



中國中鐵股份有限公司  
**CHINA RAILWAY GROUP LIMITED**

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

**(Stock Code: 390)**

**RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

The Board of Directors of China Railway Group Limited (the “**Company**”) is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2007.

**1. CORPORATE INFORMATION**

**Basic Information**

Stock Name:	China Railway (A Share)	China Railway (H Share)
Stock Code:	601390	390
Stock exchange on which shares are listed:	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address:	No. 1, Xinghuo Road, Fengtai District, Beijing, China	
Postal Code:	100070	
Website:	www.crec.cn	
E-mail:	ir@crec.cn	

**Contact Details**

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## 2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### 2.1 Key Accounting Data and Financial Indicators Prepared under IFRS

#### 2.1.1 Income Statement Summary

	For the year ended 31 December				CAGR (2004–2007) (%)
	2007	2006	2005	2004	
		<i>RMB million</i>			
<b>Revenue</b>					
Infrastructure Construction	<b>164,959</b>	140,399	99,204	77,249	28.8
Survey, Design and Consulting Services	<b>3,394</b>	4,124	3,480	2,780	6.9
Engineering Equipment and Component Manufacturing	<b>5,193</b>	4,095	3,814	3,024	19.8
Property Development	<b>3,282</b>	1,879	1,622	863	56.1
Others	<b>8,085</b>	6,278	4,747	4,018	26.2
Inter-segment Elimination	<b>(11,162)</b>	(3,207)	(1,444)	(1,105)	—
<b>Total</b>	<b><u>173,751</u></b>	<b><u>153,568</u></b>	<b><u>111,423</u></b>	<b><u>86,829</u></b>	26.0
<b>Gross Profit</b>	<b>12,643</b>	11,921	9,192	7,207	20.6
<b>Profit before Taxation</b>	<b>3,289</b>	3,387	750	564	80.0
<b>Profit for the Year</b>	<b><u>2,760</u></b>	<b><u>2,739</u></b>	<b><u>460</u></b>	<b><u>408</u></b>	89.1
<b>Profit Attributable to Equity Holders of the Company</b>	<b>2,423</b>	2,046	171	463	73.6
<b>Basic earnings per Share (RMB)</b>	<b>0.181</b>	0.160	0.013	0.036	—

## 2.1.2 Balance Sheet Summary

	<b>As at 31 December</b>				CAGR
	<b>2007</b>	2006	2005	2004	(2004–2007)
		<i>RMB million</i>			(%)
<b>Assets</b>					
Current Assets	<b>172,097</b>	117,932	81,351	64,579	38.6
Non-current Assets	<b>42,926</b>	<u>25,161</u>	<u>21,987</u>	<u>20,457</u>	28.0
<b>Total Assets</b>	<b><u>215,023</u></b>	<u>143,093</u>	<u>103,338</u>	<u>85,036</u>	36.2
<b>Liabilities</b>					
Current Liabilities	<b>136,484</b>	117,509	80,113	62,275	29.9
Non-current Liabilities	<b>19,792</b>	<u>15,071</u>	<u>13,959</u>	<u>14,525</u>	10.9
<b>Total Liabilities</b>	<b><u>156,276</u></b>	<u>132,580</u>	<u>94,092</u>	<u>76,800</u>	26.7
<b>Total Equity</b>	<b><u>58,747</u></b>	<u>10,513</u>	<u>9,246</u>	<u>8,236</u>	92.5
<b>Total Equity and Liabilities</b>	<b><u>215,023</u></b>	<u>143,093</u>	<u>103,338</u>	<u>85,036</u>	36.2

## 2.2 Differences Between CAS and IFRS

	<b>As at 31 December 2007</b>	<b>For the year ended 31 December 2007</b>
	<b>Net assets</b>	<b>Net profit</b>
	<i>RMB thousand</i>	
Amount stated in the financial statement prepared in accordance with CAS	58,929,469	3,500,533
Adjusted as required by IFRS:		
— Accrued staff welfare fund	—	(1,156,528)
— Placement of shares in a subsidiary	—	94,305
— Recognition of loss on shares conversion scheme of a subsidiary	(171,364)	6,802
— Others	(11,189)	(7,612)
— Deferred income tax effect on above adjustments	<u>—</u>	<u>322,163</u>
Amount stated in the financial statement prepared in accordance with IFRS	<u>58,746,916</u>	<u>2,759,663</u>

### 3. CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

#### 3.1. Changes in Share Capital

	Before movement		Increase/decrease (+/-)					After movement	
	Number of shares	Percentage (%)	New Issue	Bonus Issue	Conversion from Reserves	Disposal of state-owned shares	Sub-total	Number of shares	Percentage (%)
<b>I. Shares with selling restrictions</b>									
1. State-owned shares	12,800,000,000	100	—	—	—	-382,490,000	-382,490,000	12,417,510,000	58.30
2. Shares held by state-owned legal persons	—	—	—	—	—	—	—	—	—
3. Shares held by domestic investors	—	—	1,402,550,000	—	—	—	1,402,550,000	1,402,550,000	6.58
Of which:									
Shares held by domestic non-state-owned legal persons	—	—	1,402,550,000	—	—	—	1,402,550,000	1,402,550,000	6.58
Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Shares held by foreign investors	—	—	550,172,000	—	—	—	550,172,000	550,172,000	2.58
Of which:									
Shares held by foreign legal persons	—	—	550,172,000	—	—	—	550,172,000	550,172,000	2.58
Shares held by foreign natural persons	—	—	—	—	—	—	—	—	—
<b>II. Shares without selling restrictions</b>									
1. RMB-denominated ordinary shares	—	—	3,272,450,000	—	—	—	3,272,450,000	3,272,450,000	15.36
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	—	—	3,657,218,000	—	—	—	3,657,218,000	3,657,218,000	17.17
4. Others	—	—	—	—	—	—	—	—	—
<b>III. Total</b>	12,800,000,000	100	8,882,390,000	—	—	-382,490,000	8,499,900,000	21,299,900,000	100

The Company carried out an initial public offering of 4,675,000,000 A Shares in November 2007 and such A Shares were listed on the Shanghai Stock Exchange on 3 December 2007, and an initial public offering of 4,207,390,000 H Shares (including shares issued pursuant to the exercise of the over-allotment option), of which 3,658,600,000 H Shares were listed on The Stock Exchange of Hong Kong Limited on 7 December 2007, and the remaining 548,790,000 H Shares, which were issued pursuant to the exercise of the over-allotment option, were listed on 14 December 2007.

## 3.2 Number of Shareholders and Their Shareholdings

As at 31 December 2007, the Company had a total of 689,651 shareholders, of which 645,395 were holders of A Shares (including CRECG) and 44,256 were holders of H Shares.

### 3.2.1 Top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares with selling restrictions	Number of pledged or frozen shares
CRECG	State-owned shares	58.30	12,417,510,000	12,417,510,000	Nil
HKSCC Nominees Limited ( <i>Note 1</i> )	Other	19.14	4,076,758,000	498,269,000	Not available
Industrial and Commercial Bank of China (“ICBC”) — Southern High Performing Growth Equity Securities Investment Fund	Other	0.61	129,885,946	—	Not available
ICBC — Southern Stable Growth No. 2 Securities Investment Fund	Other	0.54	115,580,984	—	Not available
ICBC — Southern Constituents Selective Equity Securities Investment Fund	Other	0.51	109,560,000	—	Not available
ICBC — Southern Stable Growth Securities Investment Fund	Other	0.46	98,066,158	—	Not available
ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	Other	0.29	61,000,000	—	Not available
Bank of China — Southern High Growth Open-ended Equity Securities Investment Fund	Other	0.27	57,000,000	—	Not available
Honeybush Limited ( <i>Note 2</i> )	Other	0.24	51,903,000	51,903,000	Not available
China Life Insurance Company Limited — Bonus — Individual Bonus-005L-FH002 Hu	Other	0.20	41,794,983	—	Not available

**Statement on the connected relations and concerted actions between the above shareholders:**

Except Southern High Performing Growth Equity Securities Investment Fund, Southern Stable Growth No. 2 Securities Investment Fund, Southern Constituents Selective Equity Securities Investment Fund, Southern Stable Growth Securities Investment Fund, Southern Longyuan Industrial Theme Equity Securities Investment Fund, Southern High Growth Open-ended Equity Securities Investment Fund, all of which are under the management of China Southern Fund Management Co, Ltd., the Company is not aware of any connected relation or concerted action between the above shareholders.

*Note 1:* H Shares held by HKSCC Nominees Limited are held on behalf of various clients, including the following eight corporate investors of H Shares:

<b>Name of shareholder</b>	<b>Nature of shareholder</b>	<b>Shareholding percentage (%)</b>	<b>Total number of shares held</b>	<b>Number of shares with selling restrictions</b>	<b>Number of pledged or frozen shares</b>
China Life Franklin Asset Management Co., Ltd. <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
Government of Singapore Investment Corporation Pte Ltd. <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
Grahamstowe Investments Limited <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
Andalee Investments Limited <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
Fenbourne Investments Limited <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
Kesco Investment Limited <i>(Note (1))</i>	Other	0.243	51,903,000	51,903,000	Not available
OZ Group <i>(Note (1), Note (2))</i>	Other	0.243	51,903,000	51,903,000	Not available
Best Investment Corporation <i>(Note (1))</i>	Other	0.633	134,948,000	134,948,000	Not available

*Note (1):* Pursuant to the Corporate Investor Agreements entered into among each of China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation, respectively, with BOCI Asia Limited, J.P. Morgan Securities Limited, UBS AG, and the Company on 17 November 2007, China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation subscribed for 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000 and 134,948,000 H Shares of the Company, respectively, at a price of HK\$5.78 per share.

*Note (2):* OZ Group includes OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P.

*Note 2:* Pursuant to the Corporate Investor Agreement entered into among Honeybush Limited, BOCI Asia Limited, J.P. Morgan Securities Limited, UBS AG, and the Company on 17 November 2007, Honeybush Limited subscribed for 51,903,000 H Shares of the Company at a price of HK\$5.78 per share.

*Note 3:* The numbers shown in the table are based on the register of members of the Company as at 31 December 2007.

### 3.2.2 Top ten shareholders without selling restrictions

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Type of shares</b>
HKSCC Nominees Limited	3,578,489,000	H Shares
ICBC — Southern High Performing Growth Equity Securities Investment Fund	129,885,946	A Shares
ICBC — Southern Stable Growth No. 2 Securities Investment Fund	115,580,984	A Shares
ICBC — Southern Constituents Selective Equity Securities Investment Fund	109,560,000	A Shares
ICBC — Southern Stable Growth Securities Investment Fund	98,066,158	A Shares
ICBC — Southern Longyuan Industrial Theme Equity Securities Investment Fund	61,000,000	A Shares
Bank of China — Southern High Growth Open-ended Equity Securities Investment Fund	57,000,000	A Shares
China Life Insurance Company Limited — Bonus — Individual Bonus-005L-FH002 Hu	41,794,983	A Shares
China Life Insurance (Group) Co. — Traditional — General Insurance Products	41,791,983	A Shares
Ping An Life Insurance Company of China, Ltd. — Universal — Individual Universal Insurance	41,790,983	A Shares

**Statement on the connected relations and concerted actions between the above shareholders:**

Except Southern High Performing Growth Equity Securities Investment Fund, Southern Stable Growth No. 2 Securities Investment Fund, Southern Constituents Selective Equity Securities Investment Fund, Southern Stable Growth Securities Investment Fund, Southern Longyuan Industrial Theme Equity Securities Investment Fund, Southern High Growth Open-ended Equity Securities Investment Fund, all of which are under the management of China Southern Fund Management Co, Ltd., and China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Co., the Company is not aware of any connected relation or concerted action between the above shareholders.

*Note:* The numbers shown in the table are based on the register of members of the Company as at 31 December 2007.

### 3.2.3 Top ten shareholders with selling restrictions

Name of shareholder	Number of shares held with selling restrictions	Details of trading situation of shares with selling restrictions		
		Trading commencement date	Additional number of tradable shares	Selling restrictions
CRECG	12,417,510,000	3 December 2010	—	A Shares are subject to a lock-up period of 36 months from the date of listing
Best Investment Corporation ( <i>Note 1, Note 2</i> )	134,948,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
China Life Franklin Asset Management Co., Ltd. ( <i>Note 1, Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
Government of Singapore Investment Corporation Pte Ltd. ( <i>Note 1, Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
Grahamstowe Investments Limited ( <i>Note 1, Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
Honeybush Limited ( <i>Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
Andalee Investments Limited ( <i>Note 1, Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
Fenbourne Investments Limited ( <i>Note 1, Note 2</i> )	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing

Name of shareholder	Number of shares held with selling restrictions	Details of trading situation of shares with selling restrictions		
		Trading commencement date	Additional number of tradable shares	Selling restrictions
Kesco Investment Limited (Note 1, Note 2)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing
OZ Group (Note 1, Note 2, Note 3)	51,903,000	7 December 2008	—	H Shares are subject to a lock-up period of 12 months from the date of listing

*Note 1:* The H Shares were held by HKSCC Nominees Limited on behalf of Best Investment Corporation, China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited and OZ Group.

*Note 2:* Pursuant to the Corporate Investor Agreements entered into among each of China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Honeybush Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation, respectively, with BOCI Asia Limited, J.P. Morgan Securities Limited, UBS AG, and the Company on 17 November 2007, China Life Franklin Asset Management Co., Ltd., Government of Singapore Investment Corporation Pte Ltd., Grahamstowe Investments Limited, Honeybush Limited, Andalee Investments Limited, Fenbourne Investments Limited, Kesco Investment Limited, OZ Group and Best Investment Corporation subscribed for 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000, 51,903,000 and 134,948,000 H Shares of the Company, respectively, at a price of HK\$5.78 per share.

*Note 3:* OZ Group includes OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P.

### 3.3 Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As at 31 December 2007, the substantial shareholders and other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) are as follow:

#### *Holders of A Shares*

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of A Shares held (Shares)</b>	<b>Nature of Interest</b>	<b>Approximate percentage of Issued A Shares (%)</b>	<b>Approximate Percentage of Total Issued Shares (%)</b>
CRECG	Beneficial owner	12,417,510,000	Long position	72.65	58.30

#### *Holders of H Shares*

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held (Shares)</b>	<b>Nature of Interest</b>	<b>Approximate Percentage of Issued H Shares (%)</b>	<b>Approximate Percentage of Total Issued Shares (%)</b>
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
KBC Group N.V. (Note 1)	Interest of controlled corporations	379,606,000	Long position	9.02	1.78
	Interest of controlled corporations	18,900,600	Short position	0.44	0.09

*Note 1:* According to the Corporate Substantial Shareholder Notice filed by KBC Group N.V. with The Hong Kong Stock Exchange dated 2 January 2008, KBC Group N.V. wholly owns KBC Bank N.V., which in turn wholly owns KBC Investments Hong Kong. Accordingly, KBC Group N.V. is deemed interested in the long position and short position held by KBC Investments Hong Kong as set out above, which are held through a nominee shareholder.

Save as disclosed above, as of 31 December 2007, no person or corporation was recorded in the register required to be kept under section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited under Divisions 2 and 3 of Part XV of the SFO.

### **3.4 Information on Ultimate Controlling Shareholder**

#### *3.4.1 Change in the ultimate controller during the year*

There was no change in the ultimate controller during the year.

#### *3.4.2 Information on ultimate controller and controlling relationship between the Company and the ultimate controller*

The ultimate controller of the Company is CRECG which was established on 7 March 1990. CRECG had more than 50 years of operating history in construction-related businesses in China, particularly in railway construction and related areas, and commenced operations under the name of the predecessor, the General Bureau of Capital Construction. CRECG is a state-owned enterprise with a registered capital of RMB10,814,925,000. Its legal representative is Mr. Shi Dahua.

CRECG directly owns approximately 58.30% of share capital in the Company and is the ultimate controller of the Company.

## 4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4.1 Brief Particulars of Directors, Supervisors and Senior Management

#### 4.1.1 Directors of the Company

Name	Position	Gender	Age	Term	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB ten thousand)	Whether received remuneration from the shareholder entities or other connected entities
SHI Dahua	Chairman, Executive Director	Male	56	12 September 2007 — 12 September 2010	—	—	—	62.80	No
LI Changjin	President, Executive Director	Male	49	12 September 2007 — 12 September 2010	—	—	—	63.84	No
BAI Zhongren	Vice President, Chief Economist, Executive Director	Male	47	12 September 2007 — 12 September 2010	—	—	—	55.02	No
WANG Qiuming	Non-executive Director	Male	55	12 September 2007 — 12 September 2010	—	—	—	54.53	No
HE Gong	Independent Non-executive Director	Male	64	12 September 2007 — 12 September 2010	—	—	—	0	No
ZHANG Qinglin	Independent Non-executive Director	Male	65	12 September 2007 — 12 September 2010	—	—	—	0	No
GONG Huazhang	Independent Non-executive Director	Male	62	12 September 2007 — 12 September 2010	—	—	—	0	No
WANG Taiwen	Independent Non-executive Director	Male	61	12 September 2007 — 12 September 2010	—	—	—	0	No
SUN Patrick	Independent Non-executive Director	Male	48	12 September 2007 — 12 September 2010	—	—	—	0	No

#### 4.1.2 Supervisors of the Company

Name	Position	Gender	Age	Term	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB ten thousand)	Whether received remuneration from the shareholder entities or other connected entities
GAO Shutang	Chairman	Male	59	12 September 2007 — 12 September 2010	—	—	—	55.17	No
JI Zhihua	Supervisor	Male	46	12 September 2007 — 12 September 2010	—	—	—	28.62	No
ZHANG Xixue	Supervisor	Male	55	12 September 2007 — 12 September 2010	—	—	—	27.92	No
ZHOU Yuqing	Supervisor	Male	57	12 September 2007 — 12 September 2010	—	—	—	27.94	No
LIN Longbiao	Supervisor	Male	50	12 September 2007 — 12 September 2010	—	—	—	27.26	No

#### 4.1.3 Senior management of the Company

Name	Position	Gender	Age	Term	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB ten thousand)	Whether received remuneration from the shareholder entities or other connected entities
LI Changjin	President	Male	49	12 September 2007 — 12 September 2010	—	—	—	63.84	No
BAI Zhongren	Vice President, Chief Economist	Male	47	12 September 2007 — 12 September 2010	—	—	—	55.02	No
LI Jiansheng	Vice President, Chief Financial Officer and General Legal Advisor	Female	53	12 September 2007 — 12 September 2010	—	—	—	55.21	No
LIU Hui	Vice President, Chief Engineer	Male	48	12 September 2007 — 12 September 2010	—	—	—	55.04	No
YAO Guiqing	Vice President	Male	53	12 September 2007 — 12 September 2010	—	—	—	55.05	No
MA Li	Vice President	Male	50	12 September 2007 — 12 September 2010	—	—	—	55.01	No
ZHOU Mengbo	Vice President	Male	43	12 September 2007 — 12 September 2010	—	—	—	54.21	No
DAI Hegen	Vice President	Male	42	12 September 2007 — 12 September 2010	—	—	—	54.19	No
DUAN Xiubin	Vice President	Male	54	12 September 2007 — 12 September 2010	—	—	—	54.24	No
YU Tengqun	Secretary of the Board of Directors	Male	38	12 September 2007 — 12 September 2010	—	—	—	31.87	No

## **4.2 Remuneration Policy for Directors, Supervisors and Senior Management**

The cash portion of the remuneration of the directors currently consists of a fixed monthly salary and a performance-linked annual bonus. The award of the performance-linked annual bonus is tied to the attainment of key performance indicators or targets. Remuneration of the directors is determined with reference to the prevailing market conditions. The Company's independent non-executive directors did not receive any salary from the Company for the year ended 31 December 2007.

## **5. MANAGEMENT DISCUSSION AND ANALYSIS**

### **5.1 Review and Prospects**

The year 2007 marked the beginning of a new era in the history of the Company. On 3 December and 7 December 2007, the Company completed the listing of its A Shares followed by H Shares on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited, respectively.

As the largest multi-functional integrated construction group in the PRC and Asia, the Company established a growing presence in the international capital markets and gained broad acceptance by investors. The Company's H Shares have been included in the Hang Seng Composite Index Series, Hang Seng Freefloat Index Series, Hang Seng China Enterprise Index Series and Hang Seng AH Index Series. Entry into the international capital markets is of great significance to the development of the Company. The Company will take advantage of this opportunity to achieve further and rapid development, so as not to fail to live up to the trust and support of all shareholders of the Company.

#### *Financial Results*

In 2007, the Group achieved excellent performance in each of its business segment with overall growth in major financial and business indicators. New contracts entered into by the Group in 2007 reached RMB248.49 billion, representing a growth of 25.8% over 2006. Total revenue was RMB173.75 billion, representing an increase of 13.1% over 2006. The profit attributable to the shareholders of the Company for the same period was RMB2.42 billion, representing a growth of 18.4% over 2006, and earnings per share of RMB0.18.

These excellent results are the fruits of great efforts and innovations by all levels of management as well as the hard work and selfless efforts of all employees of the Group. It is their dedication that enabled the Group to attain such uplifting accomplishments over the past year.

### *Business Development*

In 2007, leveraging on its established platform of integrated construction services, the Group seized the opportunity of rapid growth in infrastructure construction industry in the PRC, and continued to focus on providing a full range of comprehensive and premium services for its customers.

The Group's infrastructure construction business grew rapidly in 2007. We undertook the construction of several important national railways, including the Harbin-Dalian Passenger Railway. In 2007, the new contracts entered into by the Group, revenue and operating profit of the Group all displayed significant growth. All major projects progressed smoothly, which further strengthened the Group's position as the largest railway construction contractor in the PRC and enabled the Group to maintain its leading position in areas including highway, bridge and tunnel construction and municipal works, demonstrating the Group's all rounded business capabilities.

In terms of survey, design and consulting services, being service-oriented and leveraging on its industry-leading technical expertise and seasoned business experience, the Group also achieved splendid results in 2007.

In the engineering equipment and component manufacturing business, the Group continues to lead in the railway turnouts market with a 90% market share.

In 2007, the Group consolidated part of its existing property business by establishing China Railway Real Estate Group Co. Ltd., a wholly-owned subsidiary, charged with the planning and development of its property development business of the Group and coordination of the property development operations of a number of subsidiaries, in order to facilitate better integration of resources and reduction of costs. The Group's objective is to build "China Railway Real Estate" into one of the renowned brand names in property development in the PRC.

While leveraging on its established business platform to actively expand into a variety of other businesses, the Group has concurrently maintained a leading position in its traditional business. The Group has successfully expanded into high-profit businesses such as railway and road investment and operation projects as well as resources and mining, which will safeguard the ongoing and rapid development of the Group in the future.

### *Corporate Governance*

In the past year, the Group has committed to the optimization of its corporate governance structure and set up a modern corporation in order to enhance internal consolidation, improve operating efficiency and adapt to the prevailing corporate competition. Capitalizing on the listing of its A and H Shares, the Group has established a sound corporate governance structure, and implemented a series of internal control systems so as to progressively realize the complete consolidation of internal resources and increased efficiency.

The Group places great emphasis on the establishment of corporate culture. During the development of our long history the Group had established the corporate motto of “Operate Sincerely; Customers First; Shareholders’ Return; Social Service” and the corporate spirit of “Strive to challenge limits and achieve excellence”. The Group will continue to dedicate itself to the establishment of corporate culture, and assimilate its corporate spirit into every aspect of its corporate operations as well as personal development of all employees to further enhance the cohesiveness of the Group and lay the foundation for its future growth.

### *Prospective Outlook*

In 2008, the Group expects the global economy to maintain steady growth and the growth of the PRC economy to remain strong. Continued growth will further drive infrastructure construction in the PRC and in particular the demand for transportation infrastructure will continue to be robust. The PRC government intends to invest RMB3,800 billion in transportation infrastructure projects during the Eleventh Five-Year Plan. Meanwhile, robust growth of the PRC economy and rapid urbanization will continue to encourage investment in municipal works construction and growth in property sectors.

The Group, as a leading multi-functional integrated construction group in the PRC, will seize the market opportunities brought by sustained economic growth of the PRC. The Group will continue to increase its investment in infrastructure construction business, train its expert and technical teams, improve its construction techniques, strengthen quality control and enhance the standard of project management, reduce construction costs and centralize the management of the tender process of infrastructure construction projects and its coordination. While sustaining a dominant position in its traditional infrastructure construction business, the Group will also strive to expand the scope of its infrastructure construction business and increase the business of port, airport and environmental project construction.

The Group will increase its investment in the survey, design and consulting service business and engineering equipment and component manufacturing business in order to further reinforce its existing market leading position and increase its market share.

The Group will further expand its property development business with particular emphasis on cities surrounding the Pearl River Delta, Yangtze River Delta and Bohai Bay areas as well as other provincial capital cities. At the same time, the Group will leverage its dominance to focus on its integrated property development business including old town reclamation projects and new town construction.

The Group will continue to develop its existing mines and actively attend to other market opportunities with a view to increase the scale of its investment in overseas mining and resource development. The Group will leverage our dominance in infrastructure construction to build transportation lines for mining and resource development projects, further optimizing the supply chain from the point of manufacture to transportation to point of sale.

The international construction contracting market will experience dynamic development as the global economy maintains its growth. The Group will continue to selectively explore new opportunities overseas and focus its development on profitable international construction projects. Under the strategic direction and policy of “Going-out”, the Group’s overseas business will be ushering in a period of greater development opportunities.

The successful listing of the Company’s shares is a milestone in the development history of the Company. The Group will continue to strengthen its corporate governance and system innovation, strive to enhance its organizational structure adjustments, streamline management hierarchy and shorten the chain of command to improve management efficiency. At the same time, the Group will implement centralized management of finance and investment activities to achieve economies of scale; centralize the tender and procurement of resources in order to lower procurement costs; and centralize the procurement and allocation of large-scale equipment to better allocate resources.

In the coming year, taking full advantage of the capital markets, the Company will improve its internal control systems and raise its standard of management, build up the “China Railway” brand, reduce cost, raise revenue and bring returns for our domestic and overseas shareholders.

## **5.2 Overview**

Our business is greatly dependent on the PRC’s investment in railways and other public transportation infrastructure, including construction and improvement of railways, highways, bridges, tunnels, metropolitan railways and other projects. In 2007, the PRC maintained rapid and steady economic growth, and the ever-increasing investment in railways and other transportation infrastructure projects brought tremendous development opportunity to the Group. Benefiting from the increasing investment in transportation infrastructure, the volume of the Group’s business correspondingly grew. At the same time, the Group actively developed new businesses and our profitability surged. In 2007, the Group’s revenue increased by 13.1% year on year to RMB173.75 billion, among which, the revenue from Hong Kong, Macau and overseas operations increased by 95.7% year on year to RMB6.2 billion. The Group realized net profit of RMB2.76 billion, representing an increase of 0.8% year on year. The net profit attributable to shareholders increased by 18.4% year on year to RMB2.42 billion.

A comparison of the financial results for 2007 and 2006 is set forth below.

## **5.3 Consolidated Results of Operations**

### *Revenue*

The Group’s principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and components manufacturing, property development and other businesses. The Group’s total revenue increased by 13.1% from

RMB153.57 billion for 2006 to RMB173.75 billion for 2007. The increase in the Group's revenue was primarily attributable to the increase in the volume of infrastructure construction projects benefiting from the increased investments in transportation infrastructure in the PRC. In 2007, new contracts increased by 25.8% compared with 2006 to RMB248.49 billion. In 2007, backlog increased by 36.2% to RMB216.5 billion compared with 2006.

#### *Cost of Sales and Gross Profit*

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2007, our cost of sales increased by 13.7% to RMB161.11 billion from RMB141.65 billion for 2006 due to the expansion of the overall business of the Group. In 2007, gross profit of the Group increased by RMB0.72 billion to RMB12.64 billion from RMB11.92 billion with an annual growth rate of 6.0%. The gross profit margin decreased slightly to 7.3% from 7.8% for 2006 primarily due to the cost increase arising from the higher quality raw materials such as steel and cement used for the infrastructure construction carried out by the Group and the certain lag in construction project pricing adjustment.

#### *Other Income*

The Group's other income primarily consists of income from the acquisition or disposal of assets as well as profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials. In 2007, the Group's other income increased by 103.6% to RMB1.18 billion from RMB581 million of last year. The significant increase of other income was due to the revenue from sales of materials, gain from investment in financial assets and write-back on provision for loans made in previous years arising from the early repayment of loan by borrowers.

#### *Selling and Marketing Expenses*

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2007, the Group's selling and marketing expenses increased by 27.2% year on year to RMB930 million from RMB731 million primarily due to the growth of the scale of business, particularly the increase in the value of new contracts which resulted in the growth of the total marketing expenses. However, the marketing expenses as a percentage of the total revenue of approximately 0.5% remained at the same level as 2006.

#### *Administrative Expenses*

The Group's administrative expenses mainly consist of employee compensation and benefits, impairment in trade and other receivables and depreciation and amortization of its assets related to administration. In 2007, the Group's administrative expenses increased by 15.7% to RMB9.36 billion from RMB8.09 billion of last year. The salary level of the Group's

management increased in 2007. At the same time, the Group recorded an exchange loss of RMB245 million for 2007, representing an increase of RMB229 million compared with 2006 because the proceeds from the listing of the H-shares of the Company in Hong Kong dollars depreciated against the Renminbi. However, administrative expenses as a percentage of operating revenue remained at approximately 5%, which reflected the sound cost management of the Group. In the future, the Group will further optimize the administrative cost through various measures such as streamlining the levels of management and enhancing project management capabilities.

#### *Gains on Disposal of Interests in Subsidiaries*

In 2007, the gains on disposal of interests in subsidiaries increased by 69.7% to RMB616 million from RMB363 million for 2006. Such gain was primarily attributable to an earning of RMB94 million from the placement of new shares at a premium over market price by China Railway No. 2 Engineering Group Co., Ltd., and an earning of RMB424 million from the partial disposal of the shares of China Railway Erju Co., Ltd. held by the Group.

#### *Interest Income*

In 2007, the interest income increased by RMB334 million, or 51.6% to RMB981 million from RMB647 million for 2006. The increase of the interest income is primarily due to: 1) the several hikes in the deposit interest rate by the People's Bank of China in 2007; 2) the increase of retention receivables to RMB10.4 billion for 2007 from RMB6.97 billion for 2006, and the accrued interest income correspondingly increased to RMB191 million for 2007 from RMB99 million for 2006 as a result of the expansion of the Group's business scale; and 3) the interest income increased to RMB628 million from RMB404 million for 2006 as a result of the completion of the initial public offering of the Company in the fourth quarter of 2007.

#### *Interest Expenses*

In 2007, the interest expenses increased by RMB600 million, or 47.6% to RMB1.85 billion from RMB1.25 billion for 2006 primarily due to: 1) the increase in principal borrowing amount as a result of the increased working capital requirement with the Group's expansion of business scale; and 2) the significant increase in borrowing cost due to several hikes in the lending rate by the People's Bank of China in 2007.

#### *Profit before Income Tax*

As a result of the foregoing factors, the profit before income tax for 2007 decreased by RMB98 million, or 2.9% to RMB3.29 billion from RMB3.39 billion for 2006.

### *Income Tax Expense*

In 2007, the income tax expense decreased by RMB119 million, or 18.4% to RMB529 million from RMB648 million for 2006. The effective tax rate of the Group reduced from 19.1% for 2006 to 16.1% for 2007 primarily attributable to: 1) the tax-exempt revenue from the construction of the Qinghai-Tibet Railway in 2007 is higher than that in 2006 as a result of the adjustment of the budget estimate for the Qinghai-Tibet Railway by the Ministry of Railways and the corresponding increase of the project contract price on a one-off basis in 2007; and 2) the tax credits on acquisition of equipment amounted to RMB129 million.

### *Minority Interests*

In 2007, minority interests amounted to RMB337 million, representing a decrease of RMB356 million, or 51.4% from RMB693 million for 2006 primarily due to the acquisition by the Group of minority interests in its subsidiaries.

### *Profit Attributable to the Equity Holders of the Company*

As a result of the foregoing factors, the profit attributable to the equity holders of the Company for 2007 increased by 18.4% to RMB2.42 billion from RMB2.05 billion for 2006. The profit margin of the profits attributable to equity holders of the Company for 2007 increased to 1.4% from 1.3% for 2006.

## **5.4 Segment Results**

The revenue, results and operating profit margin of each segment of the Group's business for the year ended 31 December 2007 are set forth in the table below.

*RMB million*

<b>Business Segments</b>	<b>Segment Revenue</b>	<b>Growth Rate (%)</b>	<b>Operating Profit<sup>1</sup></b>	<b>Growth Rate (%)</b>	<b>Operating Profit Margin<sup>2</sup></b>	<b>Segment Revenue as a Percentage of Total (%)</b>	<b>Operating Profit as a Percentage of Total (%)</b>
Infrastructure							
Construction	164,959	17.5	1,889	(15.2)	1.1	89.2	55.5
Survey, Design and Consulting Service	3,394	(17.7)	234	(33.3)	6.9	1.8	6.9
Engineering Equipment and Component							
Manufacturing	5,193	26.8	168	(62.2)	3.2	2.8	4.9
Property Development	3,282	74.7	502	17.8	15.3	1.8	14.7
Other Businesses	8,085	28.8	611	237.6	7.6	4.4	18.0
Adjustment <sup>3</sup>	<u>(11,162)</u>		<u>(306)</u>				
<b>Total</b>	<b><u>173,751</u></b>	<b>13.1</b>	<b><u>3,098</u></b>	<b>(7.9)</b>	<b>1.8</b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

- <sup>1</sup> Figures provided in this column are derived from segment results in respect of business segments.
- <sup>2</sup> Operating profit margin is the operating profit divided by the segment revenue.
- <sup>3</sup> Inter-segment transactions are eliminated.

### *Infrastructure Construction Business*

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2007, the revenue from the infrastructure construction business accounted for 89.2% of the total revenue of the Group. In 2007, segment revenue from the Group's infrastructure construction business increased by 17.5% year on year to RMB164.96 billion, among which, the revenue from railway construction increased by 26.2% year on year to RMB77.46 billion, and that of municipal works construction and highway construction amounted to RMB46.59 billion and RMB40.91 billion respectively.

In 2007, the total operating expenses of the infrastructure construction segment amounted to RMB163.07 billion, among which, the cost of sales was RMB155.45 billion. Among the cost of sales, RMB72.58 billion, RMB39.36 billion, and RMB43.51 billion were attributable to railway, highway and municipal works construction respectively.

Operating profit margin of the infrastructure construction segment fell to 1.1% for 2007 from 1.6% for 2006 primarily due to the significant rise in the costs of raw materials such as steel, cement, sand and stones in 2007 and the lag in the pricing adjustment of railway construction projects. In particular, the increase in raw material costs was mainly due to the higher quality requirements for raw materials such as steel and cement used for high-speed railway construction projects since 2007. The Group had implemented various measures to control costs, including centralized procurement for raw materials and centralized procurement and management for large equipment in order to improve operating profit.

### *Survey, Design and Consulting Services Business*

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. In 2007, segment revenue of survey, design and consulting services decreased by 17.7% year on year to RMB3.39 billion from RMB4.12 billion primarily due to the results of operations of The Third Railway Survey and Design Institute Group Corporation (鐵道第三勘察設計院集團有限公司), which was transferred on 29 December 2006, being reflected in the 2006 consolidated income statement prior to the transfer.

Given the same reason, operating expenses decreased from RMB3.77 billion for 2006 to RMB3.16 billion for 2007, among which, the cost of sales amounted to RMB2.34 billion. Operating profit decreased from RMB351 million for 2006 to RMB234 million for 2007. Operating profit margin for the segment decreased to 6.9% as compared with 8.5% for 2006. This is mainly due to the increase in employee remuneration leading to management expenses accounting for a greater proportion of operating income of the Group.

From 2006 to 2007, excluding contributions made by The Third Railway Survey and Design Institute Group Corporation, the effective growth rate of the revenue of the survey and design segment was 6.7%, growth rate of the value of new contracts entered into was 17.4%.

#### *Engineering Equipment and Component Manufacturing Business*

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2007, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 26.8% year on year to RMB5.19 billion from RMB4.10 billion.

In 2007, the operating expenses of that segment increased by 37.7% year on year to RMB5.03 billion, among which, the cost of sales amounted to RMB4.26 billion. The increase of operating expenses was primarily attributable to the expansion of the scale of the Group's business and the rise in the costs of raw materials and consumables.

Operating profit margin decreased from 10.9% for 2006 to 3.2% for 2007. In 2007, a number of large-scale railway construction projects called for tenders in the second half and had not entered into the stage of track laying, thus lowering the demand for turnouts, especially acceleration turnouts, as compared with 2006. Under these circumstances, the Group engaged in the production of bridge steel structures with relatively low profit margin in 2007, thereby lowering operating profit margin for the segment.

#### *Property Development Business*

Revenue from our property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2007, segment revenue from property development business increased by 74.7% to RMB3.28 billion from RMB1.88 billion for 2006.

In 2007, the operating expenses of that segment increased by 91.3% year on year to RMB2.78 billion, among which, the cost of sales amounted to RMB2.19 billion. Operating profit increased by 17.8% from RMB426 million to RMB502 million. Operating profit margin decreased from 22.7% for 2006 to 15.3% for 2007.

In 2007, operating profit margin was lower than that for 2006 primarily due to: 1) the lower profit margin of some residential projects sold in the first half of 2007, which were acquired from a third party prior to its sale, as compared with that of the properties developed by the Group; 2) the lower profit margin of the project in Guiyang developed in the first half of 2007 as compared with that of the projects the Group mainly developed in the major cities in the PRC; 3) the higher development costs of large-scale property projects as compared with those for previous years; and 4) the greater marketing expenses of the property development business were incurred as a result of the accelerated development of the property segment, which was charged to the marketing expenses of 2007 but the corresponding revenue is yet to be realized.

#### *Other Businesses*

Segment revenue from other businesses increased by 28.8% from RMB6.28 billion to RMB8.09 billion. Operating expenses increased 22.6% from RMB6.10 billion in 2006 to RMB7.47 billion, among which, the cost of sales amounted to 6.86 billion. Operating profit increased by 237.6% from RMB181 million for 2006 to RMB611 million primarily due to the increase of the sales and trading of raw materials of the Group as a result of the strong demand for the services of the Group and the growth of the infrastructure construction industry in the PRC, as well as the increase in revenue from the financial service business of the Group.

### **5.5 Cash Flow**

In 2007, the net cash flow generated from operating activities amounted to RMB21 million, representing a significant decrease from RMB8.24 billion for 2006. The decrease in operating cash flows was primarily attributable to: 1) the Group's increased emphasis on property development which in turn increased the inventories for property under development by RMB2.40 billion from 2006 to 2007; 2) the increase of retention receivables as the Group's scale of business expanded.

In 2007, the net cash used in investing activities of the Group amounted to RMB15.57 billion, representing an increase of 92.6% from RMB8.08 billion for 2006. The increase of the cash flows used in investing activities was primarily attributable to: 1) the cash used for the purchase of property, plant and equipment increased by RMB596 million; 2) the investment in BOT projects increased by RMB2.15 billion; 3) the cash used for the acquisition of minority interests in subsidiaries increased by RMB3.06 billion; and 4) the investment in cash in the Company's associated companies, in which the Company owned more than a 20% interest, increased by RMB1.25 billion.

In 2007, the net cash generated from financing activities of the Group amounted to RMB42.86 billion, representing an increase of RMB29.42 billion from 2006. The increase of cash flows from financing activities was primarily attributable to net cash of RMB42.39 billion raised through the Company's initial public offering in the fourth quarter of 2007.

### Capital Expenditure

The capital expenditure of the Group primarily comprises of expenditure on purchases of equipment and upgrading of the Group's production facilities. In order to further expand the infrastructure construction business of the Group, the Group increased its capital expenditure in 2007, particularly investing in advanced equipment such as tunnel boring machines, which will benefit the Group's continued efforts to expand its business and improve its competitiveness. In 2007, the Group had expenditure of RMB6.27 billion on the purchase of fixed assets.

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

<b>For the year ended 31 December 2007</b>	<b>Infrastructure construction</b>	<b>Survey, design and consulting services</b>	<b>Engineering equipment and component manufacturing</b>	<b>Property</b>	<b>Others</b>	<b>Total</b>
			<i>RMB million</i>			
Fixed assets, plant and equipment	5,035	186	441	122	486	6,270
Investment property	—	—	—	—	63	63
Intangible assets	404	93	12	—	3,112	3,621
Acquisition of subsidiaries	1	—	—	5	2,343	2,349
<b>Total</b>	<b>5,440</b>	<b>279</b>	<b>453</b>	<b>127</b>	<b>6,004</b>	<b>12,303</b>

### Working Capital

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>RMB million</i>	
Inventories	<b>10,407</b>	8,612
Property development expenses	<b>11,246</b>	3,929
Trade and bills payables	<b>54,120</b>	44,150
Trade and bills receivables	<b>40,449</b>	31,276
Turnover of inventory (days)	<b>21</b>	20
Turnover of trade and bills payables (days)	<b>110</b>	96
Turnover of trade and bills receivables (days)	<b>74</b>	69

In 2007, the Group's inventories increased by 20.8% from RMB8.61 billion as at the end of 2006 to RMB10.40 billion primarily due to: 1) the increase in the purchase of raw materials and consumables in response to the growth of the infrastructure construction business and the engineering equipment and component manufacturing business; 2) the increase in raw materials inventory levels to combat the rise in prices of raw materials and consumables; and 3) the increase in inventory levels as a result of the increase in properties under development with the growth of our property development business. The inventory turnover days of 21 days remained at the same level as in 2006.

In 2007, trade and bills receivables increased by 29.3% from RMB31.28 billion as at the end of 2006 to RMB40.45 billion as at the end of 2007, among which, the balance of retention receivables as at the end of 2007 greatly increased by 49.1% from RMB6.97 billion for 2006 to RMB10.4 billion due to the rapid business expansion in the past two years. According to the ageing analysis of the Group's receivables, most of the Group's receivables were of less than 6 months and the receivables of more than one year accounted for less than 20% of the total receivables, which reflected the sound receivables management capability of the Group.

<b>Trade and bills receivables</b>	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>RMB million</i>	
Less than six months	<b>17,814</b>	17,488
Six months to one year	<b>15,585</b>	9,112
One year to two years	<b>5,296</b>	3,012
Two years to three years	<b>1,157</b>	1,098
More than three years	<b>597</b>	566
<b>Total</b>	<b><u>40,449</u></b>	<b><u>31,276</u></b>

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw material, machinery and equipment. As the Group's business scale expanded, the Group's trade and bills payables increased by 22.6% from RMB44.15 billion as at the end of 2006 to RMB54.12 billion. The number of turnover days increased from 96 days for 2006 to 110 days for 2007. A substantial portion of the Group's trade and other payables remain outstanding for more than one year, which is attributable to: 1) retention payables are due from the Group's suppliers and contractors only after a specified period (usually one year) in accordance with the relevant contracts; 2) the Group enjoy better credit terms because of the long-standing cooperation with the Group's suppliers and contractors.

<b>Trade and bills payables</b>	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>RMB million</i>	
Less than one year	<b>47,821</b>	40,898
One year to two years	<b>4,730</b>	2,230
Two years to three years	<b>964</b>	625
More than three years	<b>605</b>	397
<b>Total</b>	<b><u>54,120</u></b>	<b><u>44,150</u></b>

## 5.6 Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2007 and 31 December 2006. 70% of our debts were short-term debts which financed the Group's working capital. The Group's need for debt financing is seasonal as our construction business is subject to seasonal fluctuations. In general, demand for debt financing is higher during mid-year and declines towards year-end. The Group is generally capable of making timely repayments.

As at 31 December 2007, the Group had unutilized credit facilities in the amount of RMB70.22 billion.

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>RMB million</i>	
Bank loans		
Secured	<b>6,599</b>	2,800
Unsecured	<b>28,158</b>	27,564
<b>Total</b>	<b><u>34,757</u></b>	<b><u>30,364</u></b>
Short-term debentures, unsecured	<b>2,657</b>	3,772
Other short-term borrowings, unsecured	<b>680</b>	53
Other long-term borrowings, unsecured	<b>672</b>	—
<b>Total</b>	<b><u>38,766</u></b>	<b><u>34,189</u></b>
Non-current	<b>10,239</b>	5,100
Current	<b>28,527</b>	29,089
<b>Total</b>	<b><u>38,766</u></b>	<b><u>34,189</u></b>

The following table sets forth the exposure of fixed-rate and floating-rate borrowings of the Group and the contractual maturity as at the dates indicated. Most of the Group's borrowings have terms of under 5 years.

	<b>As at 31 December</b>	
	<b>2007</b>	2006
	<i>RMB million</i>	
<b>Fixed-rate bank loans repayable</b>		
On demand or within one year	<b>52</b>	78
More than one year, but within two years	<b>66</b>	62
More than two years, but within three years	<b>66</b>	62
More than three years, but within four years	<b>178</b>	62
More than four years, but within five years	<b>21</b>	148
More than five years	<b>126</b>	172
	<b>509</b>	584

	<b>As at 31 December</b>	
	<b>2007</b>	2006
	<i>RMB million</i>	
<b>Floating-rate bank loans repayable</b>		
On demand or within one year	<b>25,138</b>	25,186
More than one year, but within two years	<b>2,781</b>	1,420
More than two years, but within three years	<b>1,767</b>	1,600
More than three years, but within four years	<b>42</b>	90
More than four years, but within five years	<b>141</b>	281
More than five years	<b>4,379</b>	1,203
	<b>34,248</b>	29,780

The following table sets forth the exposure of other long-term fixed-rate and floating-rate borrowings of the Group and the contractual maturity dates as at the dates indicated.

	<b>As at 31 December</b>	
	<b>2007</b>	2006
	<i>RMB million</i>	
<b>Other long-term fixed rate loans repayable after two years, but within three years</b>	<b>228</b>	—
<b>Other long-term floating-rate loans repayable</b>		
More than one year, but within two years	<b>341</b>	—
More than two year, but within three years	<b>4</b>	—
More than three year, but within four years	<b>4</b>	—
More than four year, but within five years	<b>41</b>	—
More than five years	<b>54</b>	—
	<b>444</b>	—

Bank loans carry interest rates ranging from 5.0% to 7.4% (2006: 2.6% to 7.4%) per annum. Short-term debentures are either zero-coupon debentures issued at a discount or carry fixed rates ranging from 3.0% to 7.0% (2006: 3.4% to 3.8%) per annum. Other short-term loans carry interest rates ranging from 4.1% to 10.9% (2006: 4.1% to 10.9%) per annum. Other long-term loans carry interest rates ranging from 4.0% to 8.0% (2006: Nil) per annum.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2007 and 31 December 2006. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	<b>Borrowings in U.S. dollars</b>	<b>Borrowings in Euros</b>	<b>Borrowings in other currencies</b>
	<i>RMB million</i>		
As at 31 December 2007	645	750	68
As at 31 December 2006	325	424	53

As at 31 December 2007, approximately RMB6.6 billion in total bank loans were secured by assets of the Group with an aggregate value of RMB3.15 billion.

In 2007, the Group's gearing ratio (total liabilities/total assets) was 72.7%, a decrease of 20 percentage points as compared with 2006; the Group's total borrowings/(total borrowings and total equity) ratio was 39.8%, a decrease of 36.7 percentage points compared to 2006, enhancing the Group's repayment ability. This was primarily attributable to the increase in equity resulting from the initial public offering of the Company in 2007.

The Group has always financed its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. During the past financial reporting periods, apart from applying the proceeds arising from the A-share offering and the global offering of the Company's shares to working capital, the Group primarily relied on operating income, bank loans and the issuance of debentures to finance the Group's working capital requirements. The Group will continue to rely on internally generated funds, and intends to utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other kinds of convertible securities) and the Group's credit history with banks to secure financing for business development. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently.

The Group's cash and cash equivalents were primarily denominated in Renminbi, with a limited amount of foreign currencies denominated in U.S. dollars and Hong Kong dollars.

## 5.7 Contingent Liabilities

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

	<b>As at 31 December 2007</b>	As at 31 December 2006
	<i>RMB million</i>	
Pending lawsuits ( <i>note</i> )	<b>220</b>	220

### *Note:*

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

The Group has been named in a number of lawsuits arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims where management can reasonably estimate the outcome of the lawsuits while taking into account legal advice. Provision would not be made for pending lawsuits where their outcome cannot be reasonably estimated or management believes the probability of loss is remote.

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

	<b>As at 31 December</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>Expiry period</b>	<b>Amount</b>	<b>Expiry period</b>
	<i><b>RMB</b></i>		<i><b>RMB</b></i>	
	<i><b>million</b></i>		<i><b>million</b></i>	
Guarantees given to banks in respect of banking facilities utilized by:				
Jointly controlled entities and joint ventures				
	<b>5,150</b>	<b>2008–2027</b>	900	2008–2009
A former jointly controlled entity	—	—	800	2007–2008
A fellow subsidiary	—	—	8	2008
Other State-owned enterprises	<b>808</b>	<b>2008–2011</b>	318	2007–2008
Property purchasers	<b>1,001</b>	<b>2008–2010</b>	172	2007–2009
Other independent parties	<b><u>1,382</u></b>	<b>2008–2016</b>	<b><u>1,184</u></b>	2007–2014
<b>Total</b>	<b><u><u>8,341</u></u></b>		<b><u><u>3,382</u></u></b>	

## 5.8 Market Risks

We are exposed to various types of market risks, including risks associated with changes in interest rate, foreign exchange and inflation in the ordinary course of business.

### *Interest Rate Risk*

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

### *Foreign Exchange Risk*

The Group's functional currency is the Renminbi as most of its transactions are settled in Renminbi. However, the Group uses foreign currencies to settle its invoices from overseas operations, purchases of machinery and equipment from overseas suppliers and for certain expenses. In addition, some of the Group's bank borrowings and the proceeds raised through the public offering of H Shares at the end of 2007 were denominated in foreign currencies. The Renminbi is not freely convertible into other foreign currencies as it is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government implemented a regulated floating exchange rate system to allow the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. In 2007, appreciation of the Renminbi against the U.S. dollar amounted to 7.1%. The PRC government has since made and may in the future make further adjustments to the exchange rate system. When the Renminbi appreciates, the value of foreign currency denominated assets will decline against the Renminbi. Fluctuations in foreign exchange currency rates could adversely affect the Group by effectively decreasing any revenues from the Group's sales which are denominated in foreign currencies and increasing the Group's borrowings which are denominated in foreign currencies. The Group currently does not have a foreign exchange hedging policy. However, the management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arise.

The following table details the Group's sensitivity to a change of 5% (2006: 1%) in the exchange rate of each foreign currency against the Renminbi while all other variables are held constant. 5% (2006: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonable change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts for impact at each balance sheet date of a 5% (2006: 1%) change in foreign currency rates.

<b>Increase (decrease) in profit for the year</b>	<b>2007</b>	<b>2006</b>
	<i>RMB million</i>	
If RMB weakens against foreign currencies	<b>843</b>	(3)
If RMB strengthens against foreign currencies	<b>(843)</b>	3

A change of 5% (2006:1%) in exchange rate of each foreign currency against Renminbi does not affect other components of equity value of the Group.

## *Inflation*

In 2007, the PRC saw relatively significant inflation, which led to a large rise in the prices of food and raw materials. The consumer price index (CPI) rose by 4.8% in 2007. Inflation will have an adverse effect on the Group's business as adjustment to the budget estimate of railway construction costs by the Ministry of Railways generally lags behind the rise of actual cost of railway construction.

## **6. SIGNIFICANT EVENTS**

### **6.1 Material Litigation and Arbitration**

Details of material litigation and arbitration which have been disclosed in the Company's prospectus are set out as below:

The plaintiff, Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch, lent RMB220 million to Shenzhen Wanghai Yikang Industry Development Co., Ltd. ("Wanghai Yikang"), and China Railway Construction Group (CRCG) Co., Ltd. ("China Railway Construction"), a subsidiary of the Company, and 4 other legal persons/natural persons had provided suretyship of joint and several liabilities for the above loan. As Wanghai Yikang defaulted in the repayment of the loan, the plaintiff commenced court proceedings against Wanghai Yikang and the 5 guarantors (including China Railway Construction) on 23 November 2004. Subsequently, Wanghai Yikang has filed a bankruptcy petition, and accordingly, the court suspended the litigation for the case. China Railway Construction had reported its rights over the debts to the court as a result of it also being the main contractor of one of the properties invested and constructed by Wanghai Yikang, being the Zheng Xie Lian Yi Building (政協聯誼大廈).

In August 2007, China Lvgem Co., Ltd. ("Lvgem Group") applied for a debt restructuring to the Intermediate People's Court of Shenzhen, and it was decided by the Intermediate People's Court of Shenzhen that Lvgem Group shall commence the restructuring procedure. Each major creditor, including China Railway Construction, had entered into a Debt Transfer Agreement with Lvgem Group, respectively, pursuant to which China Railway Construction transferred all its debts, which had been reported to the manager of Wanghai Yikang, to Lvgem Group at the transfer price based on the debt amount confirmed by the court's final judgment. In view of China Railway Construction was also the guarantor of Wanghai Yikang, upon the signing of the agreement, Lvgem Group immediately commenced negotiation with Shenzhen Development Bank Co., Ltd., Shenzhen Bao'an Sub-branch regarding the release China Railway Construction from all its obligations and responsibilities as a guarantor or the repayment of all such debts by Lvgem Group on behalf of the guarantor, so as to resolve the issues arising from the guarantee provided by China Railway Construction by replacing the guarantor or in a manner approved by China Railway Construction and the bank. As of 31 December 2007, Lvgem Group paid a total of RMB17.98 million as the consideration of the above debt transfer.

On 22 December 2007, Guangdong Provincial High People’s Court made a judgment based on the “Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35”. The main judgments were as follows: (1) the defendant, Wanghai Yikang, should fully repay the loan of a principal amount of RMB220,000,000 and related interests to the plaintiff, Shenzhen Development Bank Co., Ltd., Shenzhen Bao’an Sub-branch within 30 days from the effective date of the judgment; (2) the defendant, China Railway Construction, should undertake the joint and several responsibility for the repayment of the debts confirmed in the aforesaid judgment. Upon full repayment of the debts, China Railway Construction shall be entitled to claim for the recovery from the defendant, Wanghai Yikang or to require other guarantors undertaking such joint and several responsibility to fully repay their respective share of the debt pursuant to Rule 12 of the “Security Law of the People’s Republic of China”. Although the judgment was dated 22 December 2007, China Railway Construction was only summoned by the court on 10 March 2008 notifying it to attend to the court for the pronouncing of the judgment at 15:00 on 18 March 2008. China Railway Construction has already filed an appeal.

Apart from the material litigation and arbitration disclosed in the prospectus, the Group has no further material litigation and arbitration during the reporting period.

## **6.2 Events regarding Bankruptcy and Restructuring of the Group during the Reporting Period**

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

### 6.3 Shares issued by Other Listed Companies and Financial Institutions including Commercial Banks, Securities Companies, Insurance Companies, Trust Companies and Futures Companies, held by the Group

#### 6.3.1 Securities Investments

No.	Type of securities	Stock code	Simplified stock name	Amount of initial investment (RMB)	Number of securities held	Carrying value at the end of the year (RMB)	Percentage of total securities investment at the end of the year (%)	Gain/loss in the reporting period
1.	Stock	601088	China Shenhua	406,890.00	11,000.00	721,710.00	0.77	314,820.00
2.	Stock	601939	China Construction Bank	393,450.00	61,000.00	600,850.00	0.64	207,400.00
3.	Stock	601857	PetroChina	267,200.00	16,000.00	495,360.00	0.53	228,160.00
4.	Stock	600050	China Unicom	242,777.70	35,000.00	422,800.00	0.45	180,022.30
5.	Stock	601398	Industrial and Commercial Bank of China	267,992.01	50,000.00	406,500.00	0.43	138,507.99
6.	Stock	601601	China Pacific Insurance (“CPIC”)	150,000.00	5,000.00	247,250.00	0.26	97,250.00
7.	Stock	002049	Jingyuan Electronics	199,089.00	15,000.00	231,300.00	0.25	32,211.00
8.	Stock	600202	Harbin Air Conditioning	129,399.74	10,000.00	220,000.00	0.24	90,600.26
9.	Stock	601169	Bank of Beijing	112,500.00	9,000.00	183,240.00	0.20	70,740.00
10.	Stock	601866	China Shipping	72,820.00	11,000.00	133,650.00	0.14	60,830.00
Other securities investments held at the end of the year				10,855,880.00		89,937,344.70	96.09	-12,980,541.55
Gain on disposal of securities investments in the reporting period								133,426,000.00
Total				13,097,998.45		93,600,004.70	100.00	121,866,000.00

*Notes:*

- (1) Securities investments listed above includes stocks, warrants and convertible bonds, of which stock investments only include the items accounted for as tradable financial assets;
- (2) Other securities investments refer to other securities investments other than the top 10 securities stated above.
- (3) Gain or loss in the reporting period consists of gains and losses derived from bonus and changes in fair values.

### 6.3.2 Top 10 Holding of Shares issued by Other Listed Companies

Stock code	Simplified stock name	Amount of initial investment (RMB)	Percentage of interests in the investee company		Carrying value as at the end of the year (RMB)	Gain/loss in the reporting period (RMB)	Accounting item	Source of shares
				Number of shares held				
601328	Bank of Communications	51,981,795.40	0.02%	28,608,403	446,863,254.86	1,848,540.00	Available-for-sale financial assets	Purchase from market
601099	Pacific Securities	7,644,000.00	0.14%	6,000,000	296,700,000.00		Available-for-sale financial assets	Purchase from market
000050	Shenzhen Tianma	186,390,000.00	5.72%	19,000,000	186,390,000.00		Available-for-sale financial assets	Purchase from market
600100	Tsinghua Tongfang	180,000,000.00	1.18%	7,758,620	180,000,000.00		Available-for-sale financial assets	Purchase from market
000518	Sihuan Bioengineering	7,937,897.00	1.34%	13,793,880	91,867,240.80		Available-for-sale financial assets	Purchase from market
600978	Yihua Timber	72,600,000.00	1.29%	6,000,000	72,600,000.00		Available-for-sale financial assets	Purchase from market
601088	China Shenhua	6,209,881.20	0.06%	167,880	11,014,606.80		Available-for-sale financial assets	Purchase from market
601857	PetroChina	4,814,309.40	0.01%	288,282	8,925,210.72		Available-for-sale financial assets	Purchase from market
002191	Jinjia Group	2,331,224.70		131,115	4,353,018.00		Available-for-sale financial assets	Purchase from market
601601	CPIC	2,491,080.00		83,036	4,106,130.20		Available-for-sale financial assets	Purchase from market
Total		<u>522,400,187.70</u>		<u>81,831,216</u>	<u>1,302,819,461.38</u>	<u>1,848,540.00</u>		

#### Notes:

- (1) Holding of shares issued by other listed companies listed above include the shares held by the Company and its subsidiaries which were accounted for as available-for-sale financial assets;
- (2) Gain or loss in the reporting period consists of the gain derived from the bonus received from the investments during the reporting period.
- (3) The percentage of interests in the investee company is calculated based on the total issued share capital of such investee company.

### 6.3.3 Holding of Shares issued by Unlisted Financial Institutions

Name of institution	Amount of initial investment <i>RMB</i>	Percentage of interests in the investee companies	Carrying value as at the end of the period <i>RMB</i>	Gain/loss in the reporting period <i>RMB</i>	Accounting item	Source of shares
Sinolink Securities Co. Ltd.	30,390,000	6%	—	30,390,000	Long-term equity investment	External investment
Western Securities Co., Ltd.	10,000,000	1%	10,000,000	—	Long-term equity investment	External investment
Greatwall Securities Co., Ltd.	102,000,000	Less than 1%	102,000,000	—	Long-term equity investment	External investment

Apart from the shares held in the above unlisted financial institutions, the Company also invested RMB359.94 million in its subsidiary, Equity Trust Co. Ltd., representing 86% of the total issued share capital of the subsidiary.

### 6.3.4 Details of Dealings in Shares of Other Listed Companies

Number of shares held at the beginning of the year	Number of shares purchased in 2007	Number of shares sold in 2007	Number of shares held as at the end of the year	Total funds spent <i>RMB</i>	Gain on investment <i>RMB</i>
19,604,895	38,677,600	25,488,875	32,758,620	552,180,990	523,456,334

During the reporting period, the investment gain from disposal of the stocks acquired from initial public offers amounted to RMB18,209,470.59.

## 6.4 Significant Acquisition and Disposal of Assets and Merger Transaction during the Reporting Period

During the reporting period, there was no significant acquisition and disposal of assets and merger transaction.

## 6.5 Implementation of the Group's Share Incentive Scheme

Currently, the Group has not implemented any share incentive scheme.

## 6.6 Significant Related Party Transactions during the Reporting Period

### 6.6.1 Related parties having a controlling interest in the Company:

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

CRECG is the ultimate controller of the Group.

### 6.6.2 Other related parties having transactions with but no controlling relationship in the Group are as follows:

Name of related party	Relationship with the related party
China Railway Hongda Asset Management Center	Fellow subsidiary
China Railway Xianyang Management Cadres Institute ( <i>Note 1</i> )	Fellow subsidiary
Party School of China Railway Engineering Corporation ( <i>Note 1</i> )	Fellow subsidiary
China Railway No. 3 Engineering Group Luzhou Cement Co., Ltd. ( <i>Note 1</i> )	Fellow subsidiary
Sunit Zuoqi Mang Lai Mining Company Ltd.	Fellow subsidiary
Joint venture of China State Construction and China Railway — Sha Tian Ling Project	Joint venture
Joint venture of China State Construction and China Railway — Bao Shan Dao Project	Joint venture
Joint venture of Paul Y. and China Railway — Garbage Processing Project	Joint venture
Daxian Cuipingshan Property Development Co., Ltd ( <i>Note 2</i> )	Joint venture

<b>Name of related party</b>	<b>Relationship with the related party</b>
Chengdu China Railway Celebrity Industry Development Co., Ltd.	Joint venture
Guangsha Chongqing Yijian Property Development Co., Ltd.	Joint venture
Chongqing Yulin Expressway Co., Ltd.	Joint venture
Lvsha Mining Co., Ltd.	Joint venture
MKM Mining Co., Ltd.	Joint venture
CNTT Chinese New Turnout Technologies Co., Ltd.	Joint venture
Chengdu Huaxindazu Property Development Co., Ltd.	Associate
Shanghai Tierun Construction Engineering Co., Ltd.	Associate
Chengdu Longquanyi District Land Recondition Co., Ltd.	Associate
Guiyang Xinglong Afforestation Engineering Co., Ltd.	Associate
Shaanxi Beichen Property Development Co., Ltd.	Associate
Shenzhen Gangchuang Building Materials Co. Ltd.	Associate
Tong Chuan Hua Long Co., Ltd.	Associate
China Railway No.2 Group Yongjingtang Printing Co., Ltd.	Associate
Yunnan Fuyan Expressway Co., Ltd.	Associate
The Third Railway Survey and Design Institute Group Corporation	Associate
Lince Railway. Co., Ltd.	Associate
Chongqing Dianzhong Expressway Co., Ltd.	Associate
Jiangsu Zhongtai Steel Structure Co., Ltd.	Associate

<b>Name of related party</b>	<b>Relationship with the related party</b>
Guiyang Changqingting Property Development Co., Ltd.	Associate
Chengdu Yingting Real Estate Development Company	Associate
Sichuan Chuangyu Investment Co., Ltd.	Associate
Chengdu Yuantong Railway Engineering Co., Ltd.	Associate
Chengdu Jinmaruicheng Investment Co., Ltd.	Associate
Shenzhen Huazhihui Investment Co., Ltd.	Minority shareholder of subsidiaries
Shezhen Meili Group Co., Ltd.	Minority shareholder of subsidiaries
Shanghai North Industrial New Zone Investment & Management Co., Ltd.	Minority shareholder of subsidiaries
Fengtai Comprehensive Investment Co., Ltd.	Minority shareholder of subsidiaries
Shuhe Investment Management Co., Ltd.	Minority shareholder of subsidiaries
Hunan Qifansheng Real Estate Co., Ltd.	Minority shareholder of subsidiaries
Guangxi Communications Infrastructure Construction Administration Bureau	Minority shareholder of subsidiaries
BWG Gesellschaft mbH & Co. KG	Minority shareholder of subsidiaries
Neijiang Hongchen Property Development Co., Ltd.	Minority shareholder of subsidiaries
Exploitations Artisanales Au Congo	Shareholder of joint venture companies

*Note 1:* China Railway Xianyang Management Cadres Institute, The Party School of China Railway Engineering Corporation and China Railway No. 3 Engineering Group Luzhou Cement Co., Ltd. had been subordinated to China Railway Hongda Asset Management Center since 2007.

*Note 2:* China Railway Erju Co., Ltd held 50% equity interests of Daxian Cuipingshan Property Development Co., Ltd served and such interests were recognized as a joint venture company for auditing purpose. Given the amendment to the articles of association of Daxian Cuipingshan Property Development Co., Ltd, it fell into the category of consolidated companies.

### 6.6.3 Details of the material transactions between the Group and the above related parties during the year are as follows:

#### (1) Sales and Procurement

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2007</b>	2006
	<i>RMB thousand</i>	
<b>Sales</b>		
Yunnan Fuyan Expressway Co., Ltd.	<b>1,944,658</b>	111,873
Chongqing Dianzhong Expressway Co., Ltd.	<b>472,898</b>	—
Lince Railway Co., Ltd.	<b>814,887</b>	62,507
Chengdu Huaxindazu Property Development Co., Ltd.	<b>279,510</b>	79,390
CNTT Chinese New Turnout Technologies Co., Ltd.	<b>69,819</b>	—
Chengdu China Railway Celebrity Industry Development Co., Ltd.	<b>60,243</b>	10,009
Chengdu Longquanyi District Land Recondition Co., Ltd.	<b>20,038</b>	22,670
Guangsha Chongqing Yijian Property Development Co., Ltd.	<b>4,673</b>	—
	<u><b>3,666,726</b></u>	<u>286,449</u>
<b>Procurement</b>		
BWG Gesellschaft mbH & CoKG	<b>66,053</b>	—
The Third Railway Survey and Design Institute Group Corporation	<b>16,000</b>	—
Shenzhen Gangchuang Building Materials Co. Ltd.	<u>—</u>	<u>1,820</u>
	<u><b>82,053</b></u>	<u>1,820</u>

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2007</b>	2006
	<i>RMB thousand</i>	
<b>Expenses paid to Non-operating Units</b>		
CRECG	1,245	32,429
China Railway Xianyang Management Cadres Institute	—	1,500
The Party School of China Railway Engineering Corporation	—	2,900
	<u>1,245</u>	<u>36,829</u>
<b>Integrated Services</b>		
China Railway Hongda Asset Management Center	<u>97,305</u>	<u>—</u>
<b>Property Lease</b>		
China Railway Hongda Asset Management Center	<u>38,754</u>	<u>—</u>
<b>Consultancy Income</b>		
Daxian Cuipingshan Property Development Co., Ltd	<u>9,646</u>	<u>—</u>

(2) *Guarantee*

	<b>As at 31 December</b>	
	<b>2007</b>	2006
	<i>RMB thousand</i>	
Yunnan Fuyan Expressway Co., Ltd.	5,150,000	750,000
Daxian Cuipingshan Property Development Co., Ltd	—	150,000
China Railway No. 3 Engineering Group Luzhou Cement Co., Ltd.	—	8,000
	<u>5,150,000</u>	<u>908,000</u>

(3) *Balance of current debtors*

<b>Items</b>	<b>Related Party</b>	<b>As at 31 December</b>	
		<b>2007</b>	<b>2006</b>
		<i>RMB thousand</i>	
Account receivables	Chengdu Huaxindazu Property Development Co., Ltd.	<b>105,716</b>	33,159
	Lince Railway. Co., Ltd.	<b>230,919</b>	42,367
	Chengdu Longquanyi District Land Recondition Co., Ltd.	<b>24,621</b>	—
	Chongqing Dianzhong Expressway Co., Ltd.	<b>22,055</b>	—
	Chongqing Yulin Expressway Co., Ltd	<b>6,026</b>	6,026
	Shezhen Meili Group Co., Ltd.	—	12,509
		<b>389,337</b>	<b>94,061</b>
Other receivables	Chengdu Yingting Real Estate Development Company	<b>351,908</b>	—
	Hunan Qifansheng Real Estate Co., Ltd.	<b>113,509</b>	—
	China Railway Hongda Asset Management Center	<b>74,394</b>	—
	Chongqing Dianzhong Expressway Co., Ltd.	<b>51,408</b>	—
	Sichuan Chuangyu Investment Co., Ltd.	<b>38,564</b>	—
	Guiyang Changqingteng Property Development Co., Ltd.	<b>33,000</b>	—
	Chengdu Jinmaruicheng Investment Co., Ltd.	<b>24,922</b>	—
	Guangsha Chongqing Yijian Property Development Co., Ltd.	<b>23,017</b>	60,063
	Shaanxi Beichen Property Development Co., Ltd.	<b>17,440</b>	17,440

Items	Related Party	As at 31 December	
		2007	2006
		<i>RMB thousand</i>	
	Joint venture of Paul Y. and China Railway– Garbage Processing Project	<b>11,237</b>	—
	MKM Mining Co., Ltd.	<b>12,977</b>	—
	Tong Chuan Hua Long Co., Ltd.	<b>8,448</b>	—
	Sunit Zuoqi Mang Lai Mining Company Ltd.	<b>5,490</b>	—
	China Railway No. 2 Group Yongjingtang Printing Co., Ltd.	<b>3,600</b>	3,600
	Guiyang Xinglong Afforestation Engineering Co., Ltd.	—	2,911
	Daxian Cuipingshan Property Development Co., Ltd	—	20,293
	Chengdu China Railway Celebrity Industry Development Co., Ltd.	—	60,000
	Chengdu Huaxindazu Property Development Co., Ltd.	—	200,000
	Shenzhen Huazhihui Investment Co., Ltd.	—	20,000
	Chongqing Yulin Expressway Co., Ltd.	—	334
	Yunnan Fuyan Expressway Co., Ltd.	—	247,372
		<b><u>769,914</u></b>	<b><u>632,013</u></b>
Loans and receivables	Exploitations Artisanales Au Congo	<b>128,811</b>	—
	Shanghai North Industrial New Zone Investment & Management Co., Ltd.	<b>30,000</b>	—
		<b><u>158,811</u></b>	<b><u>—</u></b>

Items	Related Party	As at 31 December	
		2007	2006
		<i>RMB thousand</i>	
Prepayments	BWG Gesellschaft mbH & Co KG	23,948	—
	Chengdu Yuantong Railway Engineering Co. Ltd	10,786	—
	Jiangsu Zhongtai Steel Structure Co., Ltd.	7,000	—
		<u>41,734</u>	<u>—</u>
Receipts in advance	Yunnan Fuyan Expressway Co., Ltd.	838,228	—
	Chongqing Dianzhong Expressway Co., Ltd.	17,005	—
	Chengdu China Railway Celebrity Industry Development Co., Ltd.	13,213	—
	CNTT Chinese New Turnout Technologies Co., Ltd.	4,680	—
		<u>873,126</u>	<u>—</u>
Account payables	Shanghai North Industrial New Zone Investment & Management Co., Ltd	297,868	—
	The Third Railway Survey and Design Institute Group Corporation	12,250	9,353
	China Railway Hongda Asset Management Center	5,978	—
	CRECG	—	9,589
	Shenzhen Gangchuang Building Materials Co. Ltd.	—	1,069
		<u>316,096</u>	<u>20,011</u>

Items	Related Party	As at 31 December		
		2007	2006	
		<i>RMB thousand</i>		
Other payables	Chengdu Yingting Real Estate Development Company	<b>270,946</b>	—	
	Guangxi Communications Infrastructure Construction Administration Bureau	<b>175,735</b>	—	
	China Railway Hongda Asset Management Center	<b>88,690</b>	—	
	CNTT Chinese New Turnout Technologies Co., Ltd.	<b>30,261</b>	—	
	CRECG	<b>14,463</b>	7,220	
	Luisha Mining Co., Ltd.	<b>12,071</b>	—	
	Chengdu Huaxindazu Property Development Co., Ltd.	<b>10,508</b>	—	
	Hunan Qifansheng Real Estate Co., Ltd.	<b>10,000</b>	—	
	Chengdu Longquanyi District Land Recondition Co., Ltd.	<b>7,000</b>	—	
	Neijiang Hongchen Property Development Co., Ltd.	<b>572</b>	14,254	
	Shanghai Tierun Construction Engineering Co., Ltd.	—	8,206	
	Shezhen Meili Group Co., Ltd.	—	36,780	
			<b><u>620,246</u></b>	<b><u>66,460</u></b>
	Long-term borrowings	Fengtai Comprehensive Investment Co., Ltd.	<b>18,000</b>	—
		Shuhe Investment Management Co., Ltd.	<b>4,500</b>	—
		<b><u>22,500</u></b>	<b><u>—</u></b>	

(4) *Remuneration of key management personnel*

**For the year ended  
31 December**  
**2007**                      **2006**  
*RMB thousand*

Remuneration of key management personnel	<u><b>6,510</b></u>	<u><b>5,779</b></u>
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**6.7 Material Contracts and Their Performance during the Reporting Period**

6.7.1 *Trusteeship*

During the reporting period, the Group has no trusteeship.

6.7.2 *Contracting*

During the reporting period, there was no contracting by the Group.

6.7.3 *Leasing*

During the reporting period, there was no leasing by the Group.

## 6.7.4 Guarantee

### Guarantees provided by the Company (except for guarantees to subsidiaries)

Names of guaranteed parties	Date (Execution date of agreements)	Guaranteed amount	Type of guarantee	Term of Guarantee	Fully Fulfilled	Guarantee provided to the related parties
China International Water & Electric Corp.	2004-4-20	53,380.26	Suretyship of joint and several liability	2008-6-30	No	No
Shanghai Rong Lian Leasing Co., Ltd.	2007-12-28	114,940.92	Suretyship of joint and several liability	2010-12-28	No	No
Sinorail Bohai Train Ferry Co., Ltd.	2004-12-24	170,000.00	Suretyship of joint and several liability	2016-12-24	No	No
Beijing Gaosheng Real Estate Development Co., Ltd.	2006-7-7	300,000.00	Suretyship of joint and several liability	2008-10-6	No	No
Yunnan Fuyan Expressway Co., Ltd.	2005-6-7	650,000.00	Suretyship of joint and several liability	2008-6-7	No	Yes
Yunnan Fuyan Expressway Co., Ltd.	2007-4-5	3,500,000.00	Suretyship of joint and several liability	2027-4-4	No	Yes
Yunnan Fuyan Expressway Co., Ltd.	2006/8	1,000,000.00	Suretyship of joint and several liability	2022/8	No	Yes
Yunnan Da Jian Road and Bridge Co., Ltd.	2005-12-23	45,000.00	Suretyship of joint and several liability	2008-12-22	No	No
Shanxi Local Coal Industry Co., Ltd.	2006-12-5	1,740.23	Suretyship of joint and several liability	Open	No	No
Yankuang Group Co., Ltd.	2004.07.15	63,397.99	Suretyship of joint and several liability	2 years	No	No
Zhong Tie Major Bridge (Zhengzhou) Cable Co Ltd	2007-5-28	3,500.00	Suretyship of joint and several liability	2008-5-27	No	No
China Railway Wuhan Bridge Industries Limited	2007-3-22	30,000.00	Suretyship of joint and several liability	2008-3-22	No	No
China Railway Wuhan Bridge Industries Limited	2007-7-12	6,000.00	Suretyship of joint and several liability	2008-7-12	No	No
Xinhua Bookstore Head Office	2003-12-30	30,000.00	Suretyship of joint and several liability	2008-3-30	No	No
Shenzhen Wanghai Yikang Industry Development Co., Ltd.	2003-12-29	220,000.00	Suretyship of joint and several liability	2008-12-29	No	No
Shenzhen Huahan Pipeline Science and Technology Company Limited	2004-10-27	200,000.00	Suretyship of joint and several liability	2009-10-27	No	No
Nanchang Railway Tian Ji Property Development Co., Ltd.	2007-3-30	80,000.00	Suretyship of joint and several liability	2008-3-29	No	No
Luoyang Fang Da Industry Co., Ltd.	2004-9-23	8,000.00	Suretyship of joint and several liability	2005-9-23	No	No
Luoyang Fang Da Industry Co., Ltd.	2004-12-18	10,000.00	Suretyship of joint and several liability	2005-12-17	No	No

<b>Names of guaranteed parties</b>	<b>Date (Execution date of agreements)</b>	<b>Guaranteed amount</b>	<b>Type of guarantee</b>	<b>Term of Guarantee</b>	<b>Fully Fulfilled</b>	<b>Guarantee provided to the related parties</b>
		<i>RMB thousand</i>				
Luoyang Fang Da Industry Co., Ltd.	2007-3-1	20,000.00	Suretyship of joint and several liability	2008-3-1	No	No
Luoyang Fang Da Industry Co., Ltd.	2007-11-18	20,000.00	Suretyship of joint and several liability	2008-5-17	No	No
China SFECO Group	2006-12-30	241,051.80	Suretyship of joint and several liability	2011-12-29	No	No
China SFECO Group	2007-1-1	144,631.08	Suretyship of joint and several liability	Prepayment recovered	No	No
Shenyang Heavy Machinery Group Co., Ltd.	2006-1-23	15,610.30	Suretyship of joint and several liability	Payment fulfilled	No	No
China Railway 15th Construction Bureau Co., Ltd.	2004-5-9	170,355.73	Suretyship of joint and several liability	2009-5-9	No	No
Shanhaiguan Lubao Beer Co., Ltd.	1995-12-22	4,000.00	Suretyship of joint and several liability	1996-10-22	No	No
Shanhaiguan Lubao Beer Co., Ltd.	1996-3-13	5,000.00	Suretyship of joint and several liability	1996-11-13	No	No
Shanhaiguan Lubao Beer Co., Ltd	1995-11-21	8,000.00	Suretyship of joint and several liability	1996-7-21	No	No
Henan International Cooperation Group Co., Ltd	2007-2-16	215,680.00	Suretyship of joint and several liability	Open	No	No
Jinan City Construction Investment Co., Ltd.	2007-8-21	10,000.00	Suretyship of joint and several liability	2008-2-21	No	No
Owners of Huayang Nianhua in Jinan	2007	3,008.00	Suretyship of joint and several liability	2008.06	No	No
Owners of Shujun	2007	242,320.00	Suretyship of joint and several liability	2008	No	No
Owners of Longjun	2007	44,583.00	Suretyship of joint and several liability	2009	No	No
Owners of Xinjie	2007	82,511.00	Suretyship of joint and several liability	2009	No	No
Owners of Xicheng	2007	176,801.80	Suretyship of joint and several liability	2009	No	No
Owners of Hengshi Xincheng	2007	7,470.00	Suretyship of joint and several liability	2009	No	No
Owners of Huainan Yangguangcheng	2007	86,835.00	Suretyship of joint and several liability	2009	No	No
Owners of Zhujiang Wan Pan	2007	15,800.00	Suretyship of joint and several liability	2009	No	No
Owners of Xinglong Phase II	2007	16,260.00	Suretyship of joint and several liability	2009	No	No
Owners of Fengdan Bailu	2007	11,790.00	Suretyship of joint and several liability	2009	No	No

Names of guaranteed parties	Date (Execution date of agreements)	Guaranteed amount	Type of guarantee	Term of Guarantee	Fully Fulfilled	Guarantee provided to the related parties
Owners of Bei'an Gongguan in Lanzhou	2007	57,630.00	Suretyship of joint and several liability	2008.09	No	No
Owners of Zhongjing Lixiangjia	2007.03	75,930.00	Suretyship of joint and several liability	2009.03	No	No
Owners of Zhongjing Shengshi Chang'an	2007.07	179,858.00	Suretyship of joint and several liability	2010.01	No	No
Total guarantee incurred during the reporting period						4,041,719.80
Total balance of guarantee as at the end of the reporting period						8,341,085.11
<b>Guarantee provided by the Company to its subsidiaries</b>						
Total guarantee to subsidiaries incurred during the reporting period						2,190,000.00
Total balance of guarantee to subsidiaries as at the end of the reporting period						3,246,417.13
<b>Aggregate guarantee of the Company (including guarantee to subsidiaries)</b>						
Aggregate guarantee						11,587,502.24
Percentage of aggregate guarantee to net assets of the Group						19.67%
Representing:						
Amount of guarantee provided for shareholders, ultimate controlling parties and related parties						630,906.40
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70%						859,664.51
Excess amount of aggregate guarantee over 50% of net assets						—
Aggregate amount of the above three categories						1,490,570.91

*Note:* All such amounts are stated in thousands. USD is translated into RMB based on the exchange rate of USD 1 to RMB 7.

### 6.7.5 Financial Trust Management

Principal	Trustee	Entrusted amount	Start date and end date of trust	Period of trust	Determination of remuneration	Actual amount of gain	Actual amount recovered
		RMB				RMB	RMB
China Railway No. 7 Engineering Group Co., Ltd.	Equity Trust Investment Co., Ltd.	100,000,000.00	From 15 June 2007 to 23 August 2007	12 months	Based on time of trust	1,757,397.23	101,757,397.23

As at the end of the reporting period, there was no outstanding overdue amount of the entrusted amount and gain.

### 6.7.6 Other Major Contracts

- (i) Major contracts signed before the reporting period but remain effective during the reporting period:

- (a) Infrastructure Construction Business

In January 2006, the consortium comprising China Railway No. 3 Engineering Group Co., Ltd., China Railway No. 5 Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd., and China Railway No. 5 Group No. 6 Engineering Co., Ltd., all being subsidiaries of the Company, signed the “Master Contract of Civil Construction Phase 4 (XXTJIV) of the Wulongquan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line” with Wuhan-Guangzhou Passenger Railway Line Co., Ltd. (武廣鐵路客運專線有限責任公司). The contract sum was RMB9,233,127,930 and the construction period was from 1 February 2006 to 28 February 2009.

In January 2006, the consortium comprising China Railway No. 4 Engineering Group Co., Ltd., China Railway No. 4 Bridge Construction Co., Ltd., China Railway No. 1 Engineering Group Co., Ltd., China Railway No. 1 Bridge Construction Engineering Co., Ltd. and China Railway Major Bridge Engineering Group Co., Ltd., all being subsidiaries of the Company, signed the “Master Contract and Supplemental Contract of Civil Construction Phase 2 (XXTJII) of the Wulongquan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line” with Wuhan-Guangzhou Passenger Railway Line Co., Ltd. (武廣鐵路客運專線有限責任公司). The contract sum was RMB9,183,757,600 and the construction period was 36.5 months commencing from 1 February 2006.

On 22 January 2006, China Railway No.3 Engineering Group Co., Ltd., a subsidiary of the Company, signed the “Master Contract of Civil Construction Phase 2 (ZQ2) of the Mianchi-Lingbao section of the New Zhengzhou-Xi’an Passenger Railway Line” with Zhengxi Passenger Railway Line Co., Ltd. (鄭西鐵路客運專線有限責任公司). The contract sum was RMB3,866,507,400 and the construction period was 37.5 months starting from delivery of instruction to commence construction.

On 14 July 2006, China Railway Major Bridge Engineering Co., Ltd signed the “Construction Contract of Dashengguan Yangtze River Bridge and Nanjing South Station of the New Nanjing Hub” with the Construction Headquarter of Nanjing Dashengguan Yangtze River Bridge and Nanjing South Station of MOR. The contract sum was RMB 3,864,360,000 and the construction period was from 18 July 2006 to 30 November 2009.

(b) Survey and Design Business

On 27 January 2005, China Railway Eryuan Engineering Group Co., Ltd. signed the “Master Construction Survey and Design Contract of Shenzhen Metro Line 3” with Shenzhen Metro Line 3 Investments Ltd. The contract sum was RMB 219,882,000 and the construction period was from 27 January 2005 to December 2009.

In January 2006, Huatie Engineering Consulting Co., Ltd. signed the “Supervisory Contract of Phase 2 of the Wuhan-Huadu Section of the New Wuhan-Guangzhou Passenger Railway Line” with Wuhan-Guangzhou Passenger Railway Line Co., Ltd. (武廣鐵路客運專線有限責任公司). The contract sum was RMB 175,845,700 and the construction period was from 5 January 2006 to 4 June 2011.

(c) Property Development Business

On 16 September 2005, China Railway No. 4 Engineering Group Co., Ltd. signed the “Letter of Intent and Framework Agreement for the Joint Development and Construction of Shannan New District in Huainan City” with Anhui Provincial Huainan Municipal People’s Government, pursuant to which China Railway No. 4 would be responsible for construction projects such as municipal and utility infrastructure (included land tunnels) in Shannan New District, Huainan City. The total investment of the project is approximately RMB15 billion.

On 13 March 2006, China Railway No. 2 Engineering Group Co., Ltd. signed the “Cooperation Agreement for Daxian Cuipingshan Integrated Development Project” with Sichuan Hongyuanxing Property Development Co., Ltd. for the capital organization of the project company to engage in the integrated development of the Longjun project in Cuipingshan, Daxian. The estimated total investment of is project amounted to RMB 790,260,000.

(d) Engineering Equipment and Component Manufacturing Business

On 20 December 2005, China Railway Shanhaiguan Bridge Group Co., Ltd. signed the “Sales Contract” with Chongqing Zhonggang Chaotianmen Yangtze River Bridge Project Construction Co., Ltd. (重慶中港朝天門長江大橋項目建設有限公司). The contract sum was RMB245,710,000, and the contract term was 33 months.

(ii) Major contracts signed during the reporting period:

On 3 September 2007, the Company signed the “Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line” with Harbin-Dalian Passenger Railway Line Co., Ltd. (哈大鐵路客運專線有限責任公司). The contract sum was RMB 21,871,035,166 and the construction period under the contract was 1979 days.

On 1 March 2007, the consortium comprising China Railway Electrification Engineering Group Co., Ltd. and China Railway No. 6 Engineering Group Co., Ltd., both being subsidiaries of the Company, signed the “Master Contract of Construction Works for Improving Electrification of Datong-Baotou section of the Beijing-Baotou Railway” with the construction headquarter of the electrification improvement work. The contract sum was RMB3,094,463,250 and the construction period under the contract was from 1 March 2007 to 30 November 2008.

On 17 August 2007, the consortium comprising China Railway Electrification Engineering Group Co., Ltd. and China Railway Construction Engineering Group Co., Ltd., both being subsidiaries of the Company, signed the “Master Contract of Construction of the Beijing section of the New Railway Line” with the Beijing Ministry of Railway Construction (headquarter of the construction work of Ministry of Railway). The contract sum was RMB2,466,938,016 and the construction period under the contract was from 1 September 2007 to 30 June 2009.

In 2007, the consortium comprising China Railway Major Bridge Engineering Co., Ltd. and China Railway No. 7 Engineering Group Co., Ltd., both being subsidiaries of the Company, and CCCC First Highway Engineering Co., Ltd., signed the “Construction Contract of Section QL-1 of Zhengzhou-Yellow River Railway and Highway Dual-Purpose Bridge” with Jingguang Passenger Railway Henan Co., Ltd (京廣鐵路客運專線河南有限公司) and Heenan Zhongyuan Huanghe Road and Bridge Co., Ltd. (河南中原黃河公路大橋有限責任公司). The contract sum was RMB 2,300,758,700.

## 6.8 Particulars Of Major Properties

### 6.8.1 *Investment Properties*

<b>Location</b>	<b>Use</b>	<b>Tenure</b>	<b>Interest of the Group (%)</b>
Quanxing Plaza, No. 68 2nd Part of Renminzhong Road, Chengdu, Sichuan	Commercial and hotel	Medium term lease	100
Tianyu Shopping Center, No. 17 North Part of Yanta Road, Xi'an	Shopping Mall	Medium term lease	100
Beijing Badaling Jinyuanlong Hotel, West to Quan Zhou Cinema, Gun Tian Gou Kou, Badaling Special District, Yanqing, Beijing	Hotel	Medium term lease	100

## 6.8.2 Properties under development and/or held for sale

Location	Existing Use	Approx. site area (sq.m.)	Approx. floor area (sq.m.)	Stage of completion	Expected completion date	Interest of the Group (%)
No. 3 Yiduzhong Street, Longquan Town, Longquanyi District, Chengdu East Mountain International New Town	Residential	300,000	830,000	Under construction	2011	35
Houba, Yunyan District, Guiyang, Guizhou Xinglong — Fengdan Bailu	Residential	220,000	380,000	Under construction	2008	100
Lirendong Village, Yinbin Road, Panyu District, Guangzhou Easy City Garden	Residential	200,000	353,650	Under construction	2010	85
No.113 Hepingdong Road, Changan District, Shijiazhuang, Hebei Zhongjing — Four Seasons Garden City	Residential	120,000	390,000	Under construction	2010	100
No. 869 Deshuizhong Road, Hedong New District, Suining, Sichuan China Railway — Dragon City	Commercial	84,000	150,000	Completed	2007	100

*Note:* In the opinion of the directors, disclosure of all investment properties and properties under development and/or held for sale would result in particulars of excessive length, therefore, only major properties are listed above.

## 6.9 Performance of Undertaking

During the reporting period, CRECG, the controlling shareholder of the Company, gave an undertaking that it will not transfer or engage others to manage the Company's A shares held by it within 36 months since the listing of A shares of the Company on the Shanghai Stock Exchange. Once the period of undertaking expires, the aforesaid shares may be traded in the market and transferred. However, if the H shares of the Company is successfully issued, the

conversion of the Company's shares held by CRECG into H shares for placing or for trading in the market after undergoing the relevant procedures is not subject to the lock-up period mentioned above. CRECG has strictly complied with the above undertaking.

#### **6.10 Details of the Appointment, Dismissal of Auditors and their Remuneration**

During the reporting period, there were no changes to the accounting firm engaged by the Company. Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu are currently appointed as the domestic and international auditors of the Company, respectively. In 2007, the Company, in aggregate, paid auditors' remuneration of RMB117,800,000, of which, RMB99,800,000 represents audit fee paid in relation to the audit for the initial public offering and listing of the Company, RMB15,000,000 represents annual audit fee paid to Deloitte Touche Tohmatsu Certified Public Accountants Limited, and RMB3,000,000 represents fee paid to Deloitte Touche Tohmatsu as the annual audit fee.

#### **6.11 Penalty and Rectification Order against the Group and its Directors, Supervisors, Senior Management and the Company's Shareholders and Ultimate Controller**

During the Reporting Period, the Group and its directors, supervisors, senior management and the Company's shareholders and ultimate controller are not subject to any penalty and rectification order.

#### **6.12 Other Significant Events**

During the reporting period, the Group has no other significant event.

## 7. FINANCIAL STATEMENTS

### Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 RMB million	2006 RMB million
Revenue	3 & 4	173,751	153,568
Cost of sales		<u>(161,108)</u>	<u>(141,647)</u>
Gross profit		12,643	11,921
Other income		1,183	581
Selling and marketing expenses		(930)	(731)
Administrative expenses		(9,362)	(8,089)
Gains on disposal of interests in subsidiaries		616	363
Interest income		981	647
Interest expenses		(1,850)	(1,253)
Share of losses of jointly controlled entities		(3)	(50)
Share of profits (losses) of associates		<u>11</u>	<u>(2)</u>
Profit before taxation		3,289	3,387
Income tax expense	5	<u>(529)</u>	<u>(648)</u>
Profit for the year		<u><u>2,760</u></u>	<u><u>2,739</u></u>
Attributable to:			
Equity holders of the Company		2,423	2,046
Minority interests		<u>337</u>	<u>693</u>
		<u><u>2,760</u></u>	<u><u>2,739</u></u>
Dividend/Distributions	6	<u><u>—</u></u>	<u><u>1,117</u></u>
		<b>RMB</b>	<b>RMB</b>
Basic earnings per share	7	<u><u>0.181</u></u>	<u><u>0.160</u></u>

## Consolidated Balance Sheet

At 31 December 2007

	<i>Notes</i>	<b>2007</b> <i>RMB million</i>	2006 <i>RMB million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>18,288</b>	15,326
Deposit for acquisition of property, plant and equipment		<b>683</b>	187
Lease prepayments		<b>6,091</b>	2,020
Deposit for land use rights		<b>14</b>	—
Investment properties		<b>794</b>	152
Intangible assets		<b>7,074</b>	2,329
Mining assets		<b>46</b>	48
Interests in jointly controlled entities		<b>651</b>	514
Interests in associates		<b>2,591</b>	879
Goodwill		<b>779</b>	189
Available-for-sale financial assets		<b>2,908</b>	864
Held-to-maturity financial assets		<b>—</b>	106
Other loans and receivables		<b>989</b>	656
Deferred income tax assets		<b>1,925</b>	1,883
Other prepayments		<b>14</b>	8
Other receivables		<b>79</b>	—
		<b>42,926</b>	25,161
<b>Current assets</b>			
Lease prepayments		<b>106</b>	39
Properties held for sale		<b>665</b>	683
Properties under development for sale		<b>11,246</b>	3,929
Inventories		<b>10,407</b>	8,612
Trade and other receivables	8	<b>63,318</b>	52,233
Amounts due from customers for contract work		<b>27,021</b>	20,099
Held-to-maturity financial assets		<b>—</b>	74
Other loans and receivables		<b>272</b>	948
Held-for-trading financial assets		<b>166</b>	10
Restricted cash		<b>2,170</b>	1,523
Cash and cash equivalents		<b>56,726</b>	29,721
		<b>172,097</b>	117,871
Non-current assets held for sale		<b>—</b>	61
		<b>172,097</b>	117,932
<b>Total assets</b>		<b>215,023</b>	143,093

	<i>Notes</i>	<b>2007</b> <i>RMB million</i>	2006 <i>RMB million</i>
<b>EQUITY</b>			
Equity attributable to the equity holders of the Company		<b>55,254</b>	6,999
Minority interests		<u><b>3,493</b></u>	<u>3,514</u>
<b>Total equity</b>		<u><b>58,747</b></u>	<u>10,513</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		<b>233</b>	207
Borrowings		<b>10,239</b>	5,100
Obligations under finance lease		<b>69</b>	—
Financial guarantee contracts		<b>77</b>	21
Retirement and other supplemental benefit obligations		<b>8,650</b>	9,449
Deferred income government grant		<b>209</b>	107
Deferred income tax liabilities		<u><b>315</b></u>	<u>187</u>
		<u><b>19,792</b></u>	<u>15,071</u>
<b>Current liabilities</b>			
Trade and other payables	9	<b>95,838</b>	78,477
Amounts due to customers for contract work		<b>11,144</b>	9,222
Current income tax liabilities		<b>536</b>	387
Borrowings		<b>28,527</b>	29,089
Obligations under finance lease		<b>44</b>	—
Financial guarantee contracts		<b>10</b>	22
Retirement and other supplemental benefit obligations		<u><b>385</b></u>	<u>312</u>
		<u><b>136,484</b></u>	<u>117,509</u>
<b>Total liabilities</b>		<u><b>156,276</b></u>	<u>132,580</u>
<b>Total equity and liabilities</b>		<u><b>215,023</b></u>	<u>143,093</u>
<b>Net current assets</b>		<u><b>35,613</b></u>	<u>423</u>
<b>Total assets less current liabilities</b>		<u><b>78,539</b></u>	<u>25,584</u>

Notes:

## 1. GROUP REORGANISATION

The Company was established in PRC on 12 September 2007 as a joint stock company with limited liability. The Company's A Shares were listed on Shanghai Stock Exchange on 3 December 2007 and the Company's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 7 December 2007.

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

## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

All Core Operations were controlled and owned by CRECG. As a result of the Reorganisation described in Note 1, all Core Operations were transferred to the Company and are still ultimately controlled and owned by CRECG. There is no change of controlling shareholders before and after the Reorganisation and accordingly, the consolidated financial statements have been prepared as a combination of businesses under common control in a manner similar to pooling-of-interests as if the group structure after the Reorganisation had been in existence since 1 January 2006.

In preparing the consolidated financial statements, the Group has not early applied the following new and revised standards and interpretations that have been issued by International Accounting Standard Board (the "IASB") or International Financial Reporting Interpretation Committee ("IFRIC") of IASB at the date of this report but are not yet effective.

### International Financial Reporting Standard ("IFRS")

IFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>4</sup>
IFRS 3 (Revised)	Business Combinations <sup>5</sup>
IFRS 8	Operating Segments <sup>4</sup>

### International Accounting Standard ("IAS")

IAS 1 (Revised)	Presentation of Financial Statements <sup>4</sup>
IAS 23 (Revised)	Borrowing Cost <sup>4</sup>
IAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>5</sup>
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>4</sup>

### IFRIC

IFRIC 11	IFRS 2: Group and Treasury Share Transactions <sup>1</sup>
IFRIC 12	Service Concession Arrangements <sup>2</sup>
IFRIC 13	Customer Loyalty Programmes <sup>3</sup>
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 March 2007
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2008
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2008
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2009

The Group's concession arrangement is contractual service arrangements between the entities controlled by the government and the Group for the Group's participation in the development, financing, operation and maintenance of infrastructure for public services.

IFRIC 12 requires where the Group constructs or upgrades the infrastructure, the Group recognises revenue and costs in the same way as construction contracts (see below) during the construction phase. Construction revenue should be recognised as a financial asset if the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the government or as an intangible asset if the Group receives a right to charge users of the public services. When money is actually received, further revenue is recognised under intangible asset model. For the financial asset model, such monies received are treated as partial repayment of financial assets.

In addition, where the Group has contractual obligations to maintain the infrastructure to a specified level of serviceability or to restore the infrastructure to specified conditions before it is handed over to the government at end of the service arrangement, the best estimate of the present value of expenditure that would be required to settle this obligation at the balance sheet date will be recognised on the consolidated balance sheet as liability.

Unless the Group has recognised an intangible asset, all borrowings costs attributable to the arrangement will be recognised as an expense in the period in which they are incurred. The Directors are still in the process of quantifying the financial impact to the Group.

IAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

IFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

### 3. REVENUE

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

	2007 <i>RMB million</i>	2006 <i>RMB million</i>
Revenue from:		
Rendering of services		
— Construction contracts	156,530	137,535
— Other services	4,833	8,129
Sale of properties	2,880	1,879
Sale of goods	<u>9,508</u>	<u>6,025</u>
	<u><u>173,751</u></u>	<u><u>153,568</u></u>

### 4. SEGMENT INFORMATION

The segment information is presented below:

*Consolidated results*

	Infrastructure construction <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Elimination <i>RMB million</i>	Consolidated <i>RMB million</i>
<b>Year ended 31 December 2007</b>							
External revenue	156,530	3,388	3,954	2,880	6,999	—	173,751
Inter-segment revenue	<u>8,429</u>	<u>6</u>	<u>1,239</u>	<u>402</u>	<u>1,086</u>	<u>(11,162)</u>	<u>—</u>
Segment revenue	<u><u>164,959</u></u>	<u><u>3,394</u></u>	<u><u>5,193</u></u>	<u><u>3,282</u></u>	<u><u>8,085</u></u>	<u><u>(11,162)</u></u>	<u><u>173,751</u></u>
Segment results	<u><u>1,889</u></u>	<u><u>234</u></u>	<u><u>168</u></u>	<u><u>502</u></u>	<u><u>611</u></u>	<u><u>(306)</u></u>	3,098
Unallocated corporate income							951
Unallocated corporate expenses							(496)
Unallocated interest income							790
Unallocated interest expenses							(1,678)
Share of (losses) profits of jointlycontrolled entities	(9)	—	4	1	1	—	(3)
Share of profits (losses) of associates	—	17	7	(11)	(2)	—	11
Gain on disposal of interests in subsidiaries	518	—	—	98	—	—	<u>616</u>
Profit before taxation							3,289
Income tax expense							<u>(529)</u>
Profit for the year							<u><u>2,760</u></u>

	<b>Infrastructure construction</b> <i>RMB million</i>	<b>Survey, design and consulting services</b> <i>RMB million</i>	<b>Engineering equipment and component manufacturing</b> <i>RMB million</i>	<b>Property development</b> <i>RMB million</i>	<b>Other businesses</b> <i>RMB million</i>	<b>Elimination</b> <i>RMB million</i>	<b>Consolidated</b> <i>RMB million</i>
<b>Year ended 31 December 2006</b>							
External revenue	137,535	4,108	3,772	1,879	6,274	—	153,568
Inter-segment revenue	<u>2,864</u>	<u>16</u>	<u>323</u>	<u>—</u>	<u>4</u>	<u>(3,207)</u>	<u>—</u>
Segment revenue	<u>140,399</u>	<u>4,124</u>	<u>4,095</u>	<u>1,879</u>	<u>6,278</u>	<u>(3,207)</u>	<u>153,568</u>
Segment results	<u>2,227</u>	<u>351</u>	<u>445</u>	<u>426</u>	<u>181</u>	<u>(267)</u>	<u>3,363</u>
Unallocated corporate income							392
Unallocated corporate expenses							(114)
Unallocated interest income							548
Unallocated interest expenses							(1,113)
Share of (losses) profits of jointlycontrolled entities	(37)	—	1	(14)	—	—	(50)
Share of (losses) profits of associates	(4)	—	9	7	(14)	—	(2)
Gain on disposal of interests in subsidiaries	—	281	—	82	—	—	<u>363</u>
Profit before taxation							3,387
Income tax expense							<u>(648)</u>
Profit for the year							<u>2,739</u>

Consolidated assets and liabilities

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
<b>At 31 December 2007</b>							
<b>ASSETS</b>							
Segment assets	148,462	2,720	6,953	15,300	24,683	(51,493)	146,625
Interests in jointly controlled entities	238	—	102	94	217	—	651
Interests in associates	1,980	123	43	376	69	—	2,591
Other assets	58,885	1,222	434	1,174	1,516	—	63,231
Other unallocated corporate assets							1,925
Consolidated total assets							215,023
<b>LIABILITIES</b>							
Segment liabilities	104,079	1,574	5,146	12,924	15,128	(22,392)	116,459
Other liabilities	32,266	1,042	518	721	5,121	(166)	39,502
Other unallocated corporate liabilities							315
Consolidated total liabilities							156,276
<b>At 31 December 2006</b>							
<b>ASSETS</b>							
Segment assets	98,659	1,397	3,985	5,573	4,122	(7,821)	105,915
Interests in jointly controlled entities	253	—	3	112	146	—	514
Interests in associates	514	106	85	37	137	—	879
Other assets	31,888	665	489	57	803	—	33,902
Other unallocated corporate assets							1,883
Consolidated total assets							143,093
<b>LIABILITIES</b>							
Segment liabilities	95,701	902	2,738	4,186	2,077	(7,830)	97,774
Other liabilities	32,635	277	391	195	1,334	(213)	34,619
Other unallocated corporate liabilities							187
Consolidated total liabilities							132,580

Other information

	<b>Infrastructure construction</b> <i>RMB million</i>	<b>Survey, design and consulting services</b> <i>RMB million</i>	<b>Engineering equipment and component manufacturing</b> <i>RMB million</i>	<b>Property development</b> <i>RMB million</i>	<b>Other businesses</b> <i>RMB million</i>	<b>Consolidated</b> <i>RMB million</i>
<b>Year ended 31 December 2007</b>						
Capital expenditure:						
Property, plant and equipment	5,035	186	441	122	486	6,270
Investment properties	—	—	—	—	63	63
Intangible assets	404	93	12	—	3,112	3,621
Acquisition of subsidiaries	<u>1</u>	<u>—</u>	<u>—</u>	<u>5</u>	<u>2,343</u>	<u>2,349</u>
Total	<u><u>5,440</u></u>	<u><u>279</u></u>	<u><u>453</u></u>	<u><u>127</u></u>	<u><u>6,004</u></u>	<u><u>12,303</u></u>
Depreciation and amortisation:						
Property, plant and equipment	2,411	104	138	16	163	2,832
Investment properties	—	—	—	—	13	13
Intangible assets	15	—	—	—	19	34
Mining assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>3</u>
	<u><u>2,426</u></u>	<u><u>104</u></u>	<u><u>138</u></u>	<u><u>16</u></u>	<u><u>198</u></u>	<u><u>2,882</u></u>
Loss (profit) on disposal and write-off of property, plant and equipment	19	5	8	—	(1)	31
Impairment loss on property, plant and equipment	9	—	5	—	—	14
Allowance for foreseeable loss on construction contracts	301	—	—	—	—	301
Impairment loss on trade and other receivables	140	—	14	6	3	163
Lease prepayments released to income statement	<u>65</u>	<u>2</u>	<u>10</u>	<u>—</u>	<u>—</u>	<u>77</u>

	<b>Infrastructure construction</b> <i>RMB million</i>	<b>Survey, design and consulting services</b> <i>RMB million</i>	<b>Engineering equipment and component manufacturing</b> <i>RMB million</i>	<b>Property development</b> <i>RMB million</i>	<b>Other businesses</b> <i>RMB million</i>	<b>Consolidated</b> <i>RMB million</i>
<b>Year ended 31 December 2006</b>						
Capital expenditure:						
Property, plant and equipment	4,635	231	83	—	356	5,305
Investment properties	—	—	—	—	1	1
Intangible assets	36	—	—	—	1,400	1,436
Acquisition of subsidiaries	—	—	—	4	103	107
<b>Total</b>	<b>4,671</b>	<b>231</b>	<b>83</b>	<b>4</b>	<b>1,860</b>	<b>6,849</b>
Depreciation and amortisation:						
Property, plant and equipment	2,198	131	89	—	7	2,425
Investment properties	—	—	—	—	9	9
Intangible assets	11	—	2	—	—	13
	<b>2,209</b>	<b>131</b>	<b>91</b>	<b>—</b>	<b>16</b>	<b>2,447</b>
Loss on disposal and write- off of property, plant and equipment	14	7	3	—	—	24
Allowance for foreseeable loss on construction contracts	111	—	—	—	—	111
Impairment loss on trade and other receivables	213	2	14	—	—	229
Allowance on properties held for sale	—	—	—	2	—	2
Lease prepayments released to income statement	34	1	4	—	—	39

## 5. INCOME TAX EXPENSE

	<b>2007</b> <i>RMB million</i>	<b>2006</b> <i>RMB million</i>
<b>Current tax</b>		
— Enterprise Income Tax (“EIT”) in Mainland China	<b>670</b>	470
Land Appreciation Tax	<b>23</b>	—
Deferred tax	<b>(164)</b>	178
	<b>529</b>	<b>648</b>

Pursuant to the relevant laws and regulations in Mainland China, the statutory EIT rate of 33% is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to different preferential tax rates of 15% or 16.5% during both years.

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

Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim EIT tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the Mainland China, to the extent of the EIT expense for the current year in excess of that for the previous year. Such EIT tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

No provision for Hong Kong Profits Tax for the Company's subsidiaries incorporated in Hong Kong as these subsidiaries had no assessable profits subject to Hong Kong Profits Tax during the year.

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

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

	<b>2007</b> <i>RMB million</i>	2006 <i>RMB million</i>
Profit before taxation	<u>3,289</u>	<u>3,387</u>
Tax at domestic income tax rate of 33%	<b>1,085</b>	1,118
Tax effect of:		
Non-deductible expenses	<b>81</b>	155
Non-taxable income	<b>(356)</b>	(342)
Tax losses not recognised as deferred tax assets	<b>73</b>	28
Utilisation of tax losses not previously recognised	<b>(60)</b>	(4)
Preferential tax rates on income of group companies	<b>(233)</b>	(356)
Deferred tax changes resulting from changes in applicable tax rates	<b>81</b>	—
LAT	<b>23</b>	—
Tax effect of LAT and EIT	<b>(8)</b>	—
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment	<b>(129)</b>	
Others	<u>(28)</u>	<u>49</u>
	<u><b>529</b></u>	<u>648</u>

## 6. DIVIDEND/DISTRIBUTIONS

No dividend was paid or proposed for the year ended 31 December 2007 nor has any dividend been proposed up to the date of this report.

The amount presented as distributions for the year ended 31 December 2006 represents the aggregate carrying amounts of the operating assets and liabilities historically associated with the Core Operations of the Group that were retained by CRECG. The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of these financial statements.

## 7. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2007 is calculated by dividing the profit attributable to equity holders of the Company of RMB2,423 million (2006: RMB2,046 million) by the weighted average number of 13,406,030,000 shares (2006: 12,800,000,000 shares ) deemed in issue during the year, and determined on the assumption that the 12,800,000,000 ordinary shares issued upon the incorporation of the Company in connection with the Reorganisation had been in issue since 1 January 2006.

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

## 8. TRADE AND OTHER RECEIVABLES

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

	<b>2007</b> <i>RMB million</i>	2006 <i>RMB million</i>
Trade and bills receivables	<b>41,388</b>	32,061
Less: impairment	<u>(939)</u>	<u>(785)</u>
	<b>40,449</b>	31,276
Other receivables (net of impairment)	<b>12,408</b>	11,400
Advance to suppliers	<u><b>10,540</b></u>	<u>9,557</u>
	<b>63,397</b>	52,233
Less: Amount due after one year included in non-current assets	<u>(79)</u>	<u>—</u>
Amount due within one year included in current assets	<u><b>63,318</b></u>	<u>52,233</u>

Included in trade and bills receivables are retention receivable of RMB10,395 million (2006: RMB 6,970 million). Retention receivables are interest-free and recoverable at end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

	<b>2007</b>	2006
	<i>RMB million</i>	<i>RMB million</i>
Less than six months	<b>17,814</b>	17,488
Six months to one year	<b>15,585</b>	9,112
One year to two years	<b>5,296</b>	3,012
Two years to three years	<b>1,157</b>	1,098
More than three years	<b>597</b>	566
	<u><b>40,449</b></u>	<u>31,276</u>

The Group's major customers are PRC Government agencies and other state-owned enterprises.

## 9. TRADE AND OTHER PAYABLES

	<b>2007</b>	2006
	<i>RMB million</i>	<i>RMB million</i>
Trade and bills payables	<b>54,120</b>	44,150
Advance from customers	<b>22,145</b>	16,158
Accrued payroll and welfare	<b>1,982</b>	1,800
Other taxes	<b>3,030</b>	2,390
Other payables	<b>14,794</b>	14,186
	<u><b>96,071</b></u>	<u>78,684</u>

Analysed for reporting purposes as:

Non-current	<b>233</b>	207
Current	<b>95,838</b>	78,477
	<u><b>96,071</b></u>	<u>78,684</u>

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payable of RMB3,117 million (2006: RMB2,088 million). Retention payables are interest-free and payable at the end of the retention period of individual construction contract, the Group's normal operating cycle, which is usually more than one year.

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

	<b>2007</b>	2006
	<i>RMB million</i>	<i>RMB million</i>
Less than one year	<b>47,821</b>	40,898
One year to two years	<b>4,730</b>	2,230
Two years to three years	<b>964</b>	625
More than three years	<b>605</b>	397
	<u><b>54,120</b></u>	<u>44,150</u>

## **8. AUDIT COMMITTEE**

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2007.

## **9. SPECIAL DISTRIBUTION**

Pursuant to the Provisional Regulations Relating to Corporate Reorganization of Enterprise and Related Management of State-owned Capital and Financial Treatment issued by the Ministry of Finance of the PRC, the board of directors declared a special distribution on 24 April 2008 to our sole promoter, CRECG, in an aggregate amount of RMB2,404,896,000, which is equal to the profits generated during the period from 1 January 2007 to 12 September 2007 as determined in accordance with CASs.

## **10. DIVIDENDS**

For the purpose of realizing the continuing growth of the Company, the Company does not recommend a distribution of the profits generated during the period from 13 September 2007 to 31 December 2007. The retained profits will be used for additional working capital and reinvestments in projects.

## **11. REPURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company or any of its subsidiaries did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the year.

## **12. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

For the period commencing on the date of listing of the Company's H Shares, being 7 December 2007, to the end of 2007, the Company complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 13. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.crec.cn](http://www.crec.cn)). The 2007 Annual Report prepared in accordance with the IFRSs will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.crec.cn](http://www.crec.cn)). The 2007 Annual Report and its abstract prepared in accordance with CASs will be released on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Company ([www.crec.cn](http://www.crec.cn)).

By Order of the Board  
**China Railway Group Limited**  
**Yu Tengqun      Tam Chun Chung**  
*Joint Company Secretaries*

24 April 2008

*As at the date of this announcement, the executive Directors of the Company are SHI Dahua (Chairman), LI Changjin and BAI Zhongren; the non-executive Director is WANG Qiuming; and the independent non-executive Directors are HE Gong, ZHANG Qinglin, WANG Taiwen, GONG Huazhang and SUN Patrick.*