8,232,496
	10,685,057

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. The senior management of the Company meets at least four times a year to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Board of Directors of the Company holds meetings at least two times a year to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial instruments for trading purposes for the year ended 31 December 2008 and 2007. The Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the consolidated income statement as earned/incurred.

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Group's borrowings as at 31 December 2008 were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there would be a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB86 million (2007: RMB65 million) for the year, and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2008 and has applied the exposure to interest rate risk to those financial instruments in existence at that date. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currency is defined as the Group's functional currency. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rate of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the year ended 31 December 2008 and 2007 in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and cash equivalents, pledged deposits, and interest-bearing bank and other borrowings as at 31 December 2008 are disclosed in notes 30 and 33 to the financial statements.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar, Euro, Nigerian Naira and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

Effect on profit before tax

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax 2008 RMB'000	2007 RMB'000
Increase in United States dollar rate	+3%	163,800	32,100
Decrease in United States dollar rate	-3%	(163,800)	(32,100)
Increase in Euro rate	+5%	(81,100)	(37,100)
Decrease in Euro rate	-5%	81,100	37,100
Increase in Nigerian Naira rate	+3%	28,700	27,000
Decrease in Nigerian Naira rate	-3%	(28,700)	(27,000)
Increase in Hong Kong dollar rate	+3%	325,300	2,600
Decrease in Hong Kong dollar rate	-3%	(325,300)	(2,600)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2008 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual balance sheet date.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) *Credit risk*

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. In addition, the Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41(c) to the financial statements. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As the Group's major customers are the PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables is disclosed in note 27 to the financial statements.

(d) *Liquidity risk*

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several PRC banks of up to an amount of RMB228,531 million as at 31 December 2008, of which an amount of approximately RMB83,384 million has been utilised.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2008				
	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Finance lease payables (note 34)	118,377	94,151	123,852	—	336,380
Interest-bearing bank and other borrowings (excluding finance lease payables)	16,314,478	1,936,173	653,945	2,924,669	21,829,265
Trade and bills payables	62,824,384	603,623	328,810	69,492	63,826,309
Other payables	18,814,334	74,300	57,573	374,389	19,320,596
Interest payments on financial liabilities	790,098	239,031	451,402	740,642	2,221,173
	98,861,671	2,947,278	1,615,582	4,109,192	107,533,723

Group

	2007				
	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Finance lease payables (note 34)	87,932	79,816	15,852	—	183,600
Interest-bearing bank and other borrowings (excluding finance lease payables)	20,686,976	1,375,649	2,238,141	1,494,957	25,795,723
Trade and bills payables	44,676,793	468,648	262,026	10,554	45,418,021
Other payables	14,096,067	64,777	33,791	283,833	14,478,468
Interest payments on financial liabilities	968,358	259,483	360,880	874,548	2,463,269
	80,516,126	2,248,373	2,910,690	2,663,892	88,339,081

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Liquidity risk (continued)*

Company

	2008				
	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	1,139,371	861,501	74,636	609,619	2,685,127
Trade and bills payables	3,137,268	—	—	—	3,137,268
Other payables	4,349,581	7,822	—	—	4,357,403
Interest payments on financial liabilities	59,846	12,229	15,659	17,726	105,460
	8,686,066	881,552	90,295	627,345	10,285,258

Company

	2007				
	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	6,188,631	80,751	1,291,561	671,553	8,232,496
Trade and bills payables	241,102	—	—	—	241,102
Other payables	1,753,181	458,278	—	—	2,211,459
Interest payments on financial liabilities	270,683	86,209	89,488	128,948	575,328
	8,453,597	625,238	1,381,049	800,501	11,260,385

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease payables and other interest-bearing borrowings. The Group's policy is to maintain the proportion of its current maturity profile to the total liabilities at year end at between 9% and 14% (2008: 9.6%; 2007: 13.7%) and to maintain its non-current maturity profile at less than 5% of the total liabilities at year end (2008: 3.3%; 2007: 3.4%).

(e) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) *Capital management (continued)*

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits. Total equity comprises shareholders' equity and minority interests stated in the consolidated balance sheet.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the balance sheet date were as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Trade and bills payables (note 31)	63,826,309	45,418,021
Other payables and accruals (note 32)	24,961,053	19,214,219
Interest-bearing bank and other borrowings (note 33)	22,131,175	25,963,143
Less: Cash and cash equivalents (note 30)	(55,005,965)	(26,190,152)
Less: Pledged deposits (note 30)	(2,464,099)	(1,298,142)
Net debt	53,448,473	63,107,089
Total equity	48,301,263	5,273,838
Total equity and net debt	101,749,736	68,380,927
Gearing ratio	53%	92%

47. EVENTS AFTER THE BALANCE SHEET DATE

On 5 January 2009, the Group through its wholly-owned subsidiary, China Railway Rail System Group Co., Ltd., acquired a 100% equity interest in 隆昌工務器材廠 (Longchang Railway Materials Factory) ("Longchang Railway") from CRCCG at a consideration of RMB56,343,000. Longchang Railway, a company established in the PRC, is mainly engaged in the sale of special railway equipment and related components and production, sale and export of mechanical and electrical products.

Save as aforesaid, no other significant events took place subsequent to 31 December 2008.

48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2009.

Other Financial Information

1. FINANCIAL HIGHLIGHTS PREPARED UNDER IFRSs

Consolidated Income Statement	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Revenue	219,410,188	171,997,410	153,608,974	110,794,747	86,187,491
Cost of sales	(203,607,081)	(160,598,330)	(144,012,964)	(102,869,824)	(79,802,559)
Gross profit	15,803,107	11,399,080	9,596,010	7,924,923	6,384,932
Other income and gains, net	413,110	612,945	185,868	202,823	125,178
Selling and distribution costs	(848,886)	(696,113)	(893,106)	(926,945)	(760,901)
Administrative expenses	(9,384,169)	(6,736,186)	(6,002,090)	(5,251,653)	(4,661,234)
Other expenses	(1,459,610)	(210,599)	(448,343)	(674,205)	(630,625)
Profit from operations	4,523,552	4,369,127	2,438,339	1,274,943	457,350
Finance revenue	1,324,847	652,160	546,587	384,032	280,745
Finance costs	(1,269,715)	(1,272,223)	(909,326)	(782,795)	(416,216)
Share of profits and losses of:					
Jointly-controlled entities	15,656	14,624	25,535	34,122	49,622
Associates	(25,495)	24,010	(2,888)	25,086	396
Profit before tax	4,568,845	3,787,698	2,098,247	935,388	371,897
Tax	(862,554)	(1,481,766)	(596,289)	(409,507)	(179,321)
Profit for the year	3,706,291	2,305,932	1,501,958	525,881	192,576
Attributable to:					
Equity holders of the Company	3,643,843	2,300,770	1,212,950	349,339	102,867
Minority interests	62,448	5,162	289,008	176,542	89,709
	3,706,291	2,305,932	1,501,958	525,881	192,576
Distributions/dividends					
Distributions	—	4,684,989	305,142	132,681	—
Proposed final dividends	1,233,754	—	—	—	—
	1,233,754	4,684,989	305,142	132,681	—
Earnings per share attributable to equity holders of the Company:					
Basic	32.42 cents	28.76 cents	15.16 cents	4.37 cents	1.29 cents
Diluted	N/A	N/A	N/A	N/A	N/A

1. FINANCIAL HIGHLIGHTS PREPARED UNDER IFRSs (continued)

The consolidated total assets and the total liabilities of the Group as at 31 December 2004, 2005, 2006, 2007 and 2008 are summarised as follows:

	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2006 RMB'000	31 December 2005 RMB'000	31 December 2004 RMB'000
Total assets	220,101,535	156,877,781	124,549,726	100,347,305	79,644,649
Total liabilities	171,800,272	151,603,943	120,861,957	97,744,753	77,421,660
Net assets	48,301,263	5,273,838	3,687,769	2,602,552	2,222,989

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS

Major financial information for the year

Items of Consolidated Income Statement and Consolidated Cash Flow Statement	2008 RMB'000	2007 RMB'000
Profit from operations	4,701,754	4,890,822
Total profit	4,568,845	4,976,788
Net profit attributable to equity holders of the Company	3,643,843	3,143,404
Net profit excluding non-recurring gains or losses items attributable to equity holders of the Company	3,569,576	2,388,541
Net cash flows from operating activities	7,299,850	9,420,835

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS (continued)

Non-recurring gains or losses items

	Increase/ (decrease) in net profit for 2008 RMB'000	Increase/ (decrease) in net profit for 2007 RMB'000
Gains/(Losses) from disposal of fixed assets, intangible assets and other non-current assets	7,526	(697)
Disposal of gains from long-term equity investments	155,428	328,176
Government grants accounted for as gains or losses for the current year (other than government grants which are closely related to the Company's normal business operations, comply with national policies and can be enjoyed continuously based on a fixed amount or quantity)	44,612	32,980
Non-monetary asset exchange gains	20,122	—
Gains or losses from debt restructuring	(146)	444
Losses not related to the Company's normal business operations or with the occurrence of events	—	(789)
Gains/(Losses) from changes in the fair value generated from the holding of transactional financial assets	(90,498)	52,390
Investment gains from disposal of transactional financial assets and available-for-sale financial assets	3,230	48,984
Reversal of the provision for the impairment of receivables subject to separate impairment tests	165,468	251,550
Impact of changes in interest rates on deferred income tax assets and liabilities	—	(600,189)
Balance of employee's benefits payable less administrative expenses and expenditure	—	1,189,090
Other non-operating income/expense, excluding the aforesaid items	(205,022)	53,240
	100,720	1,355,179
Impact of income tax on non-recurring gains or losses	(25,180)	(599,474)
Impact of non-recurring gains or losses attributable to minority interests	(1,273)	(842)
Net effect of non-recurring gains or losses	74,267	754,863

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS (continued)

Major accounting information and financial indicators of the Group for the past two years

Year ended 31 December 2007

Major accounting information and financial indicators	2008 RMB'000	2007 RMB'000 (Restated)	Year-on-year increase/ (decrease) (%)
Revenue from operations	226,140,708	177,487,288	27.41
Total profit	4,568,845	4,976,788	-8.20
Net profit attributable to equity holders of the Company	3,643,843	3,143,404	15.92
Net profit excluding non-recurring gains or losses attributable to equity holders of the Company	3,569,576	2,388,541	49.45
Basic earnings per share (RMB)	0.32	0.39	-17.95
Diluted earnings per share (RMB)	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring gains or losses (RMB)	0.32	0.30	6.67
Return on net assets, fully diluted (%)	7.63	62.15	-87.72
Return on net assets, weighted average (%)	10.07	94.77	-89.37
Return on net assets after deduction of non-recurring gains or losses, fully diluted (%)	7.47	47.22	-84.18
Return on net assets after deduction of non-recurring gains or losses, weighted average (%)	9.86	72.01	-86.31
Net cash flows from operating activities	7,299,850	9,420,835	-22.51
Total assets	220,101,535	156,877,781	40.30
Equity attributable to equity holders of the Company	47,773,525	5,057,960	844.52
Net assets per share attributable to the equity holders of the Company (RMB)	3.87	0.63	514.29

3. ANALYSIS OF THE DIFFERENCE BETWEEN THE FINANCIAL INFORMATION PREPARED UNDER IFRSs AND CHINA ACCOUNTING STANDARDS

Item	Net profit for the year ended 31 December		Net assets at 31 December	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Prepared in accordance with China Accounting Standards	3,706,291	3,148,566	48,301,263	5,273,838
Adjusted in accordance with IFRSs:				
Welfare payable	—	(1,189,090)	—	—
Deferred income tax on the above welfare payable	—	346,456	—	—
Prepared in accordance with IFRSs	3,706,291	2,305,932	48,301,263	5,273,838

中国铁建

中 國 鐵 建 股 份 有 限 公 司

China Railway Construction Corporation Limited