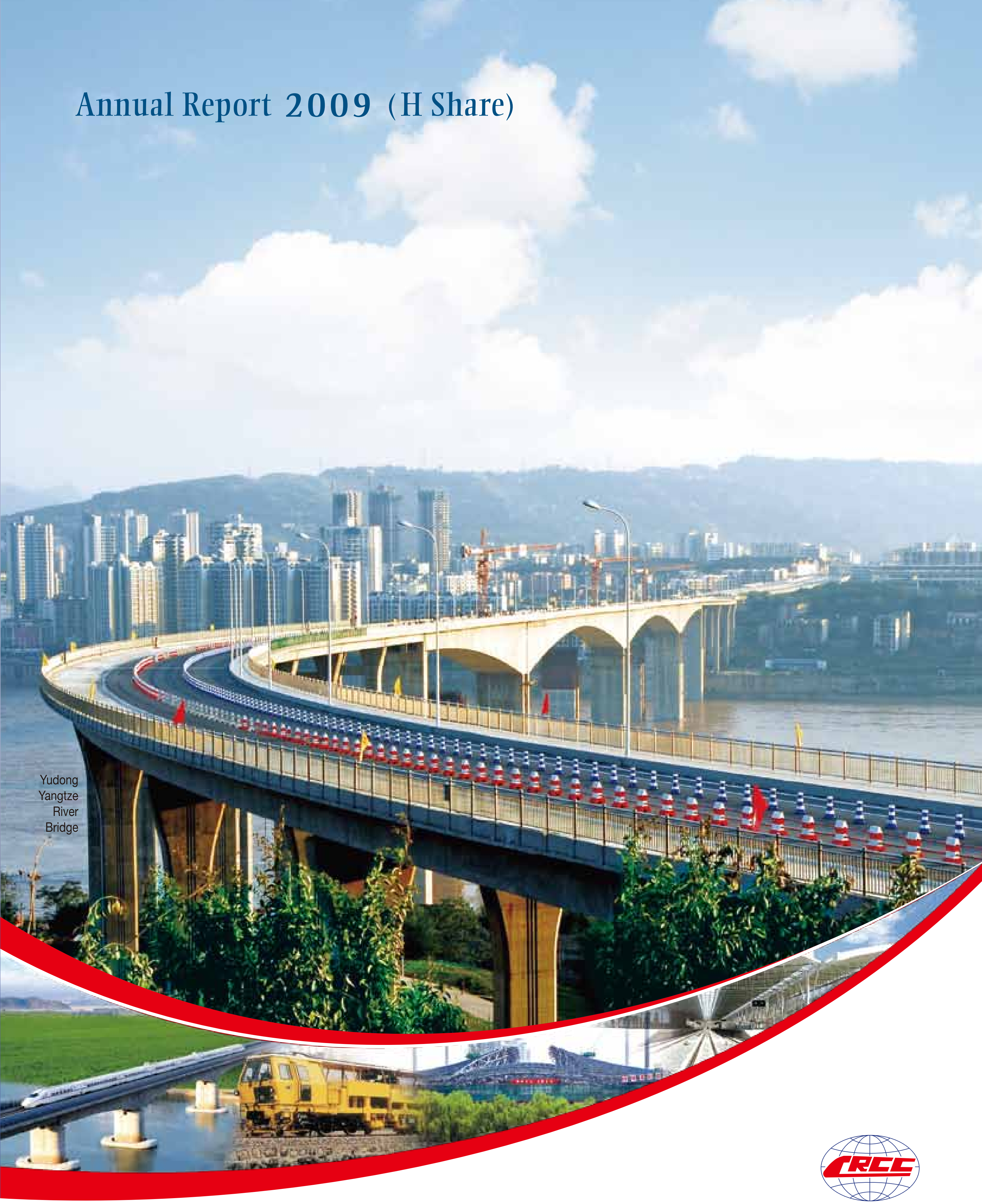
Annual Report 2009 (H Share)



Yudong Yangtze River Bridge

中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

Stock Code: 1186

中国铁建

中 國 鐵 建 股 份 有 限 公 司
China Railway Construction Corporation Limited

Contents

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

Corporate Information

Chinese name	中國鐵建股份有限公司
English name	CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED
Date of registration of the Company	5 November 2007
Registered office and head office	East, No. 40 Fuxing Road, Haidian District, Beijing, China
Principal place of business in Hong Kong	23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Legal representative of the Company	Li Guorui
Joint company secretaries	Li Tingzhu Law Chun Biu
Information and enquiry department	Secretariat of the Board of Directors
Telephone	8610 5268 8600
Fax	8610 5268 8302
Website address	www.crcc.cn
Email address	ir@crcc.cn
Share registrar	Computershare Hong Kong Investor Services Rooms 1712–1716, 17th Floor, 183 Queen's Road East, Wanchai, Hong Kong

Corporate Information (continued)

Place of listing of shares	Shanghai Stock Exchange The Stock Exchange of Hong Kong Limited
Stock name	China Rail Cons
Stock code	601186 (Shanghai) 1186 (Hong Kong)
Principal bankers	Industrial and Commercial Bank of China Limited China Construction Bank Corporation Bank of China Limited Bank of Communications Co., Ltd.
Independent auditors	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Legal advisers	As to Hong Kong law: Baker & McKenzie 23/F, One Pacific Place, 88 Queensway, Hong Kong As to Mainland China law: Beijing Deheng Law Office 12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing China

Corporate Profile

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

The Company, together with its subsidiaries (the "Group"), is one of the ultra-large integrated construction enterprises in China and in the world. It was listed among the Fortune Global 500 companies consecutively, ranking No.252 in 2009. The Company was included among the Top 225 Global Contractors consecutively, ranking No.4 in 2009. It was listed among the Top 500 Chinese Enterprises in succession, ranking No.14 in 2009. It was ranked as the Enterprise of Best Integrity for the Year by China Enterprise Confederation and China Entrepreneurs Association for four consecutive years. The Company applied for the accession to the United Nations Global Compact on 15 November 2009, which was officially approved by the United Nations on 11 March 2010.

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

The Group's business covers 31 provinces, autonomous regions, municipalities in China (excluding Taiwan), the Hong Kong and Macau Special Administrative Regions as well as over 60 foreign countries and regions in the world.

The Company currently has 31 wholly-owned subsidiaries (including indirect shareholding) including:

(1) China Civil Engineering Construction Corporation;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) China Railway Construction Group Ltd.;

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

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

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

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

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

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

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

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

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

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

(28) China Railway Construction (Beijing) Business Management Co., Ltd.;

(29) China Railway Construction (Caribbean) Co., Ltd. (中國鐵道建設(加勒比)有限公司);

(30) China Railway Construction (HK) Limited;

(31) Chenghe Insurance Brokers (Beijing) Co., Ltd.

Financial Highlights

(I) SUMMARY

The Group's financial position as at 31 December 2009 and its business results for the 12 months ended 31 December 2009 ("reporting period", "this year" or "the year") are as follows:

- Total revenue from operations totalled RMB344,976.2 million, representing an increase of 57.2% from RMB219,410.2 million in the corresponding period of last year.

- Net profits for the year amounted to RMB6,731.7 million, representing an increase of 81.6% from RMB3,706.3 million in the corresponding period of last year.

- Net profits attributable to owners of the Company amounted to RMB6,599.1 million, representing an increase of 81.1% from RMB3,643.8 million in the corresponding period of last year.

- Basic earnings per share amounted to RMB0.5349, representing an increase of 65.0% from RMB0.3242 in the corresponding period of last year.

- Total assets as at 31 December 2009 amounted to RMB282,990.3 million, representing an increase of 28.6% from RMB220,101.5 million in the corresponding period of last year.

- Total equity amounted to RMB54,079.2 million, representing an increase of 12.0% from RMB48,301.3 million in the corresponding period of last year.

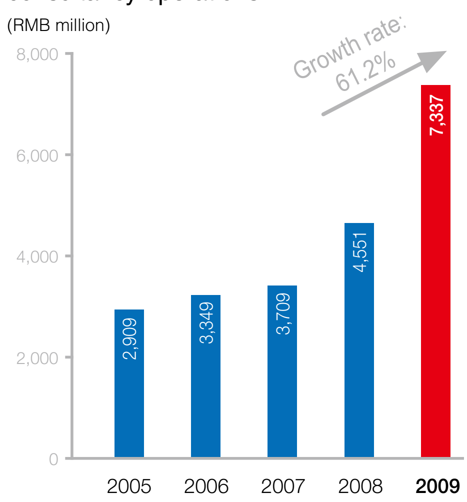
- New contract value amounted to RMB601,327.1 million, representing a year-on-year increase of 42.1%, among which overseas new contract value amounted to RMB59,715.5 million.

Financial Highlights (continued)

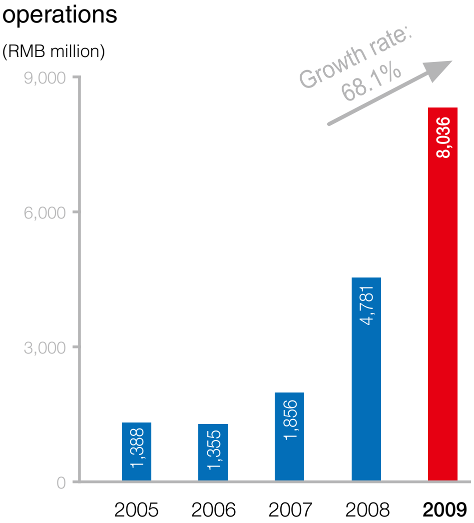
(II) REVENUE FROM MAJOR BUSINESS SEGMENTS

Construction operations
(RMB million)

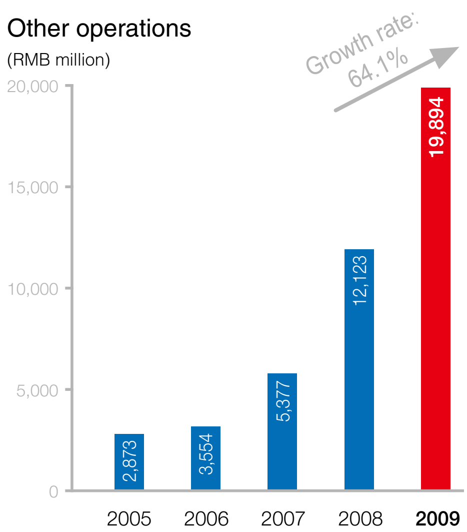
Survey, design and consultancy operations
(RMB million)



Manufacturing operations
(RMB million)



Other operations
(RMB million)



Financial Highlights (continued)

DURING THE REPORTING PERIOD, THE GROUP RECORDED:

- ***Construction operations***

  In 2009, revenue amounted to RMB314,937.2 million, representing an increase of 56.7% from RMB200,973.3 million in 2008.

- ***Survey, design and consultancy operations***

  In 2009, revenue amounted to RMB7,337.1 million, representing an increase of 61.2% from RMB4,550.9 million in 2008.

- ***Manufacturing operations***

  In 2009, revenue amounted to RMB8,036.2 million, representing an increase of 68.1% from RMB4,780.9 million in 2008.

- ***Other operations***

  In 2009, revenue amounted to RMB19,894.0 million, representing an increase of 64.1% from RMB12,123.3 million in 2008.

(III) SUMMARY OF FINANCIAL STATEMENTS

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

Consolidated Income Statement	2009 *RMB'000*	2008 *RMB'000*
Revenue	344,976,225	219,410,188
Cost of sales	(322,427,811)	(203,607,081)
Other income and gains, net	1,114,168	413,110
Selling and distribution costs	(1,016,376)	(848,886)
Administrative expenses	(13,896,993)	(9,384,169)
Other expenses	(118,358)	(1,459,610)
Profit from operations	8,630,855	4,523,552
Finance revenue	895,460	1,324,847
Finance costs	(1,219,712)	(1,269,715)
Share of profits and losses of:		
Jointly-controlled entities	(1,234)	15,656
Associates	2,030	(25,495)
Profit before tax	8,307,399	4,568,845
Income tax	(1,575,694)	(862,554)
Net profit for the year	6,731,705	3,706,291
Attributable to:		
Owners of the Company	6,599,072	3,643,843
Minority interests	132,633	62,448
	6,731,705	3,706,291
Distribution		
Earnings per share attributable to owners of the Company		
Basic	53.49 cents	32.42 cents
Diluted	N/A	N/A

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

	As at 31 December 2009 *RMB'000*	As at 31 December 2008 *RMB'000*
Total assets	282,990,267	220,101,535
Total liabilities	228,911,034	171,800,272
Net assets	54,079,233	48,301,263

Chairman's Statement

Dear Shareholders,

I would like to extend my heartfelt gratitude to all Shareholders and people from all walks of life for the cares and supports to CRCC. I am pleased to present to the Shareholders the annual report for 2009 in my capacity as the chairman of the board of directors of the Company ("Board").

2009 was the most challenging year for the economic development of China since the new century, which also was the year in which CRCC bucked the downward trend and achieved sound and rapid development. Under the impact of the global financial crisis and amid the severe and complicated economic environment, the Group seized opportunities from the crisis, adjusted its structure in the course of rapid growth, modulated its business strategy and target in a timely manner, and promoted lean management for quality and efficiency, thus enabling the Group's production and operation to maintain healthy and sustainable development. In face of the emergency period posed by the century financial crisis, the Group achieved outstanding results, with new contract values, revenue from operations and net profit hitting historical high. During the year, new contract values amounted to RMB601,327.1 million, representing an increase of 42.1% over the same period last year; revenue from operations amounted to RMB344,976.2 million, representing an increase of 57.2% over the same period last year; net profit for the year amounted to RMB6,731.7 million, representing an increase of 81.6% over the same period last year.

In active response to the adjustment of the Government's policies, the Group seized opportunities from the government's expansion of infrastructure construction and stepped up new project development. The Group successfully won the bids for a number of large projects including Shanghai-Hangzhou passenger railway line (滬杭客專), Hangzhou-Ningbo passenger railway line (杭甬客專), Nanjing to Hangzhou passenger railway line (寧杭客專), Nanjing-Anqing inter-city railway (寧安城際), Chengdu-Mianyang-Leshan passenger railway line (成綿樂客專), LanXin Railway 2nd double line (蘭新鐵路第二雙線), Nanning-Guangzhou railway (南廣鐵路) and Lanzhou-Chongqing railway (蘭渝鐵路). Meanwhile, upgrading and adjustment of the industrial structure were accelerated during the expansion of the Group's overall business. As a result, the Group's business segments including survey, design and consultancy, logistics, manufacturing and real estate operations, achieved synergic growth and development.

Leveraging on its experience in overseas construction operations and brand name effect and the "Go Overseas" policy of the PRC government for large scale construction enterprises, the Group expanded rapidly in the overseas market. Against the backdrop of unfolding financial crisis and global recession, the Company intensified the exploration of overseas market, and built up a "great overseas" operating environment. The Group's new overseas contract value for 2009 amounted to RMB59,715.5 million, representing a year-on-year increase of 41.6%. Revenue from overseas operation amounted to RMB22,303.5 million, representing a year-on-year increase of 29.7%.

The Group's strong capability for independent innovation, leading core technology and advanced equipment provide solid support for securing and implementing large-scale, complex and sophisticated projects for the Group. Led by its outstanding technology innovation in design and construction of plateau railway, high-speed railway, metropolitan railway transportation, long tunnels and high bridges, the Group has made phenomenal progress in technical innovation capacity and technological levels, achieving domestic leading positions in a number of technical areas with certain cutting edge

technologies having achieved globally advanced levels. In 2009, the Group won 59 provincial/ministerial level science and technology progress awards(省部級科技進步獎), five national level awards for survey and supervision(國家級勘察設計「四優」獎), 20 provincial/ministerial level "Four Excellence" awards for survey and design(省部級勘察設計「四優」獎), and five China Civil Engineering Zhan Tianyou Awards (詹天佑土木工程大獎). With 176 patents newly applied and 141 patents having been granted, the Group owns accumulatively 427 patents. 28 engineering methods of the Group were accredited as national grade, and 172 engineering methods were accredited as provincial grade. 12 projects of the Company were ranked among the Top 100 Classic and Boutique Constructions in the 60th Anniversary Celebration for the Establishment of the People's Republic of China(新中國成立60周年全國百項經典暨精品工程). The honours were shared by 18 entities of the Company.

Based on the principle of "professionalism, standardization and transparency", the Group is committed to improving corporate governance, perfecting legal person governance structure as well as establishing and improving modern corporate system since its listing. In the assessment and appraisal by SASAC on the board of directors of central state-owned enterprises in 2009, the board of directors of CRCC was ranked among one of the top 7 boards of directors for its sound operation. Meanwhile, the Company was granted various awards including 2009 Best Board for Market Capitalization Management of China's Listed Companies (2009中國上市公司最佳市值管理董事會), Top 10 Most Competitive Companies Listed in Hong Kong Award (最具競爭力港股上市公司(10強)), Top 100 Listed Companies Award for 2009 (上市公司百強企業(2009年度)), Top 100 Corporate Leader Award (百強企業領袖獎), Top 100 Corporate Star Award (百強企業明星獎) and the 9th "Valuable Management Model" (雙十具價值管理榜樣). Sound corporate governance facilitated the continuous expansion of business scale and enhancement of profitability, thus attaching more value to the shareholders of the Company. As at 31 December 2009, the Group's total assets amounted to RMB282,990.3 million, representing a year-on-year increase of 28.6%. Total equity amounted to RMB54,079.2 million, representing a year-on-year increase of 12.0%. Basic earnings per share was RMB0.5349, representing an increase of 65.0% as compared to last year.

On 25 July 2009, Mr. Hu Jintao, General Secretary of the Chinese Communist Party, visited CRCC's BT project of the Kunming Second-Ring Highway(中國鐵建昆明二環BT項目), during which he encouraged CRCC to "build up corporate image by constructing quality projects", expressing his sincere expectation for the Group's future development. Looking forward, both opportunities and challenges await ahead while responsibilities and pressures co-exist. In the new year, the Group will be presented golden opportunities arising from China's railway construction and infrastructure construction, and undertake the arduous missions for production and operation, transformation, restructuring, enhancement of efficiency and upgrading. In view of the above, the Group is positioned to seize the opportunities, rise up to the challenge, enhance development ideology, refresh development concept, transform development mode, improve development quality, and lay down footstone for future development, thus promoting the Group's sustainable and steady development and creating new value for its shareholders in a continuous manner.

LI Guorui
Chairman

Beijing, PRC
26 April 2010

Business Review

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

In 2009, the Group's new contract value and revenue from operations exceeded the annual planned targets with satisfactory operational results as a whole.

BUSINESS REVIEW OF THE COMPANY

As one of the ultra-large integrated construction enterprises in China and based on the principle "seizing opportunities to maintain growth, adjusting structure to enhance standards, strengthening control to increase effectiveness, deepening transformation mechanisms", and centered around three markets, namely, "railway, off-road and overseas" markets, the Group stepped up development and coordination efforts, made opportune adjustment to its business concepts and targets whilst promoting lean management, quality and efficiencies with a view to improving project structure, enhancing operational quality and quantity in order to sustain a healthy and continuous development.

Record high new contract value added enormous business growth

New contracts entered into by the Group in 2009 amounted to RMB601,327.1 million, representing a growth of 42.1% over 2008, of which newly signed overseas contracts amounted to RMB59,715.5 million, accounting for 9.9% of the total amount of newly signed contracts. As at the end of 2009, outstanding contracts of the Group totaled RMB705,744.3 million, representing an increase of 49.8% over 2008.

As the core business and advantaged segment of the Group, construction operations were reinforced and strengthened in 2009, with new contract value of construction operations amounted to RMB555,314.4 million over the year, accounting for 92.3% of the total new contract value, representing an increase of 39.2% over 2008. Due to our strengthened competitive edges in the railway market, new contract value for railway projects increased to RMB305,061.6 million (of which the contract value of domestic railway construction projects amounted to RMB277,598.4 million), representing 50.7% of the total new contract value, up 20.1% over the corresponding period of last year; new contract value of the highway market amounted to RMB127,954.7 million, up 107.6% over last year, and accounting for 21.3% of the total new contract value; the metropolitan railway transportations market fared and recorded new contract value of RMB52,216.2 million, representing an increase of 347.9% over last year and accounting for 9.4% of the segment of construction operations, representing an increase from 3.8% of last year. The Group also achieved outstanding results in other infrastructure market competition with new contract values:

RMB28,712.1 million for municipal constructions, RMB27,710.6 million for real estate constructions, RMB5,654.8 million for water and power generation engineering and RMB802.5 million for airport and dock construction contracts.

Based on the strategy of expediting structural adjustment and promoting industry transformation, the Group put great efforts in promoting its non-construction operations during the reporting period, and managed to achieve new contract value aggregating RMB46,012.7 million, representing an increase of 91.1% over the previous year, which outpaced the growth of the construction operations segment. Besides, The Group achieved sustained growth in its survey, design and consultancy services segment. New contracts entered into by the Group in respect of the provision of the survey, design and consultancy services amounted to RMB6,225.1 million for the year, up 35.1% over the previous year. The manufacturing operations segment witnessed rapid growth over the year. Whilst stepping up investment and expanding its production capacity, the Group's sales and marketing functions also caught up quickly, with new contracts from manufacturing operations amounting to RMB5,680.5 million over the year, representing a 60.7% increase over last year. The logistics and materials trading segment made great strides in the year, with new contracts from the segment amounted to RMB27,946.4 million.

Drastic surge in operating results continues to consolidate the Group's industry position

In 2009, against the backdrop of accelerated construction of large-scale infrastructures by the State and expansion of domestic consumption in China, the Group's revenue from operations hit a new high to RMB344,976.2 for the year, representing a growth of 57.2% over the last year. Net profit amounted to RMB6,731.7 million, representing a year-on-year growth of 81.6%.

As the core and traditional business segment, construction operations of the Group covered various fields, such as railways, highways, buildings, urban utilities, metropolitan railway, irrigation works and water and power qeneration works, bridges, tunnels and airports. Revenue from the construction operations segment of the Group amounted to RMB314,937.2 million in 2009, representing an increase of 56.7% from RMB200,973.3 million in 2008. Profits from operations amounted to RMB5,670.5 million in 2009, up 47.7% as compared with RMB3,840,4 million in 2008.

Driven by its construction operations, the Group expedited the adjustments to its industry structure and stepped up its investments in segments other than the construction operations segment, and was able to maintain a sustained and steady growth in its survey, design and consultancy operations, the manufacturing operations and the logistics and materials trading operations with operating revenue of each of these segments recorded significant growth as compared with the corresponding period of last year.

Survey, design and consultancy operations are another major contributor to the revenue of the Group, the scope of which covers the provision of survey, design and consultancy services relating to civil engineering and transportation infrastructure for railways, highways, metropolitan railway, water works and power generation facilities, airports, docks, industrial and civil buildings and municipal construction. The revenue from the survey, design and consultancy segment of the Group amounted to RMB7,337.1 million in 2009, representing an increase of 61.2% from RMB4,550.9 million in 2008; the operating profits amounted to RMB614.7 million in 2009, representing an increase of 73.4% from RMB354.6 million in 2008.

The manufacturing operation segment of the Group mainly covers design, research and development, manufacturing and maintenance of large-size road maintenance machinery and parts and components for railways, bridges, track crosstie and track system. Revenue from the manufacturing operation segment of the Group amounted to RMB8,036.2 million in 2009, representing an increase of 68.1% from RMB4,780.9 million in 2008; the operating profits amounted to RMB533.7million in 2009, representing an increase of 101.2% from RMB265.2 million in 2008.

The other segment of the Group mainly comprises of real estate development, logistics and materials trading. The revenue from this segment of the Group amounted to RMB19,894.0 million in 2009, representing an increase of 64.1% from RMB12,123.3 million in 2008; the operating profits amounted to RMB1,812.0 million in 2009, representing an increase of 2,758.0% from RMB63.4 million in 2008.

Fully implement its lean-oriented management to continuously bolster the quality of economic operations

To address the apparent problem of “high production yet low profit” and achieve synchronized growth in effectiveness and scale, the Company, while seizing opportunities to expand its scale, also fully implemented lean-oriented management, adopted a scientific organizational structure and strived to optimize its construction plans and resources allocation. It also made great efforts in enhancing the centralized bidding and acquisition of equipment and materials, centralized its capital management, and fully implemented comprehensive budget control and responsibility cost management. It also strengthened its construction team as well as project standardization, accelerated the establishment of the Group’s information technology network, and continuously promoted the management standards of the Group. With the commencement of a series of initiatives aiming to boost the results of operations, the Group managed to enhance both the economic benefits and quality of its economic operations. As at the end of 2009, total assets of the Group amounted to RMB282,990.3 million, from RMB220,101.5 million as at the end of 2008, while net assets increased from RMB48,301.3 million to RMB54,079.2 million.

Speeding up adjustment and upgrading to continuously optimize its industry structure

The Company successfully listed its shares on the domestic and overseas markets in 2008, which provided the Group with an adequate access to capital and financing platform for the Group’s adjustment and upgrading of its industry structure. After a few years’ practice, the Group steadily switched from undertaking a single operation driven by the construction operations to diversified business segments, and turned itself from a labour-intensive enterprise to a capital-intensive, technology-intensive and management-intensive enterprise.

Leveraging on the rapid development of railways in 2009, the Group fully optimized its qualifications and advantages offered by its logistics trading platform and significantly promoted the development of its logistics and materials trading operations.

Driven by the increased investment in railway construction, the manufacturing operations continued to maintain rapid growth. The Group continued to maintain a leading position in the PRC in areas such as the design, research and development, production and maintenance of large track maintenance machinery and equipment, and products related to high-speed railway transit systems such as track switches.

Leveraging on its design and construction edges and the advantages offered by BT/BOT and metropolitan railway projects, the Group's real estate business also achieved relatively quicker growth in 2009. Saleable areas sold during the year amounted to 760,000 square meters, contributing RMB931.7 million to the operating profits, which provided the Group with another new profit growing point.

The Company, through both production operations and capital operations, steadily maintained its project operations and business and made a step forward in the field of mineral resources exploitation.

Remarkable achievements in technological innovation further prop up core competitiveness

In 2009, the investment made by the Group in research and development amounted to RMB5,162.3 million and made new breakthroughs in technological innovations.

Firstly, the Group mastered whole technologies for high-speed railways, from survey, design, construction, manufacturing to installation, some of which reached world advanced technology standard.

Secondly, the Group maintains an industry-leading position in technical knowhow, from design to underground construction. The undersea tunnel across the Qiantangjiang designed by China Railway Fourth Survey and Design Institute Group Co., Ltd., a wholly-owned subsidiary of the Company, is an undersea tunnel in a tidal area, which is exclusive and unique around the world. The Yichang-Wanzhou high-risk tunnel, Guanjiao tunnel, Xiamen Undersea Tunnel and Nanjing Changjiang Tunnel marked our leading position in underground construction technology.

Thirdly, we attained remarkable achievements in technical innovation for equipment manufacturing. The Group has been able to independently produce 900-tonne girder lifting crane, carriers and bridge erecting machines, 250km/h high-speed track switches and high-speed spring bar fasteners (高速彈條扣件). Apart from that, the Group has completed the trial production of 350km/h high-speed track switches, completed production of world leading soldering machines for high-speed railways with proprietary intellectual property rights on contact wiring (接觸網導線), thereby bringing an end to the monopoly by one foreign company in the domestic supply in the past.

In 2009, the Group achieved outstanding results in technical innovations, in particular, with solid breakthroughs in the design and construction technology of railways, bridges and tunnels. During the year, the Group won 59 provincial/ministerial level science and technology progress awards, 5 national level "Four Excellence" awards for survey and design, 20 provincial/ministerial level "Four Excellence" awards for survey and design and 5 China Civil Engineering Zhan Tianyou Awards. With 176 patents newly applied and 141 patents having been granted, the Group owns accumulatively 427 patents. We have 28 national grade engineering methods and 172 provincial/ministerial level engineering methods. 12 projects of the Company were accredited among the Top 100 Classic and Boutique Constructions in the 60th Anniversary Celebration for the Establishment of People's Republic of China. The honours were shared by 18 entities of the Company. Significant improvement in self-innovation and technical advancement boosted the Group's competitiveness and market influence.

Address the adverse impacts of the global financial crisis to sustain the relatively rapid growth in overseas operations

The overseas operation of the Group principally focused on countries and regions in the Middle East, Africa and Asia, such as Saudi Arabia, Nigeria, Algeria, Libya, Angola. The global construction market witnessed contraction since the eruption of the global financial crisis in 2008. As such, negotiations of contracts became much more difficult and more projects were put on hold or delayed. In 2009, the Group continued to adhere to the strategy of "Go Overseas" by placing great efforts in developing its operating capabilities in overseas countries and catching up with the global development of PRC railway construction. The Group also actively explored the overseas market and boosted the export of labour force, equipment and skills to continuously increase its market share in overseas countries.

In 2009, the Group recorded revenue from overseas operations of RMB22,303.5 million, representing a year-on-year increase of 29.7%. Revenue from overseas operations accounted for 6.5% of the total operating revenue of the Group.

In 2009, the Group altogether undertook 72 construction projects in overseas countries. New contract value of these overseas undertakings amounted to RMB59,715.5 million. Projects undertaken by the Group included the light-rail project in Mecca, Saudi Arabia, the 55-km railway line project in Algeria, the 175-km electrified railway in Algeria, the railway project in Abuja of Nigeria, the west railway line specialized project in Libya, the specialized project concerning the construction of 200 schools in Saudi Arabia and other significant overseas projects.

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

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

Name	Age	Position
Mr. Li Guorui	60	Chairman and non-executive Director
Mr. Ding Yuanchen	60	Vice chairman and executive Director
Mr. Zhao Guangfa	57	Executive Director and president
Mr. Huo Jingui	59	Non-executive Director
Mr. Zhu Mingxian	66	Non-executive Director
Mr. Li Kecheng	66	Independent non-executive Director
Mr. Zhao Guangjie	64	Independent non-executive Director
Mr. Wu Taishi	62	Independent non-executive Director
Mr. Ngai Wai Fung	48	Independent non-executive Director

Mr. Li Guorui, 60, a Chinese with no right of abode overseas, the chairman and the secretary to the communist party committee of the Company. Mr. Li is also the chairman, the general manager and deputy secretary to the communist party committee of CRCCG. Mr. Li Guorui is a delegate of the 17th National Congress of the Communist Party of China and a member of the 11th National Committee of the Chinese People’s Political Consultative Conference. He has substantial senior management experience in largescale State-owned construction enterprises in the PRC and in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Li was the secretary to the communist party committee of China Railway Engineering Corporation from April 1996 to December 1997, and joined CRCCG Group as the secretary to the communist party committee in December 1997. During the period from July 2002 to August 2005, he was also the deputy general manager of CRCCG. Mr. Li was the chairman and the secretary to the communist party committee of CRCCG from August 2005 to November 2007. Mr. Li has served as the chairman and secretary to the communist party committee of the Company since November 2007. Mr. Li completed specialized course in railway engineering from Southwest Jiaotong University, PRC. Mr. Li is a senior engineer. From 12 December 2009, Mr. Li Guorui ceased to be the chairman of Nanjing Changjiang Tunnel Company Limited.

Mr. Ding Yuanchen, 60, a Chinese with no right of abode overseas, the vice chairman and an executive Director of the Company. Mr. Ding is also a vice chairman of CRCCG. He has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Ding joined CRCCG Group in 1969 and was previously a deputy head and then the head, deputy secretary to the communist party committee and then the secretary to the communist party committee of the 17th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 17th Bureau Group Co., Ltd.) from January 1992 to December 1999. Mr. Ding was the head and deputy secretary to the communist party committee of the 17th Engineering Bureau of the China Railway from December 1999 to March 2001. Mr. Ding served as the deputy general manager of CRCCG from April 2001 and the general manager and secretary to the communist party committee of China Civil Engineering Construction Corporation (“CCECC”) from August 2001. Mr. Ding served as the deputy general manager of CRCCG as well as the general manager and secretary to the communist party committee of CCECC from August 2004. Mr. Ding has served as the vice chairman of CRCCG since August 2005. Mr. Ding has been appointed as the vice chairman of the Company since November 2007. Mr. Ding graduated from the Central Communist Party School, PRC majoring in economics and management and is a senior engineer, a state-recognized first grade construction engineer and a senior professional manager.

DIRECTORS (continued)

Mr. Zhao Guangfa, 57, a Chinese with no right of abode overseas, is currently an executive Director, the president and a deputy secretary to the communist party committee of the Company. Mr. Zhao is also a director and the secretary to the communist party committee of CRCCG. Mr. Zhao Guangfa has in-depth knowledge and understanding in the PRC construction industry and has rich operation and management experience in large-scale construction conglomerates. Mr. Zhao Guangfa joined CRCCG Group in 1970. He served as the deputy head, head and deputy secretary to the communist party committee of the 18th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 18th Bureau Group Co., Ltd.) from May 1994 to December 1999, a head and deputy secretary to the communist party committee of China Railway 18th Engineering Bureau from December 1999 to August 2001, the chairman and deputy secretary to the communist party committee of China Railway CRCCG 18th Bureau Group Co., Ltd. from August 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He served as the vice president of the Company from November 2007 to April 2009 and has served as the president and deputy secretary to the communist party committee of the Company since April 2009. He serves as the executive Director of the Company since June 2009. Mr. Zhao Guangfa graduated from Asia International Open University (Macau) and obtained his master's degree in business administration and is a senior engineer.

Mr. Huo Jingui, 59, a Chinese with no right of abode overseas, a non-executive Director and the deputy secretary to the communist party committee of the Company. He has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Huo joined CRCCG Group in 1968, and he was previously a deputy head and then the head, deputy secretary to the communist party committee of 15th Engineering Bureau of Ministry of Railways (the predecessor of China Railway 15th Bureau Group Co., Ltd.) from May 1993 to December 1999. Mr. Huo served as the head and deputy secretary to the communist party committee of China Railway 15th Bureau Group Co., Ltd. from December 1999 to March 2001. Mr. Huo has served as the deputy secretary to the communist party committee of CRCCG since March 2001, the deputy secretary to the communist party committee and the chairman of the labour union of CRCCG from February 2005 and a director, the deputy secretary to the communist party committee and the chairman of the labour union of CRCCG from August 2005. Mr. Huo was a director and the deputy secretary to the communist party committee of CRCCG from February 2006 to November 2007. Mr. Huo has been a non-executive director and the deputy secretary to the communist party committee of the Company since November 2007. Mr. Huo graduated from the Jinzhou Communist Party School of the Ministry of Railways, PRC majoring in party and politics management. He is a senior engineer.

Mr. Zhu Mingxian, 66, a Chinese with no right of abode overseas, is currently a non-executive Director of the Company. Mr. Zhu successively held the posts of technician, workshop deputy director, chief engineer, deputy secretary and secretary to the communist party committee of Guanghua Cement Plant of the Hubei Provincial Building Materials Bureau; deputy chief and acting chief of the Human Resources department, chief of the production management department, member of the department party committee, executive deputy secretary, member of the standing committee as well as the secretary of the department party committee of the National Building Materials Bureau; and deputy head and member of the standing committee of the National Technology Supervision Bureau, member of the standing committee of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. From May 2001 to September 2006, he served as the chairman of the supervisory committee of large key state-owned enterprises. From September 2006 to March 2007, he served as a cadre at the deputy ministerial level of the supervisory committee of state-owned enterprises. Mr. Zhu has served as a non-executive Director of the Company since June 2009. Mr. Zhu graduated from Nanjing University of Chemical Technology, majoring in silicate and is a senior engineer.

DIRECTORS (continued)

Mr. Li Kecheng, 66, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Li had been the party secretary of the Machinery Factory of Pipeline Bureau of the Ministry of Petroleum and a member of the standing committee of the party committee and the secretary of the disciplinary committee of Pipeline Bureau of Ministry of Petroleum. Mr. Li was the secretary to the communist party committee of the Northeast Petroleum Administration Bureau, a director of general office, a director of policy research department, the confidential secretary of the standing committee, and the director of the political and ideological department and the executive deputy secretary to the party committee for institutions directly under of China National Petroleum Holding Corporation. Mr. Li was also a member of the standing committee of the party committee and the head of the discipline inspection group of China National Petroleum Corporation. Mr. Li was the chairman of the supervisory committee of PetroChina Company Limited from January 1999 to November 2005, an external director of China Electronics Corporation Limited from May 2006 and an external director of CRCCG from November 2006 to November 2007. He has served as an independent non-executive director of Erzhong Group (Deyang) Heavy Equipment Corporation Limited since December 2007. Mr. Li has been an independent non-executive Director of the Company since November 2007. Mr. Li graduated from Beijing Institute of Iron & Steel Technology majoring in metallography material. He is a senior engineer.

Mr. Zhao Guangjie, 64, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Zhao had been a researcher of the manager office, the deputy head of the research team and the deputy chief of the manager office in Anshan Iron and Steel Group Corporation. Mr. Zhao also previously served as the secretary to the general office of Liaoning Province, the general manager and the party secretary of Anshan Iron and Steel Group Corporation Construction Company, the secretary general, deputy general manager, deputy party secretary of Anshan Iron and Steel Group Corporation, and the deputy general manager and a member of the standing committee to the party committee of Anshan Iron and Steel Group Corporation. From May 2005 to January 2006, he served as the deputy general manager of Anshan Iron and Steel Group Corporation. Mr. Zhao has also served as an external director of Xinxing Pipes Group Company Limited since November 2006. From November 2006 to November 2007, Mr. Zhao was an external director of CRCCG. Mr. Zhao has been an independent non-executive Director of the Company since November 2007. Mr. Zhao graduated from Northwest Industrial University, PRC majoring in aero-engine design and is a senior engineer.

Mr. Wu Taishi, 62, a Chinese with no right of abode overseas, an independent non-executive Director of the Company. Mr. Wu also serves as the vice chairmen of the Shanghai Information Association and Beijing ZXJH Management Consulting Co., Ltd. and an independent non-executive director of Aerospace Securities Co., Ltd. respectively. Mr. Wu was also the deputy chief economist and chief accountant of Shanghai Carrier Rocket Assembly Factory(上海運載火箭總裝廠). Mr. Wu was the deputy general manager of the finance and economics control department and the head of the finance bureau of China Aerospace Industry Corporation since 1993. From 1999, Mr. Wu served as the vice chief accountant of China Aerospace Science and Industry Corporation. Mr. Wu was later re-designated as the deputy director of the general office, the head of the office for the introduction of foreign investment (chief negotiation officer), the deputy head of the office for deepening of the share reform, the general manager of the research and development department, the chief consultant of the comprehensive operation office as well as the chief of the postdoctoral research unit of Bank of Communications. Mr. Wu has been an independent non-executive Director of the Company since November 2007. Mr. Wu graduated from the department of management of Fudan University, majoring in industrial economy, and is a senior accountant at the researcher level and a certified public accountant in the PRC.

DIRECTORS (continued)

Mr. Ngai Wai Fung, 48, a citizen of Hong Kong, China, an independent non-executive Director of the Company. Mr. Ngai has over 18 years of senior management experience and is a vice president of the Hong Kong Institute of Chartered Secretaries, the chairman of Top Orient Group of Companies, a director and the head of the listing services of KCS Limited (formerly the corporate service division of KPMG and the commercial consultancy division of Grant Thornton International), and an independent non-executive director of China Life Insurance Company Limited, Franshion Properties (China) Limited and Bosideng International Holdings Limited. Mr. Ngai held various senior management positions including executive director and chief financial officer in a number of companies listed in Hong Kong, including Cosco Group, China Unicom and Industrial and Commercial Bank of China (Asia) Limited. Mr. Ngai had led or participated in and taken charge of a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and had provided professional services to many State-owned enterprises and redchip companies. Mr. Ngai has been an independent non-executive Director of the Company since November 2007. Mr. Ngai graduated from Hong Kong Polytechnic University, Andrews University of Michigan, USA and University of Wolverhampton, UK, and received a master's degree in finance, a master's degree in business administration and an honours bachelor's degree in law.

SUPERVISORS

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

Name	Age	Position
Mr. Peng Shugui	55	Chairman of the Supervisory Committee
Mr. Huang Shaojun	53	Supervisor
Ms. Yu Fengli	53	Supervisor

Mr. Peng Shugui, 55, a Chinese with no right of abode overseas, the chairman of the supervisory committee of the Company. Mr. Peng is also the deputy party secretary, secretary of the disciplinary committee, and the chairman of the labor union of the Company. Mr. Peng has profound knowledge and understanding of the construction industry in the PRC and has abundant operation and management experience, as well as a relatively high level of understanding of theories, policies and legal knowledge. Mr. Peng joined CRCCG Group in 1972. From December 1995 to December 1999, Mr. Peng was the deputy secretary and secretary to the communist party committee of the 14th Bureau of the Ministry of Railways (the predecessor of China Railway 14th Bureau Group Co., Ltd.). From December 1999 to April 2001, Mr. Peng served as the party secretary of China Railway 14th Engineering Bureau. From April 2001 to February 2006, Mr. Peng was the deputy party secretary and the secretary to the disciplinary committee of CRCCG. From February 2006, Mr. Peng served as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. From July 2006 to November 2007, Mr. Peng served as a director representing the employees of CRCCG, as well as the deputy party secretary, secretary to the disciplinary committee and the chairman of the labour union of CRCCG. Mr. Peng has been the chairman of the supervisory committee since November 2007. Mr. Peng graduated from La Trobe University in Australia with a master's degree in business administration. He is a senior engineer, a state-recognized first grade project manager and a state-recognized first grade construction engineer.

SUPERVISORS *(continued)*

Mr. Huang Shaojun, 53, a Chinese with no right of abode overseas, a Supervisor of the Company. He also serves as the chief of audit and supervision bureau of the Company, the chairman of the supervisory committee of Hainan Jinpai Technical Holding Co., Ltd., a supervisor of Beijing Tongda Jingcheng Highway Co., Ltd. as well as a standing committee member of China Institute of Internal Audit and China Risk Managers Association. Mr. Huang has substantial work experience in our industry and has abundant knowledge and experience in modern corporate management and operation management. Mr. Huang joined CRCCG Group in 1976. He served as the deputy director of the planning and finance department of the commanding unit of the Beijing-Kowloon Railway in Ganzhou of CRCCG from February 1993 to April 1994, the deputy division chief of finance department of CRCCG and the deputy division chief of the planning and finance department of the commanding unit of Beijing-Kowloon Railway in Ganzhou of CRCCG from April 1994 to November 1998, the chief of the audit division of CRCCG from November 1998 to August 2002, the chief of the audit bureau of CRCCG from August 2002 to November 2007. Mr. Huang has served as a Supervisor of the Company since November 2007. Mr. Huang graduated from Central Communist Party School majoring in economics and is a senior accountant and a registered senior enterprise risk manager.

Ms. Yu Fengli, 53, a Chinese with no right of abode overseas, the employee Supervisor of the Company. Ms. Yu also serves as the chairman of the supervisory committee of Chongqing Tiefa Suiyu Highway Company Limited, Nanjing Changjiang Tunnel Company Limited and Sichuan Naxu Railway Company Limited, the chairman of the supervisory committee of CRCC Sino-Africa Construction Company Limited (中鐵建中非建設有限公司), a supervisor of Shanghai Fengting Water Purification Company Limited and Xi'an Tianchuang Real Estate Company Limited. Ms. Yu joined the CRCCG in 1973. She served as an assistant accountant and then accountant of the management department for office affairs of CRCCG from December 1989 to February 1996, an accountant of the finance department of CRCCG from February 1996 to September 1999, the deputy head of the finance department of CRCCG from September 1999 to December 2005, the chairman of the supervisory committee of the office of the supervisory committee of CRCCG from December 2005 to November 2007. Ms. Yu has served as the employee Supervisor of the Company since November 2007. She graduated from the Central Communist Party School majoring in economics and management and is an accountant.

SENIOR MANAGEMENT

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

Name	Age	Position
Mr. Zhao Guangfa	57	President
Mr. Hu Zhenyi	55	Vice president, chief economist
Mr. Xia Guobin	51	Vice president, chief engineer
Mr. Fan De	56	Vice president
Mr. Zhou Zhiliang	45	Vice president
Mr. Zhuang Shangbiao	47	Vice president, chief financial officer and chief legal adviser
Mr. Zhang Zongyan *(note 1)*	46	Vice president
Mr. Liu Ruchen *(note 2)*	46	Vice president
Mr. Li Tingzhu	59	Secretary to the Board, joint company secretary
Mr. Law Chun Biu	36	Qualified accountant, joint company secretary

Note 1: As considered and resolved by the Board, Mr. Zhang Zongyan has been appointed as the vice president of the Company from April 2009.

Note 2: As considered and resolved by the Board, Mr. Liu Ruchen has been appointed as the vice president of the Company from April 2009.

SENIOR MANAGEMENT (continued)

Mr. Zhao Guangfa, see "Directors".

Mr. Hu Zhenyi, 55, a Chinese with no right of abode overseas, a vice president and chief economist of the Company. Mr. Hu currently also serves as the chairman of Xianyang Zhongtie Road and Bridge Company Limited, the chairman of Chongqing Tiefa Suiyu Highway Company Limited, the chairman of Beijing Tongda Jingcheng Highway Co., Ltd., an executive director of Xi'an Tianchuang Real Estate Company Limited, a shareholders' representative of Shanghai Fengting Water Purification Company Limited. Mr. Hu has significant knowledge and understanding of the PRC construction industry and substantial operational and management experience. Mr. Hu joined CRCCG Group in 1972. Mr. Hu served as the deputy head and then head of the operation department of CRCCG from December 1990 to May 1996, the deputy chief economist of CRCCG from May 1996 to December 1997, the chief economist of CRCCG from December 1997 to April 2001, the deputy general manager and chief economist of CRCCG from April 2001 to November 2007. Mr. Hu has been the vice president and chief economist of the Company since November 2007. Mr. Hu is also an expert of China International Engineering Consulting Corporation and Beijing Urban Engineering Design & Research Institute Co., Ltd., the deputy chief of the expert committee of the economics division of the construction and commanding unit of Beijing Rail Transit, and chief of the economics division of the design, auditing and consultation committee of Hangzhou Rail Transit. Mr. Hu obtained his master degree in business administration from Xiamen University, PRC. Mr. Hu is a professor-level senior engineer and enjoys special government allowance of the State Council.

Mr. Xia Guobin, 51, a Chinese with no right of abode overseas, a vice president and chief engineer of the Company. Mr. Xia has significant understanding of the PRC construction industry, abundant knowledge in science and technology development, survey and design. He also has substantial experience in engineering management and construction management. Mr. Xia joined the CRCCG Group in 1975. He served as the deputy chief engineer and then chief engineer of the 13th Engineering Bureau of the MOR (the predecessor of China Railway 13th Bureau Group Co., Ltd.) from April 1996 to December 1999, the chief engineer of 13th Engineering Bureau of China Railway from December 1999 to April 2001, the deputy general manager and chief engineer of CRCCG from April 2001 to November 2007. He has served as the vice president and chief engineer of the Company since November 2007. Mr. Xia graduated from Railway Guard Engineering Institute majoring in railway and bridge engineering and obtained his bachelor degree in engineering. Mr. Xia is a professor-level senior engineer and enjoys special government allowance of the State Council.

Mr. Fan De, 56, a Chinese with no right of abode overseas, a vice president of the Company. Mr. Fan has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Fan joined CRCCG Group in 1980. From June 1988 to April 1990, he served as the deputy director for construction engineering section of the project directing department of the MOR. He served as the deputy general manager and then general manager of Beijing China Railway Construction Engineering Corporation from April 1990 to April 2001, the deputy general manager of CRCCG from April 2001 to November 2007. He has served as the vice president of the Company since November 2007. Mr. Fan graduated from Changsha Railway Institute, PRC majoring in civil construction and he is a senior engineer.

SENIOR MANAGEMENT (continued)

Mr. Zhou Zhiliang, 45, a Chinese with no right of abode overseas, a vice president of the Company. Mr. Zhou has significant knowledge and understanding of the PRC construction industry and in-depth expertise and abundant operational and management experience. Mr. Zhou joined CRCCG in 2003. Mr. Zhou served as the chairman of the labor union of Fourth Survey and Design Institute of the Ministry of Railways from January 2000 to November 2001, and the president and deputy party secretary of Fourth Survey and Design Institute of the Ministry of Railways from November 2001 to December 2004, the deputy general manager of CRCCG from December 2004 to November 2007. He has served as the vice president of the Company since November 2007. Mr. Zhou graduated from China University of Mining, PRC with a bachelor degree in engineering majoring in hydrogeology and is a senior engineer.

Mr. Zhuang Shangbiao, 47, a Chinese with no right of abode overseas, a vice president, the chief financial officer and legal adviser of the Company. Mr. Zhao has in-depth knowledge and understanding of the PRC construction industry and in-depth financial expertise and substantial corporate finance and financial management experience. He also has in-depth legal and financial expertise and substantial financial experience in the PRC construction industry. Mr. Zhuang joined CRCCG in 2005. He served as the deputy general manager of the financial division of China Road and Bridge Construction Corporation from March 1992 to February 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from February 1994 to February 2001, the chief accountant of China Road and Bridge (Group) Corporation from February 2001 to August 2005, the chief accountant of CRCCG from August 2005 to November 2007, the chief legal adviser of CRCCG from April 2006 to November 2007. He has served as the chief financial officer and legal adviser of the Company since November 2007 and a vice president, the chief financial officer and legal adviser of the Company since April 2008. Mr. Zhuang graduated from Changsha Jiaotong Institute, PRC majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a senior accountant.

Mr. Zhang Zongyan, 46, a Chinese with no right of abode overseas, is currently the vice president of the Company. Mr. Zhang has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Zhang joined CRCCG Group in 1981. He served as the deputy general manager of China Railway 12th Bureau Group Company Limited from April 2002 to October 2005, the chairman and the secretary to the communist party committee of China Railway 12th Bureau Group Company Limited from October 2005 to July 2008, the chairman and the deputy secretary to the communist party committee of China Railway 12th Bureau Group Company Limited from July 2008 to April 2009, and has been the vice president of the Company since April 2009. Mr. Zhang graduated from Guanghua School of Management of Peking University with a Master of Business Administration degree and is a senior engineer.

Mr. Liu Ruchen, 46, a Chinese with no right of abode overseas, is currently the vice president of the Company. Mr. Liu has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. Mr. Liu joined CRCCG Group in 1981. He served as the deputy head of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) in August 1998, the deputy head, vice-chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005, chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008, vice-chairman (presiding over the board of directors) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008, chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has served as the vice president of the Company since April 2009. Mr. Liu graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professor-level senior engineer.

SECRETARY TO THE BOARD

Mr. Li Tingzhu, 59, a Chinese with no right of abode overseas, the secretary to the Board of the Company. Mr. Li has significant knowledge and understanding of the PRC construction industry and abundant operational and management experience. He also has the qualification accredited by the PRC regulatory authority for appointment as a secretary to the board of the directors of a listed company. Mr. Li joined the CRCCG Group in 1968. Mr. Li served as the vice division head of the party committee organization of CRCCG from September 1989 to November 1998, a director of the party office of CRCCG from April 1998 to January 2005, the vice president of the labor union and the director of the party office of CRCCG from January 2005 to December 2005, the secretary to the board of directors of CRCCG from December 2005 to November 2007. Mr. Li has been the secretary to the Board of the Company since November 2007. Mr. Li graduated from the Central Communist Party School, PRC majoring in economics and management and is a senior economist.

QUALIFIED ACCOUNTANT

Mr. Law Chun Biu, 36, has served as the qualified accountant of the Company since December 2007. Mr. Law is employed by the Company on a full-time basis and is a member of our senior management. Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. Before joining the Company, Mr. Law was the group finance manager of South East Asia Holdings Ltd. From October 2006 to April 2007, Mr. Law was a finance manager of Fujikon Industrial Co. Ltd. From March 2003 to October 2006, Mr. Law was a senior accountant of Tonic Electronics Ltd. From March 2000 to December 2002, Mr. Law worked for Harbor Ring Management Limited as an assistant accounting manager. Mr. Law graduated from the Hong Kong University of Science and Technology in 1997 with a bachelor degree of business administration in accounting. He also holds a master's degree in information systems from the Hong Kong Polytechnic University in 2006.

Corporate Governance Report

CORPORATE GOVERNANCE RULES

During the reporting period, the Company has observed the code provisions in the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

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

- The Company held 13 Board meetings during the reporting period;

- In addition to the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee, the Company has also established a Strategy and Investment Committee under the Board.

- In 2009, the Company made amendments to the Articles of Association, the Work Rules for Nomination Committee of the Board, the Work Rules for Strategy and Investment Committee of the Board and the Decision-making Manual on Connected Transactions in accordance with relevant requirements, and formulated the Accountability System for Material Errors in Annual Report Information Disclosure (《年報信息披露重大差錯責任追究制度》) and the Information Insider and External Information User Management System (《內幕信息知情人和外部信息使用人管理制度》) in accordance with the annual report information disclosure requirements of the Shanghai Stock Exchange. The Systems made specific requirements in respect of the identification standards of material errors in information disclosure in annual reports, made clear relevant accountability measures and defined information insider and external information user, as well as established a registration and filing system to enhance the quality of information disclosure in annual reports, strengthen confidentiality management on insider information and protect the legal interests of Shareholders, creditors and other stakeholders of the Group.

BOARD OF DIRECTORS

The first session of the Board comprises nine Directors, including two executive Directors of Mr. Ding Yuanchen and Mr. Zhao Guangfa, three non-executive Directors of Mr. Li Guorui, Mr. Huo Jingui and Mr. Zhu Mingxian, and four independent non-executive Directors of Mr. Li Kecheng, Mr. Zhao Guangjie, Mr. Wu Taishi and Mr. Ngai Wai Fung. During the reporting period, Mr. Li Guorui was the chairman and Mr. Zhao Guangfa, was the president of the Company. Pursuant to the Articles of Association, the first session of the Board has a 3-year term of office, and the Directors are eligible for re-election or re-appointment upon the expiry of the term.

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

- To hold general meetings and report on its work thereat, and to carry out the resolutions passed at general meetings;
- To decide on the Company's operation plans and investment plans, formulate the Company's annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- To formulate the plans in respect of the increase or decrease of the Company's registered capital, issuance of debentures, issuance of other securities and its listing;
- To formulate the plans in respect of mergers, spin-off and dissolution of the Company and any change of its form, and prepare the plans in relation to major acquisitions and repurchase of the Company's shares;
- To decide on the Company's external investments, acquisitions and disposals of assets, pledges of assets, external guarantees, entrusted wealth management and connected transactions within the scope of authorisation granted at general meetings;
- To appoint or dismiss the Company's president and secretary to the Board; to appoint or dismiss the Company's senior management officers such as the vice president(s), chief accountant, chief engineer and chief economist of the Company in accordance with the nominations of the president, and decide on their respective remuneration and reward and punishment, and to propose at general meetings the appointment or change of the accounting firm which provides auditing services to the Company; and

- To decide on the setting of the Company's internal management organisations, formulate the Company's basic management system, manage the Company's information disclosure matters and so on.

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

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

Save for the service contracts entered into respectively, no Directors are materially interested, either directly or indirectly, in the major contracts entered into by the Company or any of its subsidiaries in 2009.

BOARD MEETINGS

In 2009, the Company held 13 Board meetings. Minutes of the meetings were recorded by a designated officer, and all proposals approved in each meeting were passed as resolutions of the Board, which were recorded and stored electronically in accordance with relevant laws and regulations.

The table below set out the details of attendance of the Board meetings held in 2009 *(Note)*:

Name of Directors	Attendance in person	Attendance by proxy
Executive Directors		
Ding Yuanchen	13	—
Zhao Guangfa	8	—
Non-executive Directors		
Li Guorui	13	—
Huo Jingui	10	3
Zhu Mingxian	8	—
Independent Non-executive Directors		
Li Kecheng	13	—
Zhao Guangjie	13	—
Wu Taishi	13	—
Ngai Wai Fung	12	1

Note: Mr. Jin Puqing ceased to be the Company's executive Director since 16 April 2009. He attended four Board meetings in total in 2009, one of which was attended by proxy. Mr. Wu Xiaohua resigned as a non-executive Director on 16 February 2009. He attended one Board meeting in 2009.

Details of the meetings of the Board above were as follows:

Meetings	**Date of meeting**	**Date of information disclosure**	*Note*
The 13th meeting of the first session of the Board	19 January 2009	—	*Note 1*
The 14th meeting of the first session of the Board	17 February 2009	19 February 2009	
The 15th meeting of the first session of the Board	27 March 2009	31 March 2009	
The 16th meeting of the first session of the Board	16 April 2009	17 April 2009	
The 17th meeting of the first session of the Board	27 to 28 April 2009	29 April 2009	
The 18th meeting of the first session of the Board	19 June 2009	20 June 2009	
The 19th meeting of the first session of the Board	29 July 2009	—	*Note 2*
The 20th meeting of the first session of the Board	6 August 2009	—	*Note 3*
The 21th meeting of the first session of the Board	27 August 2009	28 August 2009	
The 22th meeting of the first session of the Board	21 September 2009	—	*Note 4*
The 23th meeting of the first session of the Board	27 October 2009	28 October 2009	
The 24th meeting of the first session of the Board	26 November 2009	—	*Note 5*
The 25th meeting of the first session of the Board	26 December 2009	29 December 2009	

Note 1: The 2009 production and operation plan indicators, and the 2009 Work Summary of the Board of CRCC were considered at the meeting.

Note 2: The resolution regarding the 2008 performance-based salaries of the management of the Company, the resolution regarding the selection of external directors of China Railway Real Estate Group Co., Ltd., the resolution regarding the adjustment to the relationship with Beijing Business Management Co., Ltd. (北京商務管理公司) and the resolution regarding the adjustment to the registered capital of subsidiaries were considered and approved at the meeting.

Note 3: The resolution regarding the appointment of directors for China Railway 19th Bureau Group Co., Ltd. was considered and approved at the meeting.

Note 4: The resolution regarding the change of directors of certain units and the resolution regarding the re-appointment of directors as consultants of certain units were considered and approved at the meeting.

Note 5: The resolution regarding the Ecuador Copper Mine Project was considered and approved at the meeting.

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

DIRECTORS' REMUNERATION

The remuneration in 2009 of the Company's independent non-executive directors and those non-executive directors who have not taken up any other positions in the Company other than being directors comprise of basic salary and meeting subsidies. Specific standards on the annual basic salary and meeting subsidies were determined with reference to the Remuneration Standards for External Directors considered and approved at the general meeting of the Company.

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

The Directors' total emoluments for 2009 totalled RMB4.707 million. Each Director's emoluments received from the Company are as follows:

Li Guorui:	RMB768,000
Ding Yuanchen:	RMB657,000
Zhao Guangfa:	RMB677,000
Huo Jingui:	RMB657,000
Zhu Mingxian:	RMB221,000
Li Kecheng:	RMB271,000
Zhao Guangjie:	RMB275,000
Wu Taishi:	RMB259,000
Ngai Wai Fung:	RMB254,000

Mr. Jin Puqing ceased to be the Company's executive Director and president since 16 April 2009, the total remuneration received by him in 2009 amounted to RMB632,000 (including 2008 performance-based salary); Mr. Wu Xiaohua resigned as a non-executive Director of the Company on 16 February 2009, the total remuneration he received in 2009 amounted to RMB36,000.

SHARE OPTION SCHEME

During the reporting period, the Company has not yet implemented the shares incentive plans and the preliminary proposal of the shares incentive plans for senior management officers and core staff members were in the process of going through the approval procedures of the relevant state departments.

CHAIRMAN AND PRESIDENT

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

Duties of chairman of the Company include: to preside over general meetings and to convene and preside over Board meetings to supervise and examine the implementation of resolutions of the Board; to arrange for and formulate various rules and systems for the operations of the Board, to coordinate the work of the Board; to sign important Board documents; to execute legally binding documents on behalf of the Company and to exercise special rights of disposal over the Company's affairs that are in line with the requirements under the laws and the interests of the Company in the event of force majeure or significant crises and under the critical situation where a board meeting cannot be held timely, and to report at Board meetings and general meetings afterwards; and all other duties assigned by the Board.

The president shall be responsible to the Board and perform the following duties: to lead the Company's production, operation and management, to organise resources to implement the Board's resolutions; to implement the Company's annual business plans and investment plans; to decide on the Company's investment plans, financing plans and annual guarantee plans designed for subsidiaries; to formulate the Company's financial budget and final accounting plans, as well as the Company's external donation and sponsorship plans; to formulate the Company's profit distribution plans and loss recovery plans; to formulate the Company's annual financing plans and the annual plans concerning the amount of guarantees provided to subsidiaries; to formulate the plans in relation to the issuance of corporate bonds; to formulate the staff income distribution plans; to formulate the Company's basic management systems; to formulate specific rules and systems for the Company; to propose the appointment and dismissal of the Company's vice president(s), chief accountant, chief engineer and chief economist; to propose the remuneration and reward and punishment for vice president(s), chief accountant, chief engineer and chief economist; to appoint or dismiss the Company's officers other than those which should be appointed or dismissed by the Board; and all other duties assigned by the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE

An Audit and Risk Management Committee has been established under the Board. The committee comprises three independent non-executive directors, namely Mr. Wu Taishi, Mr. Zhao Guangjie and Mr. Ngai Wai Fung. Mr. Wu Taishi currently serves as the chairmen of the Audit and Risk Management Committee. The primary duties of this committee are:

- to make recommendations to the Board in respect of the appointment, reappointment and dismissal of the external auditing firm;
- to examine and supervise the external auditing firm to determine whether it is independent and objective, and whether or not its auditing procedures are effective, and discuss with the auditing firm on relevant issues prior to the commencement of audit work; to formulate and implement the policy which allows non-auditing services to be provided by external auditing firm;
- to examine and monitor the comprehensiveness of the Company's financial statements and regular reports, and review all significant opinions in relation to financial auditing as set out in statements and reports;
- to examine the Company's financial controls, internal controls and risk management system, and discuss with the management on the internal control system;
- to be responsible for the communication between the internal auditor and the external auditing firm, and examine and monitor the effectiveness of the internal control system; and
- to examine the Company's financial and accounting policies and affairs.

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

During the reporting period, the Audit and Risk Management Committee held 6 meetings, which were attended by all members of the committee. The committee performed its duties by focusing on internal control and risk management in accordance with the Work Rules for Audit and Risk Management Committee of the Company. First, Ernst & Young Hua Ming and Ernst & Young were selected as the auditor of our annual report in accordance with the Company's Annual Reporting Work Manual for Independent Directors, with relevant auditing fees determined. Through communications and coordination, Ernst & Young Hua Ming increased its review procedures on the interim financial report Company and reported on the review result during formal communications. In the process of the annual auditing, the committee communicated with Ernst & Young Hua Ming for three times, in order to conduct extensive discussion on its annual audit plans and audit proposals, and put forward a series of suggestions in areas such as the scope of audit, the sampling standards, key areas of concern in annual auditing and significant matters in light of the Company's actual situations, which in turn promoted the standards of the annual audit work; second, communications were made with the departments which are in charge of risk management and internal control. During the eighth and ninth meetings of the Audit and Risk Management Committee in 2009, the Overall Risk Management Report of CRCC for 2009 (draft for discussion purpose) and the Self-assessment Report on Internal Control by the Board of China Railway Construction (draft for discussion purpose) were considered, and proposed amendments and suggestions were raised as well. Upon numerous considerations and amendments, the report concerning the risk management and internal control was principally approved by the Audit and Risk Management Committee in the eleventh meeting of the Audit and Risk Management Committee in 2009; third, communications were made with the internal auditing department to examine the internal audit work proposal and to listen to the Report Concerning the Internal Control Auditing for 2009. Opinions were also provided in respect of the internal audit work for the following year.

REMUNERATION AND EVALUATION COMMITTEE

A Remuneration and Evaluation Committee has been established under the Board. The Remuneration and Evaluation Committee consists of three independent non-executive Directors: Mr. Zhao Guangjie, Mr. Li Kecheng and Mr. Wu Taishi. Mr. Zhao Guangjie currently serves as the chairman of the Remuneration and Evaluation Committee. The primary responsibilities of the Remuneration and Evaluation Committee are:

- to propose to the Board during the formulation of the remuneration policies, plans or proposals of Directors and senior management officers based on the scope of management, duties and importance of their management posts;

- to perform the following duties assigned by the Board, i.e. to determine the specific remuneration packages of all executive Directors and senior management officers, and propose to the Board the remuneration packages of non-executive Directors;

- to examine and approve the performance-based remuneration packages based on the Company's targets approved at Board meetings;

- to examine and approve the payment of compensation to executive Directors and senior management officers in relation to the termination or cessation of their services or appointments; examine and approve the compensation arrangement in relation to the termination of appointment or dismissal of Directors as a consequence of misconducts;

- to examine the performance of duties by Directors and senior management officers and conduct annual assessment over their performance; and

- to supervise the implementation of the Company's remuneration system.

During the reporting period, the Remuneration and Evaluation Committee held two meetings altogether, which were attended by all members of the Remuneration and Evaluation Committee. The Remuneration and Evaluation Committee performed its duties by focusing on the establishment of performance assessment system and remuneration incentives system for senior management of the Company. At the two meetings, the Measures for the Appraisal of the Performance of Senior Management and Implementation Rules, the Methods for the Evaluation of the Performance of Directors, the Measures for the Appraisal of the Performance of Party Leaders and Cadres and Implementation Rules, the Performance-based Contracts, the Measures for the Management over the Remuneration of Senior Management, the Measures for the Management over the Remuneration of Directors and Supervisors and resolutions concerning the results evaluation of the management of the Company for 2008 and their performance-based remuneration were considered.

NOMINATION COMMITTEE

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

- to regularly review the structure, headcounts and composition of the Board (including their expertise, knowledge and experience), and propose to the Board on the changes intended to be made;
- to study the criteria and procedures for the selection of Directors, president and other senior management personnel, and propose to the Board thereon;
- to examine the candidates for Directors, presidents and other senior management officers and make relevant recommendations;
- to assess the independence of independent non-executive Directors;
- to propose to the Board on appointments and reappointments of Directors, president and other senior management officers, as well as relevant matters concerning the succession plans of Directors, president and other senior management officers (in particular the chairman and president); and
- to examine or consider the shareholder representatives appointed or replaced by the Company and the candidates for Directors and Supervisors recommended or replaced by the Company in its wholly-owned subsidiaries, holding subsidiaries and joint stock subsidiaries, as well as the candidates for the general manger of subsidiaries in which no board of directors has been established, and make recommendations to the Board.

During the reporting period, the Nomination Committee held seven meetings altogether, three of which were held to study the adjustment made to members of the Board and all specialized committees under the Board, as well as the reshuffle of the senior management, four of which were held to study the adjustment made to members of the board of directors of the subsidiaries under the Group, and an aggregate of 62 adjustments of personnel were approved by the Nomination Committee and submitted to the Board for consideration.

STRATEGY AND INVESTMENT COMMITTEE

A Strategy and Investment Committee is also established under the Board. The Strategy and Investment Committee consists of five Directors, being Mr. Zhao Guangfa (executive Director), Mr. Ding Yuanchen (executive Director), Mr. Zhu Mingxian (non-executive Director), Mr. Li Kecheng (independent non-executive Director) and Mr. Wu Taishi (independent non-executive Director). During the reporting period, Mr. Zhao Guangfa serves as the chairman of the Strategy and Investment Committee. The primary responsibilities of the committee are:

- to establish the fundamental framework of the Company's strategy formulation procedures;
- to assess the Company's long-term development strategies in a timely manner, organize and formulate the Company's development strategies as well as its mid-to-long term development plans;
- to audit the Company's annual operation plans;
- to study the proposals concerning material investments, financings and guarantees and specialized projects in respect of significant capital operations and asset operations that are subject to approval at Board meetings and make relevant recommendations;
- to study and formulate proposals concerning corporate reorganization and transfer of the equity interests held by the Company, change of systems, mergers and acquisitions, as well as adjustments made to the organizational structure;
- to monitor and provide guidance on the Company's safety and risk management; and
- to study the significant events that may impact on the Company's development and make recommendations.

During the reporting period, the Strategy and Investment Committee did not hold any meeting.

SUPERVISORY COMMITTEE

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

In 2009, the Supervisory Committee held three meetings. The 5th meeting of the first session of the Supervisory Committee was held on 28 April 2009, at which six resolutions concerning the Annual Report for 2008 of the Company and its summary, the First Quarterly Report for 2009 of the Company, the Report of Supervisory Committee for 2008, the Financial Budget Plan for 2008 of the Company, the Profit Distribution Plan for 2008 of the Company and the Specific Report on Deposit and Actual Use of Proceeds of the Company were considered and approved. The 6th meeting of the first session of the Supervisory Committee was held on 27 August 2009, at which two resolutions concerning the 2009 Interim Report of the Company and the Summary thereof, and the Specific Report on Deposit and Actual Use of Proceeds of the Company were considered and approved. The 7th meeting of the first session of the Supervisory Committee was held on 27 October 2009, at which the resolution regarding the Third Quarterly Report for 2009 of the Company was considered and approved.

DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

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

GENERAL MEETINGS AND INVESTOR RELATIONS

1. General Meetings

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

The Company held two general meetings in 2009.

(1) The 2009 first extraordinary general meeting

The 2009 first extraordinary general meeting of the Company was held on 13 January 2009 at the CRCC Bureau Building at No. 40 Fuxing Road, Haidian District, Beijing. The chairman of Company, Mr. Li Guorui, presided over the meeting and a total of 19 Shareholders and proxies of Shareholders attended the meeting. The Resolution Regarding the Issuance of Medium-term Notes was considered and approved at the meeting.

(2) 2008 annual general meeting

The 2008 annual general meeting of the Company was held on 19 June 2009 at the CRCC Bureau Building at No. 40 Fuxing Road, Haidian District, Beijing. The chairman of the Company, Mr. Li Guori, presided over the meeting and a total of 56 Shareholders and proxies of Shareholders attended the meeting. The Report of Directors for 2008, the Report of the Supervisory Committee for 2008, the Resolution on the Final Financial Statements of the Company for 2008, the Resolution on the Profit Distribution Plan of the Company for 2008, the Resolution on the 2008 Annual Report and the Summary thereof, the Resolution on Changes of the Use of H Share Proceeds, the Resolution on Appointment of Accounting Firm as External Auditor of the Company for 2009 and the Payment of Their Annual Fees for 2008, the Resolution on the Appointment of Mr. Zhao Guangfa and Mr. Zhu Mingxian as Directors of the First Session of the Board of the Company, the Resolution on the Remuneration Policy of Directors and Supervisors of China Railway Construction Corporation Limited, the Resolution on the Revision of the Basic Annual Remuneration Packages of Independent Directors, the Resolution on the Remuneration Packages of Directors for 2008, the Resolution on the Amendment to the Articles of Association of China Railway Construction Corporation Limited and the Resolution on the Granting of a General Mandate to the Board to Issue H Shares of the Company were considered and approved at the meeting.

2. ***Investor Relations***

The Company continued to enhance its investor relations in strict compliance with the requirements set forth in the Work Guidance for Relations between Listed Companies and Investors, the Work Rules for Investor Relations of China Railway Construction Corporation Limited and the implementation rules thereof. Apart from the establishment of investor hotlines for answering inquiries of investors, the Company also actively received investors during on-site visits. Upon disclosure of regular reports, the Company organized face-to-face or teleconferences with domestic and overseas investors in a timely manner and organized diversified roadhsows at home and abroad, with a view to communicating with investors actively on development strategies, operating conditions, financial position and major matters of the Company. To arouse feedback from the market, the Company participated in various exchange activities organized by domestic and international investment institutions. The Company also summarized and accepted opinions and recommendations from investors in a timely manner, in order to continuously improve its corporate governance. By providing objective, true and accurate information to investors, the Company managed to establish a constructive relationship with investors, which in turn boosted investors' understanding of and support to the Company. The Company was awarded a number of investor relations prizes, including the "2009 China Capital Market Top Ten Wealth Creation and Innovation Award (2009中國資本市場十大最佳創富創新獎)", the "Best Wealth Creation IR Award (最佳創富IR獎)", the "2009 Excellent Board Management on Market Value of PRC Listed Companies (2009中國上市公司最佳市值管理董事會)" and the "Excellent Secretary to the Board (最佳董事會秘書)".

QUALIFIED ACCOUNTANT

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

CORPORATE MANAGEMENT, FINANCIAL REPORTING AND INTERNAL CONTROL

The Directors confirmed that they were responsible for preparing the financial statements for each financial period to give a true and fair view of the business affairs, results and cash flow of the Company during the relevant period. During preparing the accounts for the year ended 31 December 2009, the Directors:

– have chosen and implemented proper accounting policies;

– have adopted standards in accordance with IFRSs;

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

The Company adhered to the risk-oriented principle and consistently implemented relevant requirements under the Basic Internal Control Specifications for Enterprises (《企業內部控制基本規範》) promulgated by five PRC ministries and commissions including the Ministry of Finance, and established and continuously perfected the internal control system of the Company with a framework combining five major factors, namely "internal environment, risk assessment, control activities, information and communication as well as internal monitoring".

The Company has established general meetings, the Board and the Supervisory Committee in strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and relevant requirements of the China Securities Regulatory Commission ("CSRC") regarding the corporate governance of listed legal corporation. The Audit and Risk Management Committee, Remuneration and Evaluation Committee, Strategy and Investment Committee and Nomination Committee have been established under the Board, with external directors accounting for a majority of the members of each committee. The chairman of the Remuneration and Evaluation Committee and the Audit and Risk Management Committee are independent Directors and all of the members are external Directors.

The Company kept risk exposure to a tolerable level by means of comprehensive utilization of relevant control measures, including the control over segregation of incompatible duties, authorization and approval control, accounting system control, property protection control, budget control, operation analysis control and performance assessment control in various business activities. With regard to material risks and contingent incidents, the Company has established the material risk warning system and contingent incident emergency response system, made clear the responsible personnel and standardized handling procedures, so as to ensure timely and duly handling of material risks and contingent incidents.

The Company has established means of communications including periodic and non-periodic monthly operation and management reports, specific reports and regular meetings, and obtained internal and external information in a comprehensive and timely manner through channels including internal publications, network media and relevant regulatory departments. To standardize orderly transmission of information of the Company, systems including the Manual on Safety Management of Financial Information (《財務信息安全管理制度手冊》), the Investor Relations System (《投資者關係工作制度》), the Management Rules for Information Disclosure (《信息披露管理辦法》), the Material Information Internal Reporting System (《重大信息內部報告制度》), the Implementation Rules for Information Disclosure of Newly Bidded Projects (《新中標項目信息披露實施細則》) and the whistle blowing and complaint system have been developed.

To enhance operation efficiency and results by ongoing application of information technology, the Company has established an information centre as the execution and management unit for carrying out information technology duties, and arranging for the development and protection of various information systems of the Company. To press ahead with the construction of a comprehensive information system, the Company has also put forward the Summary Plan for Information Technology Application of China Railway Construction (《中國鐵建信息化規劃綱要》) and the Guidance for Operation of Information Technology Construction Projects of China Railway Construction (《中國鐵建信息化建設項目行動指南》) in light of the current situation and development needs of China Railway Construction, which made clear the blueprint, target, schedule and construction model for the information technology application within the Company.

The Company has gradually established a supervision and inspection system. The Supervisory Committee supervised the formulation and implementation of internal control of the Board. On behalf of the Board, the Audit and Risk Management Committee performed supervision and inspection functions on formulation and implementation of the internal control system of the management; the Audit and Supervisory Bureau is responsible for studying and developing the supervision and evaluation system on internal control, formulating relevant supervision and evaluation system, carrying out supervision and evaluation, and making timely report to the Audit and Risk Management Committee on flaws in internal control identified during the course of supervision and carrying out tracking and rectification.

The Board of the Company has performed self-assessment on internal control regarding the above aspects during the year, and no material flaws were identified in the design or implementation of the internal control in the Company.

REMUNERATION OF AUDITORS

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

During the reporting period, the Company has paid RMB33,000,000 in total to Ernst & Young Hua Ming and Ernst & Young for their audit services and relevant non-auditing services in relation to the Company's financial statements for 2009.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

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

(1) SUMMARY

For the year ended 31 December 2009, the Group's total revenue from operations amounted to RMB344,976.2 million, representing an increase of 57.2% as compared with RMB219,410.2 million last year. Profit attributable to owners of the Group amounted to RMB6,599.1 million, representing an increase of 81.1% year on year. Basic earnings per share of the Group was RMB0.5349.

The financial results for the years ended 31 December 2009 and 2008 are set out below.

Results of operations

For the year ended 31 December 2009, the Group's profit before tax amounted to RMB8,307.4 million, representing an increase of 81.8% as compared with RMB4,568.8 million last year. Profit attributable to owners of the Group amounted to RMB6,599.1 million, representing a year-on-year increase of 81.1%. Basic earnings per share of the Group was RMB0.5349.

Revenue

For the year ended 31 December 2009, the Group's total revenue from operations amounted to RMB344,976.2 million, representing an increase of 57.2% as compared with RMB219,410.2 million last year. The increase was mainly attributable to the increased revenue from construction operations.

For the year ended 31 December 2009, the Group's total revenue from operations after elimination of inter-segment sales increased by 57.2% to RMB344,976.2 million from RMB219,410.2 million for the year ended 31 December 2008. The increase was mainly attributable to an increase in revenue of RMB114,134.2 million from construction operations, an increase in revenue of RMB2,860.1 million from survey, design and consultancy services, an increase in revenue of RMB2,380.7 million from manufacturing operations and an increase in revenue of RMB6,191.0 million from other operations.

Cost of Sales

For the year ended 31 December 2009, the Group's cost of sales after elimination of inter-segment sales increased by 58.4% to RMB322,427.8 million from RMB203,607.1 million for the year ended 31 December 2008, which was mainly attributable to the significant increase in the business scale of the Group.

New and outstanding contracts

In 2009, the value of new contracts signed during the year increased by 42.1% to a new historical high level of RMB601,327.1 million as compared to 2008, reflecting a strong growth momentum. As at 31 December 2009, the aggregated value of outstanding contracts of the Group amounted to RMB705,744.3 million, representing an increase of 49.8% over 2008.

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

(RMB million)

	Value of new contracts			Value of outstanding contracts		
	2009	2008	Growth	31 December 2009	31 December 2008	Growth
Construction operations	555,314.4	399,022.9	39.2%	684,597.7	459,090.8	49.1%
Survey, design and supervision operations	6,225.1	4,608.9	35.1%	2,429.0	2,426.3	0.1%
Manufacturing operations	5,680.5	3,534.2	60.7%	867.2	4,039.7	-78.5%
Other operations	34,107.1	15,938.7	114.0%	17,850.4	5,532.1	222.7%
Total	601,327.1	423,104.7	42.1%	705,744.3	471,088.9	49.8%

Notes:

Of the total value of the Group's new contracts signed in 2009, new domestic contracts accounted for RMB541,611.6 million and new overseas contracts accounted for RMB59,715.5 million.

Of the total value of the Group's outstanding contracts as at 31 December 2009, domestic outstanding contracts accounted for RMB585,316.0 million and overseas outstanding contracts accounted for RMB120,428.3 million.

The Group recorded remarkable operating results in 2009, which was mainly attributable to: 1) intensified infrastructure construction efforts stimulated by the government to address the global financial crisis, especially on the additional investment in large scale railway construction, which provided favorable condition for the Company's contracting operation; 2) timely adjustment made to business strategy by the Company according to macro economic policy, so as to enhance the contracting operation by grasping the historically remarkable opportunity in infrastructure construction; 3) substantial growth in new contract value as facilitated by the admirable performance in overseas markets.

Finance revenue

The finance revenue of the Group mainly includes bank interest income. For the year ended 31 December 2009, the Group's finance revenue decreased by 32.4% to RMB895.5 million from RMB1,324.8 million for the year ended 31 December 2008.

Finance costs

The finance costs of the Group include interest and finance expenses of bank borrowings, other borrowings, finance leases and discounted notes, less capitalised interests of construction in progress and construction contracts. For the year ended 31 December 2009, the Group's finance costs decreased by 3.9% to RMB1,219.7 million from RMB1,269.7 million for the year ended 31 December 2008.

Share of profits of jointly-controlled entities and associates

For the year ended 31 December 2009, the Group's share of profits of jointly-controlled entities and associates increased by RMB10.6 million or 108.2% to RMB0.8 million from RMB-9.8 million for the year ended 31 December 2008.

Income tax expense

For the year ended 31 December 2009, the Group's income tax expenses increased by 82.7% to RMB1,575.7 million from RMB862.6 million for the year ended 31 December 2008, which was mainly attributable to the significant increase in profit before tax.

Minority interests

For the years ended 31 December 2008 and 2009, the profit attributable to minority interests of the Group amounted to RMB62.4 million and RMB132.6 million respectively.

(2) DISCUSSION OF OUR OPERATING RESULTS BY SEGMENT

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

	Revenue Year ended 31 December		**Profit from operations Year ended 31 December**		**Operating margin Year ended 31 December**	
	2008	2009	2008	2009	2008	2009
	(RMB million)		*(RMB million)*		*(%)*	
Construction operations	200,973.3	314,937.2	3,840.40	5,670.5	1.9	1.8
Survey, design and consultancy operations	4,550.9	7,337.1	354.6	614.7	7.8	8.4
Manufacturing operations	4,780.9	8,036.2	265.2	533.7	5.5	6.6
Others	12,123.3	19,894.0	63.4	1,812.0	0.5	9.1
Subtotal	222,428.4	350,204.5	4,523.60	8,630.9	2.0	2.5
Inter-segment elimination	–3,018.2	–5,228.3	—	—	—	—
Total	219,410.2	344,976.2	4,523.60	8,630.9	2.1	2.5

1. *Construction operations*

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

	Year ended 31 December	
	2008	2009
	(RMB million)	
Segment revenue	200,973.3	314,937.2
Selling and distribution costs	(425.5)	(364.2)
Administrative expenses and others	(8,646.1)	(11,689.5)
Segment results	3,840.4	5,670.5
Depreciation and amortization	3,720.9	5,876.1

Segment revenue. For the year ended 31 December 2009, the Group's segment revenue before elimination of inter-segment sales from construction operations increased by 56.7% to RMB314,937.2 million from RMB200,973.3 million for the year ended 31 December 2008. The increase was mainly due to the increase in the revenue from operations in the railway market.

Inter-segment sales generated from our construction operations were RMB984.7 million and RMB814.4 million for the years ended 31 December 2008 and 2009 respectively.

As a result, total segment revenue generated from external sales after elimination of inter-segment sales from our construction operations was RMB199,988.5 million for the year ended 31 December 2008 and RMB314,122.8 million for the year ended 31 December 2009.

Selling and distribution costs. The Group's selling and distribution costs from construction operations decreased by 14.4% or RMB61.3 million to RMB364.2 million for the year ended 31 December 2009 from RMB425.5 million for the year ended 31 December 2008. The decrease was mainly attributable to the cost control efforts made by the Group.

Administrative expenses and other expenses. Administrative expenses for the construction operations of the Group increased by 35.2% to RMB11,689.5 million for the year ended 31 December 2009 from RMB8,646.1 million for the year ended 31 December 2008. The increase was mainly due to the Group's business growth.

Segment results. Total profit from the construction operations of the Group increased by RMB1,830.1 million to RMB5,670.5 million for the year ended 31 December 2009 from RMB3,840.4 million for the year ended 31 December 2008.

The operating margin for the construction operations of the Group decreased to 1.8% for the year ended 31 December 2009 from 1.9% for the year ended 31 December 2008.

2. *Survey, design and consultancy operations*

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

	Year ended 31 December	
	2008	2009
	(RMB million)	
Segment revenue	4,550.9	7,337.1
Selling and distribution costs	(208.8)	(322.6)
Administrative expenses and other expenses	(431.3)	(647.2)
Segment results	354.6	614.7
Depreciation and amortization	91.5	106.2

Segment revenue. The Group's segment revenue before elimination of inter-segment sales from survey, design and consultancy operations increased by 61.2% to RMB7,337.1 million for the year ended 31 December 2009 from RMB4,550.9 million for the year ended 31 December 2008. The increase was primarily due to the Group's expanded scale of survey, design and consultancy operations.

Inter-segment sales revenue generated from the Group's survey, design and consultancy operations was RMB104.6 million and RMB30.6 million for the years ended 31 December 2008 and 2009 respectively.

As a result, total revenue generated from external sales after elimination of inter-segment sales of the Group's survey, design and consultancy operations was RMB4,446.3 million for the year ended 31 December 2008 and RMB7,306.5 million for the year ended 31 December 2009 respectively.

Selling and distribution costs. Selling and distribution costs from the survey, design and consultancy operations of the Group increased by 54.5 % or RMB113.8 million to RMB322.6 million for the year ended 31 December 2009 from RMB208.8 million for the year ended 31 December 2008. The increase was primarily due to the business growth of the Group.

Administrative expenses and other expenses. Administrative expenses for the survey, design and consultancy operations of the Group increased by 50.1% to RMB647.2 million for the year ended 31 December 2009 from RMB431.3 million for the year ended 31 December 2008. The increase was primarily due to the business growth of the Group.

Segment results. Profit from the survey, design and consultancy operations of the Group increased to RMB614.7 million for the year ended 31 December 2009 from RMB354.6 million for the year ended 31 December 2008. The operating margin from the survey, design and consultancy operations of the Group increased to 8.4% for the year ended 31 December 2009 from 7.8% for the year ended 31 December 2008.

3. *Manufacturing operations*

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

	Year ended 31 December	
	2008	2009
	(RMB million)	
Segment revenue	4,780.9	8,036.2
Selling and distribution costs	(51.0)	(77.1)
Administrative expenses and others	(302.7)	(391.1)
Segment results	265.2	533.7
Depreciation and amortization	217.5	254.0

Segment revenue. Segment revenue before elimination of inter-segment sales from manufacturing operations increased by 68.1% to RMB8,036.2 million for the year ended 31 December 2009 from RMB4,780.9 million for the year ended 31 December 2008.

Selling and distribution costs. Selling and distribution costs from the manufacturing operation of the Group increased by 51.2% to RMB77.1 million for the year ended 31 December 2009 from RMB51.0 million for the year ended 31 December 2008, primarily due to the growth of the Group's operations.

Administrative expenses and other expenses. Administrative expenses for the manufacturing operations of the Group increased by 29.2% to RMB391.1 million for the year ended 31 December 2009 from RMB302.7 million for the year ended 31 December 2008, primarily due to the growth of the Group's operations.

Segment results. As a result of the foregoing reasons, profit from the manufacturing operations of the Group increased substantially to RMB533.7 million from RMB265.2 million. The operating margins for the manufacturing operations of the Group for the years ended 31 December 2008 and 2009 were 5.5% and 6.6%, respectively.

4. *Other businesses*

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

	Year ended 31 December	
	2008	2009
	(RMB million)	
Segment revenue	12,123.3	19,894.0
Selling and distribution costs	(163.6)	(252.5)
Administrative expenses and others	(1,050.5)	(173.4)
Segment results	63.4	1,812.0
Depreciation and amortization	161.0	138.4

Segment revenue. Segment revenue derived from other operations mainly include income from the sales of real estate properties and provision of logistics services to external customers. Revenue before elimination of inter-segment sales of these businesses increased by 64.1% to RMB19,894.0 million for the year ended 31 December 2009 from RMB12,123.3 million for the year ended 31 December 2008.

Inter-segment sales revenue generated from other operations for the years ended 31 December 2008 and 2009 was RMB1,496.1 million and RMB3,075.8 million respectively.

As a result, total revenue generated from external sales after elimination of inter-segment sales of the Group's other operations was RMB10,627.2 million for the year ended 31 December 2008 and RMB16,818.2 million for the year ended 31 December 2009.

Selling and distribution costs. Selling and distribution costs from the Group's other operations increased to RMB252.5 million for year ended 31 December 2009 from RMB163.6 million for the year ended 31 December 2008. This was mainly attributable to the growth of the Group's operations.

Administrative and other expenses. Administrative expenses for the Group's other operations decreased to RMB173.4 million for the year ended 31 December 2009 from RMB1,050.5 million for the year ended 31 December 2008. This was mainly attributable to the efforts made in cost-control of the Group.

Segment results. As a result of the foregoing reasons, total profits from the Group's operations other than construction, survey, design and consultancy and manufacturing operations for the years ended 31 December 2008 and 2009 were RMB63.4 million and RMB1,812.0 million, respectively. The Group's segment operating margins for the years ended 31 December 2008 and 2009 were 0.5% and 9.1%, respectively.

3. LIQUIDITY AND CAPITAL RESOURCES

1. *Cash Flow*

	Year ended 31 December	
	2008	2009
	(RMB million)	
Cash/cash equivalents as at 1 January	23,188.5	**49,455.3**
Net cash inflow from operating activities	7,299.9	**17,474.5**
Net cash outflow from investing activities	(13,068.2)	**(13,629.2)**
Net cash inflow from financing activities	32,286.5	**1,407.4**
Net increase in cash/cash equivalents	26,518.2	**5,252.7**
Impact on cash and cash equivalents from the changes in exchange rate	(251.4)	**362.1**
Cash/cash equivalents as at 31 December	49,455.3	**55,070.1**

2. *Cash flows from operating activities*

For the year ended 31 December 2009, the Group's net cash inflow from operating activities was RMB17,474.5 million, mainly attributable to the profit-before-tax in the amount of RMB8,307.4 million generated in the year, as well as the following adjustments to statement of cash flows: (i) depreciation in fixed assets of RMB6,202.4 million; (ii) increase in trade and bills payables of RMB38,935.5 million due to the Group's involvement in an increased number of construction projects which increased the purchases of raw materials and engagement of subcontractors; and (iii) increase in other payables and accruals of RMB8,175.0 million, mainly consisting of advances from customers, accrued salaries, wages and benefits and other tax payables; and partially offset by: (i) increase in trade receivables and bills receivable of RMB12,729.8 million due to the expanded scale of the Group's business; (ii) increase in prepayments, deposits and other receivables of RMB9,020.3 million due to the increase in projects for which the Group was subject to performance bond and retention money; (iii) increase in inventories of RMB6,103.7 million; (iv) increase in completed properties held for sale and properties under development of RMB1,820.4 million; and (v) net increase in construction contract of RMB12,695.8 million due to significant expansion of the Group's construction operations.

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

3. Cash flow from investing activities

For the year ended 31 December 2009, the Group's net cash outflow from investing activities was RMB13,629.2 million. The Group's net cash outflow for investing activities mainly consists of (i) purchase of property, plant and equipment of RMB12,282.4 million; (ii) the increase in investment in jointly controlled entities of RMB1,172.2 million; (iii) the increase of investment of non-restricted term deposit with a term of more than three months of RMB1,749.5 million. The Group's net cash inflow for investing activities mainly consists of: (i) proceeds from disposal of property, plant and equipment of RMB386.6 million; (ii) interest received of RMB998.1 million; and (iii) proceeds from disposal of non-current assets held for sale of RMB1,331.3 million.

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

4. Net cash flow from financing activities

For the year ended 31 December 2009, the Group's net cash inflow from financing activities was RMB1,407.4 million. The Group's net cash inflow for financing activities mainly consists of newly borrowed bank loans and other borrowings of RMB30,446.7 million. The Group's net cash outflow for financing activities mainly consists of: (i) cash used in repayment of bank loans and other borrowings of RMB26,465.7 million; and (ii) cash used in the payment of interests of RMB1,493.3 million; and (iii) dividends paid to shareholders of RMB1,233.8 million.

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

5. *Capital Expenditures*

The Group incurred capital expenditures mainly for the construction, expansion and technology upgrade of facilities and purchase of equipment used for construction projects. Besides, the Group incurred additional capital expenditures for the expansion of production capacity of large track maintenance machinery and railway track components. The Group's capital expenditures were RMB12,103.0 million and RMB15,571.1 million for the years ended 31 December 2008 and 2009, respectively.

The following table sets forth the capital expenditures for the Group's business operations for the years ended 31 December 2008 and 2009:

	Year ended 31 December	
	2008	**2009**
	(RMB million)	
Construction operations	10,663.9	**13,843.9**
Survey, design and consultancy operations	273.9	**340.7**
Manufacturing operations	617.5	**1,081.2**
Others	547.8	**305.3**
Total	12,103.0	**15,571.1**

6. *Working Capital*

(a) Construction contracts in progress

The following table sets forth the Group's construction contracts work-in-progress as at the end of the reporting period indicated:

	As at 31 December	
	2008	**2009**
	(RMB million)	
Contract cost incurred plus recognized profit less recognized losses	685,036.9	**926,397.0**
Less: progress billings received and receivable	(665,523.8)	**(894,289.8)**
Contract work-in-progress	19,513.2	**32,107.2**
Representing:		
Amount due from customers for contract work	36,317.3	**52,021.1**
Amount due to customers for contract work	(16,804.1)	**(19,913.9)**
	19,513.2	**32,107.2**

The Group's construction contracts in progress increased to RMB32,107.2 million as at 31 December 2009 from RMB19,513.2 million as at 31 December 2008.

(b) Trade receivables and trade payables

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

	As at 31 December	
	2008	**2009**
Turnover days of trade receivables[(1)]	54	**43**
Turnover days of trade payables[(2)]	98	**95**

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

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

The following table sets forth an aging analysis of trade and bills receivable as at the end of the reporting period indicated:

	As at 31 December	
	2008	**2009**
	(RMB million)	
Less than one year	30,614.3	**43,090.9**
One to two years	2,196.9	**2,251.5**
Two to three years	798.0	**1,067.3**
More than three years	401.0	**391.4**
Total	34,010.2	**46,801.0**

As of 31 December 2009, the Group had a provision for impairment of RMB449.6 million. The directors of the Company believe that the provision for impairment of the Group is adequate.

The following table sets forth an aging analysis of trade and bills payable as at the end of the reporting period indicated:

	As of 31 December	
	2008	2009
	(RMB million)	
Less than one year	60,887.2	**100,104.4**
One to two years	1,937.1	**2,338.8**
Two to three years	536.6	**430.3**
More than three years	465.4	**349.5**
Total	63,826.3	**103,223.0**

As of 31 December 2009, the Group's trade and bills payable increased to RMB103,223.0 million from RMB63,826.3 million as of 31 December 2008.

7. *Retentions*

As of 31 December 2008 and 31 December 2009, among the Group's trade and bills receivables, retention money receivables amounted to RMB5,557.7 million and RMB6,082.3 million, respectively. As of 31 December 2008 and 31 December 2009, among the Group's trade and bills payables, retention money payables amounted to RMB1,001.9 million and RMB1,242.9 million, respectively.

8. *Prepayments, deposits and other receivables*

The Group's prepayments, deposits and other receivables increased to RMB43,526.6 million as at 31 December 2009 from RMB36,384.9 million as at 31 December 2008.

9. *Provision for early retirement benefits*

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

The Group's obligations in respect of early retirement benefits at the end of the reporting period were computed by an independent actuary, Towers, Perrin, Forster & Crosby, Inc., Hong Kong, which is a member of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method. As of 31 December 2008 and 31 December 2009, the Group's provision for those obligations were RMB6,947.3 million and RMB6,137.7 million, respectively.

10. *Other payables and accruals*

Other payables and accruals included advances from customers, accrued salaries, wages and benefits, other tax payables and others. Advances from customers mainly represented advances received from customers for the construction contracts. Accrued salaries, wages and benefits mainly represented accruals of salaries, bonuses, allowances, housing fund, social insurance and union and education funds. Other tax payables mainly represented business tax and value-added tax payables. Others mainly represented payables to sub-contractors for payments made by the Group, deposits and performance bonds received from subcontractors, payables for the purchases of machinery and equipment and payables for repair and maintenance expenses. As of 31 December 2008 and 31 December 2009, the Group had other payables and accruals of RMB60,958.8 million and RMB71,409.8 million, respectively. The increase in other payables and accruals was primarily due to the increase in customer advances resulting from the enlarged operating scale of the Group. The Group's advances from customers increased from RMB33,889.9 million as of 31 December 2008 to RMB37,443.4 million as of 31 December 2009.

11. *Indebtedness*

(a) Borrowings

The maturity profile of interest-bearing borrowings of the Group as of 31 December 2008 and 31 December 2009 is as follows:

	As of 31 December	
	2008	**2009**
	(RMB million)	
Within one year	16,411.6	**12,579.4**
In the second year	2,024.1	**1,320.0**
In the third to fifth years (both years inclusive)	770.8	**11,749.6**
Beyond five years	2,924.7	**1,064.6**
Total	22,131.2	**26,713.7**

The Group's gearing ratio was 52.5% and 64.0% as of 31 December 2008 and 31 December 2009, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities includes the sum of trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Total equity comprises equity attributable to owners of the Company and minority interests. As at the end of March 2009, guarantees previously provided by CRCCG and its subsidiaries to the Group have been fully released or cancelled. As at 31 December 2008 and 31 December 2009, certain of the Group's interest-bearing bank loans and other borrowings were secured by certain of the Group's assets, details of which are set out in note 33 to the audited consolidated financial statements.

(b) Capital commitments

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

	As of 31 December	
	2008	2009
	(RMB million)	
Contracted, but not provided for:		
Property, plant and equipment	1,931.7	1,329.3
Intangible assets	159.3	—
Acquisition of minority interests in subsidiaries	—	242.0
	2,090.9	1,571.3
Authorized, but not contracted:		
Property, plant and equipment	16,849.8	7,641.1
Properties under development	367.2	351.2
Available-for-sale investment	600.0	1,600.0
	17,816.9	9,592.3

In addition, the Group's share of the jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	As of 31 December	
	2008	2009
	(RMB million)	
Authorised, but not contracted for:		
Acquisition of a subsidiary *(note)*	—	2,205.5

Note:

The Company and Tongling Nonferrous Metals Group Holdings Co., Ltd. ("Tongling Holdings") jointly established CRCC-Tongguan Investment Co., Ltd. ("CRCC-Tongguan") in which each party holds 50% equity interests. CRCC-Tongguan will make an offer to acquire Corriente Resources Inc. ("Corriente"), a Canadian-based junior mining company. On 28 December 2009, the Company, Tongling Holdings, CRCC-Tongguan and Corriente signed a Support Agreement (the "Support Agreement") in relation to the proposed acquisition of Corriente. Pursuant to the Support Agreement, CRCC-Tongguan will make a cash offer to acquire all of Corriente's tradeable common shares in issue and the common shares in relation to the options which have been granted but not yet exercised. As at 31 December 2009, the Company's share of CRCC-Tongguan's capital commitments is approximately RMB2,205,500,000.

12 *Use of Proceeds*

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

The A shares of the Company were listed on the Shanghai Stock Exchange on 10 March 2008, and gross proceeds of RMB22,246.0 million and net proceeds of RMB21,725.7 million were raised. As at 31 December 2009, a cumulative amount of RMB17,471.4 million from the proceeds had been used and the unused proceeds amounted to RMB4,254.3 million, and there was RMB4,428.9 million held in the Company's special account for proceeds (including finance revenue of RMB174.6 million). The application of the Company's proceeds is in line with the proposed uses disclosed in the prospectus issued in relation to the initial public offering of the A shares. A portion of the temporarily unused proceeds is deposited in the Company's special account for proceeds. As at 31 December 2009, specific details in relation to various projects financed by the A share proceeds of the Company are as follows:

Unit: RMB million

Gross proceeds	22,246.00	**Total proceeds used during the reporting period**	302.17
		Total accumulated proceeds used	17,471.35

Projects undertaken	**Whether there is any change in the project**	**Planned investment**	**Actual amount of proceeds applied**	**Unused amount**	**Income generated**	**Whether the project is on schedule**	**Whether in accordance with estimated earnings**
1. Acquisition of equipment for domestic construction projects	No	**10,500.00**	7,412.52	3,087.48	N/A	Note 1	N/A
2. Expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	No	**1,150.00**	583.17	566.83	N/A	Note 2	N/A
3. The project of railway system of China Railway Rail System Group Co., Ltd.	No	**320.00**	320.00	—	131.31	Yes	Yes
4. The project of Changsha Xiu Feng Shan Zhuang	No	**400.00**	400.00	—	N/A	Yes	N/A
5. Shijiazhuang — Wuhan Passenger Railway Line Project	No	**1,500.00**	900.00	600.00	N/A	Note 3	N/A
6. Replenishment of working capital and repayment of loans	No	**7,855.66**	7,855.66	—	N/A	Yes	N/A
Total		**21,725.66**	17,471.35	4,254.31	131.31		

Reasons and procedures for the changes (by specific items)	None
Use and intended use of unused proceeds	RMB4,428.9 million is deposited in a special proceeds account (including: unused proceeds of RMB4,254.3 million and interest income of RMB174.6 million). Of this amount, RMB3,087.5 million will be used for the acquisition of equipment required for domestic construction projects, RMB566.8 million will be used in the expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd., and RMB600 million will be used in the Shijiazhuang- Wuhan Passenger Railway Line Project.

Note 1: At the 2008 annual general meeting of the Company held on 19 June 2009, the resolution to consider and approve "the changes of the use of the H share proceeds" was passed to change the original use of the proceeds for the purchase of equipment for overseas construction projects to "the purchase of equipment inside and outside the PRC for domestic and overseas projects". In order to eliminate the exchange risk of H share proceeds, the Company gave priority to the acquisition of equipment by utilizing H share proceeds in 2009, which led to a decrease in the acquisition of equipment for construction projects by utilizing A share proceeds in 2009 as compared to the planned amount.

Note 2: Due to the impacts of demolition of buildings and relocation of households, delayed delivery of certain core equipment of project and the prolonged rain season in Kunming district in 2008, the construction progress was slowed down. The use of proceeds was also behind schedule as the post construction payment cycle of phase I of the project is delayed.

Note 3: Pursuant to the relevant agreement entered into between the Company and other shareholders of the project company, the amount of capital invested by shareholders shall be delivered simultaneously in proportion to their respective equity interest. As resolved at the general meeting of the project company, an investment amount of RMB900 million was required to be invested in this project by utilising the proceeds raised as at 31 December 2009.

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

The Company's H shares were listed on the Hong Kong Stock Exchange in 2008 and the Company raised a total net proceeds equivalent to RMB17,358.6 million. As at 31 December 2009, an aggregate of proceeds equivalent to RMB12,503.1 million raised by H shares had been used, an aggregate of net foreign exchange losses (after crediting interest received) equivalent to RMB187.7 million were incurred, and the amount of unused proceeds raised by H shares was equivalent to RMB4,667.8 million. At the 2008 annual general meeting of the Company held on 19 June 2009, the resolution to consider and approve "the changes of the use of the H share proceeds" was passed to change the original use of the proceeds for the purchase of equipment for overseas construction projects to "the purchase of equipment inside and outside the PRC for domestic and overseas projects", an amount of proceeds equivalent to approximately RMB10 billion was proposed to be remitted into the PRC, and up to RMB2 billion of the unused H share proceeds was proposed to be temporarily used as working capital for a period of up to six months. The Company transferred RMB2 billion from the overseas special account for H share proceeds to the working capital account on 19 June 2009 for temporarily replenishment of working capital and return the same to the overseas special account for H share proceeds on 18 December 2009. A portion of the temporarily unused proceeds is deposited in the Company's special account for proceeds. As at 31 December 2009, specific details in relation to investments in projects financed by the proceeds of the H share of the Company were as follows:

Unit: RMB million

Projects	Whether there is any change in the project	Planned investment	Actual amount of proceeds applied	Unused amount	Whether in accordance with planned progress	Whether in accordance with estimated earnings
1. Purchase of equipment	Yes	14,107.63	10,767.25	3,340.38	Note 1	N/A
2. Cement plant in Nigeria	No	1,515.10	—	1,515.10	Note 2	N/A
3. Replenishment of working capital	No	1,735.86	1,735.86	—	Yes	N/A
4. Foreign exchange gains or loss and interest (loss is expressed by "–")		—	—	–187.65		
Total		17,358.59	12,503.11	4,667.83		

Note 1: According to the plan on the use of H share proceeds as disclosed in the Prospectus in relation to the initial public offering of H shares by the Company and Resolution of the changes of the use of the H share proceeds considered and approved on the 2008 annual general meeting, approximately 81.27% of the H share proceeds will be used for acquisition of equipment, which is expected to be completed in two to three years from the public offering of H shares. As at 31 December 2009, the actual investment amount of the project represented 76.32% of the investment amount undertaken prior the share issue, which was in line with the expected progress.

Note 2: Due to the impact of the global financial crisis, and other factors, the cement plant project in Nigeria has not been implemented for the time being.

Pursuant to the resolution of the 2008 annual general meeting and the approval from the State Administration of Foreign Exchange, the Company had remitted HK$11.4 billion out of the proceeds raised from H share offering to the PRC in different batches since 28 July 2009 and the funds were deposited in the domestic special account for H share proceeds. As at 31 December 2009, an amount of approximately RMB8,006.8 million had been used.

13. *Actual progress of and gains from substantial projects not funded by raised proceeds*

(1) The rebuilding and expansion project for the Kunming Main City Southeast Second-Ring Highway System(昆明市主城東南二環快速系統改擴建工程)

The project has been completed and open for traffic on 28 September 2009. The inspection, transfer, settlement and audit for the project are in progress.

(2) The Project of the bridges of lower reach of Changjiang in Yudong, Chongqing (Phase 2)(重慶魚洞長江大橋下游幅橋(二期工程)項目)

Pursuant to the resolution passed at the 12th meeting of the first session of the Board in 2009, the Company invested in construction of the bridges of lower reach of Changjiang in Yudong, Chongqing (Phase 2) in the form of BT. The total contract value is RMB457.85 million. In 2009, the Company invested RMB143.69 million in the project.

(3) Beijing-Shanghai Expressway, Leling (Shandong) to Jinan section BOT Project(京滬高速公路樂陵(魯冀界)至濟南段BOT項目)

Pursuant to the resolution passed at the 21st meeting of the first session of the Board, the Company was approved to invest in Beijing-Shanghai Expressway, Leling (Shandong) to Jinan section project by way of BOT. The total project investment is estimated at approximately RMB7 billion, with project capital no less than 25% of the total investment, to which 65% is contributed by the Company, and the rest 35% by Road Bureau of Shandong Provincial Administration of Traffic and Transportation (山東省交通運輸廳公路局). During the reporting period, the Company contributed RMB229.8 million to the capital of CRCC Shangdong Beijing-Shanghai Expressway Jile Company Limited (中鐵建山東京滬高速公路濟樂有限公司).

(4) Additional investment in Shiwu Passenger Railway Line(石武鐵路客運專線)

At the 18th meeting of the first session of the Board held in 2009, the resolution on increasing investment in Shiwu Passenger Railway Line was considered and passed. It was agreed that, on the basis of an investment amount of RMB1.5 billion originally undertaken, the Company will increase its contribution to Beijing-Guangzhou Passenger Railway Henan Company Limited (京廣客運專線河南有限公司) ("BGPRHC") by RMB1 billion with its own funds as an equity investment, which will be used in the construction of the Beijing-Guangzhou Shijiazhuang-Wuhan Passenger Railway Line Project (京廣客運專線石家莊至武漢客運專線項目). Upon completion of the aforesaid investments, the Company's capital injection in BGPRHC will amount to RMB2.5 billion, representing approximately 8.12% of its total capital. As at the end of the reporting period, the Company invested an aggregate amount of RMB900 million in BGPRHC.

(5) Establishment of CRCC-Tongguan Investment Co., Ltd.（中鐵建銅冠投資有限公司）

Pursuant to the resolution passed at the 25th meeting of the first session of the Board, in order to jointly acquire Corriente Resources Inc., a Canadian-based junior mining company, the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd. jointly established CRCC-Tongguan Investment Co., Ltd. ("CRCC-Tongguan") on 10 December 2009 with a registered capital of RMB2 billion. CRCC-Tongguan is held as to 50% by each of the Company and Tongling Holdings. As at the end of the reporting period, the Company had invested capital of RMB1 billion.

(6) Additional capital injection into CCECC-BEYOND International Investment Development Co., Ltd.（中土北亞國際投資發展有限公司增資）

Pursuant to the resolution passed at shareholders' meeting of CCECC-BEYOND International Investment & Development Co., Ltd. ("CCECC-BEYOND") on 22 September 2009 which engaged in the development, operation and management of the Lekki Free Trade Zone in Lagos, Nigeria（尼日利亞拉格斯州萊基自貿區）, the registered capital of CCECC-BEYOND was increased to RMB200 million. During the reporting period, the Company and China Civil Engineering Construction Corporation invested an aggregate of RMB105 million into the capital of CCECC-BEYOND. As at 31 December 2009, the Group's direct and indirect equity interests in CCECC-BEYOND increased to 65%.

14. *Litigations and other proceedings*

The Group is involved in a number of legal proceedings and claims against either the Group or its subsidiaries in the ordinary course of business. The provisions regarding these proceedings and claims were approximately RMB2.2 million as at 31 December 2009, based on the best estimates of the Company's management.

15. *Risk of foreign exchange*

Since the business of the Group is mainly carried out in the PRC, the income, expenditure and over 90% of the financial assets and financial liabilities of the Group are denominated in Renminbi. Besides, in order to reduce foreign exchange risk, the Company remitted certain of the proceeds raised from H Shares offering equivalent to approximately RMB10 billion into China for conversion into Renminbi, converted foreign currency income from construction work as early as possible and appropriately increased foreign currency borrowings based on future income from construction works.

16. *Financial risks*

The Group is exposed to various types of financial risks in the ordinary course of business, including fair value risk, cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk, details of which are set out in note 47 to the audited consolidated financial statements.

17. *Property valuation*

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

4. PROSPECTS

1. Industry Trends and Opportunities

China has successfully withstood the adverse impact of the global financial crisis in 2009, effectively curbed the downturn in growth of national economy and became the first to see overall economic recovery. The overall environment for economic growth in 2010 will be better than that in 2009 as China will continue to maintain the continuity and stability of macroeconomic policies and to implement its positive fiscal policy and moderately loose monetary policy. As far as the domestic and overseas economic development and the development trends in infrastructure construction markets are concerned, there exist a number of favorable factors as well as tests and challenges. On the whole, however, we will see more opportunities than challenges.

Railway industry Currently, the railway development in China is still at a god-given development stage. As a developing country, China' regional imbalances in economic development and the accelerated industrialization and urbanization establish a rigid demand for railway transportation, which bring a huge development potential for railway construction. The Ministry of Railways of the PRC has planned to invest approximately RMB823,500 million in fixed assets in 2010 with approximately RMB700,000 million for infrastructure construction. 70 new projects have been put into construction and the preliminary work of ten significant projects have been accelerated to ensure the commencement of construction with the year. All these not only provides a strong support to the Group for further market development, expanding into emerging markets, promoting innovative operation, transforming project management mode and enhancing lean management, but also lays a good foundation for the Group to implement strategic transformation and speed up industrial restructuring and upgrading.

Highway industry In 2010, the transportation industry will actively implement a number of stimulus plans for expanding domestic demand and boosting economic growth and take other relevant measures so as to enhance the building of national highway networks, and as a result, large-scale highway construction will remain as the focus.

Metropolitan railway industry Currently, 25 cities in the PRC have obtained official approvals for metropolitan railway construction. It is expected that 87 rail transit lines with a total mileage up to 2,495 kilometers will be built in the country by around 2015, with a total investment of up to about RMB1 trillion. The construction of metropolitan railway lines will maintain rapid development in 2010, and metropolitan railway lines of over 500 kilometers with an estimated construction and installation contract value of about RMB160 billion will commence construction in China within the year.

Manufacturing industry According to China's railway construction planning, its operating mileage of railways, especially that of the passenger lines, will continue to increase, and the electrification rate will rose significantly in the coming few years. Given the continuous and long-term nature of investment in railway construction, the market demand for railway construction equipment and railway products will significantly increase, and a long-term huge market for the manufacturing and repairing of railway maintenance machinery and the railway maintenance and overhaul services will take shape, thus bringing good opportunities to the Group's manufacturing segment.

Logistics industry The developing opportunities in the railway industry are unprecedented, which poses long-term and huge rigid demands for the supply of steel, cement and other construction materials as well as huge demands for logistics services at various stages such as tender agent, warehousing, transportation and further processing. China Railway Goods and Materials Co., Ltd., a subsidiary of the Company, is the largest railway construction logistics service provider in the world and the second largest railway materials supplier and the largest steel rail supplier for metropolitan railway in China, and hence the strong development of railway and metropolitan railway industry will create broad growth prospects for the Group's logistics businesses.

Overseas markets In the past year, the massive stimulus packages launched by governments of various countries have achieved satisfactory results, and the economies of oil-producing states such as Africa and the Middle East gradually returned to the upward track as a result of the rebounce in energy prices. With the overall recovery of the global economy, demand in overseas construction markets will gradually grow. On the other hand, China's railway design and construction techniques continue to mature and improve, and in particular, those for express railways have made remarkable achievements with great international influence. As the role of railway transportation in improving productivity, reducing cost and promoting sustainable development has been gradually recognized by the rest of the world, many countries hope to enhance exchange and cooperation in railway technology with China. China's railway industry has made great progress in implementing the "Going overseas" strategy and is close to establish a landscape of all-round international exchanges and cooperation. Therefore, the overseas business environment in which the Group operates will be substantially improved.

2. *Challenges and Risks Faced by the Company*

(1) Industry risks

From a macro-economic perspective, the major risk faced by the Group is the relatively large reliance on the State's investment in transportation and infrastructure sectors. The State government's judgments on the national economic conditions and expectations on the economic development trends together with the utilization status of existing infrastructures and the expected needs for future expansion, may result in changes in public budget for infrastructure development, especially in the investment scale in transport infrastructure such as highways and railways, and in the outsourcing volume of infrastructure construction projects by the government bodies, which may pose an adverse impact on the Group's business volume.

(2) Competition risks

The increase in the marketization level of railway construction sector in China will lead to more market competition, which will pose some challenges to the market share of the Company.

(3) Operational risks

First, the Company has relatively limited bargaining power in undertaking government-invested projects. Second, the actual risks and costs incurred during the performance of a contract may exceed the risk expectations. Third, the cash flows of the Company are to a considerable extent affected by the progress of advances, progress payments and final payments for contract work from customers.

(4) Currency risk

The Company is exposed to a certain exchange risk as its foreign currency balance and transactions denominated in foreign currency continued to increase along with the growth of its overseas businesses.

3. *Operation Plan for 2010 and Measures to Be Taken*

The Group's operation plan for 2010 is to achieve a new contract amount of RMB613.3 billion, and to achieve revenue of RMB400 billion.

In order to achieve the above goals, the Group sets the following general operation requirements for 2010 based on its analysis and judgment on external conditions and its actual conditions: continue to seize the opportunities to ensure growth, develop science for transformation, focus on improving both the quality of enterprise development and the performance, emphasize market development and management of construction in progress, strive to carry forward industrial restructuring and technical innovation, fully implement lean management, speed up the transformation of economic growth mode and step up the scientific development of the Group. First, we will put more efforts in market development so as to further tap domestic market, strengthen overseas operations and promote business innovation. Second, we will further consolidate lean management by proper efforts in the "third operation"（三次經營）, transforming project management mode, endeavoring to raise the overall budget management and enhancing and improving performance evaluation, so as to improve the quality and efficiency of our operation. Third, we will put more efforts in industrial restructuring, strengthen strategic mergers and acquisitions and reorganization, strengthen and expand business segments, actively and prudently carry out capital operations and accelerate corporate strategic transformation. Fourth, we will further emphasize technical innovation, enhance and accelerate technical innovation in construction and industrial manufacturing fields and build a sound scientific research and innovation system. Fifth, we will pay more attention to establishment of information technology so as to achieve standardization and promote modern management, thus improving the Group's management standard and core competence.

4. *Capital Requirement and Capital Use Plan*

In order to achieve the business goals for 2010 and serve the needs for working capital and equipment purchase for domestic and overseas construction projects, expanding the Company's production capacity of road maintenance machinery, establishing production capacity of rail products and adapting to the development of railway logistics business as well as the needs for further expanding the Group's real estate and capital operation segments, the Company will ensure to meet the capital requirement for our operations in 2010 through internal resources, raised proceeds, bank loans and bank acceptances and by way of issues of medium-term notes.

Report of Directors

The Board hereby presents the Report of Directors and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL OPERATIONS

The Group is principally engaged in construction operations, survey, design and consultancy operations, manufacturing operations, logistics and materials trading, capital investment operations, real estate development, exploitation of mineral resources, etc.

FINANCIAL HIGHLIGHTS

Annual results of the Group for the year ended 31 December 2009 are set out in the Consolidated Income Statement on page 83. The financial highlights of the Group for the most recent five financial years as set out on page 198 are extracted from the annual reports of the corresponding financial years and the prospectus issued by the Company on 29 February 2008 in respect of the global offering of its H shares ("Prospectus").

DIVIDENDS

The Board recommends the payment of a final dividend in cash of RMB1.6 per 10 shares (including tax) for the year ended 31 December 2009, on the basis of total share capital (12,337,541,500 shares) of the Company as at 31 December 2009. The final dividend proposed is subject to the approval by the Shareholders at the annual general meeting. If approved, the Company will further announce the arrangement for the distribution of dividends, including the record date for distribution of dividend and the closure of H shares register of members.

The Company did not pay any interim dividend for the six months ended 30 June 2009.

TAXATION ON DIVIDEND

In accordance with the relevant regulations on taxation in the PRC, foreign individuals holding H shares are exempted from paying individual income tax for dividends (bonus) obtained from companies incorporated in the PRC issuing H shares. When a PRC enterprise distributes annual dividends for the year 2008 and years thereafter to their H share shareholders who are overseas non-resident enterprises (including any H shares registered under the name of HKSCC Nominees Limited, other institutional nominees, trustees, or other organizations or groups, shall be treated as shares being held by a non-resident enterprise shareholder), enterprise income tax shall be withheld at a uniform rate of 10% by the relevant PRC enterprise.

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

SHARE CAPITAL

Details of share capital of the Company are set out in note 38 to the audited consolidated financial statements.

In 2009, none of the Company or its subsidiaries had issued any convertible or redeemable securities, options, warrants or any other similar rights.

RESERVES

Changes to reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity from pages 87 to 88 and note 39 to the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to Article 184 of the Articles of Association, the reserves available for distribution during a period is the lower of the amounts as shown in financial statements prepared in accordance with PRC generally acceptable accounting principles and International Financial Reporting Standards. In accordance with the PRC Company Law, the profits after tax may be distributed as dividends after the Company has set aside funds for statutory reserves. As at 31 December 2009, the Company had a distributable reserve of approximately RMB4.32 billion.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2009, the Group had no designated deposits placed with any financial institution in China, nor any time deposit which could not be recovered upon maturity.

PRE-EMPTIVE RIGHTS

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

LITIGATIONS AND CONTINGENT LIABILITIES

(a) Material litigations

1. The litigation commenced by China Railway Construction Group Ltd. (hereinafter "China Railway Construction Group"), a wholly-owned subsidiary of the Company, against Beijing Tongcheng Jinhai Real Estate Company Limited (北京通程金海置業發展有限公司) (hereinafter "Tongcheng Jinhai") in respect of a dispute concerning the default in construction payment was disclosed in the Company's annual report for 2007. As at the end of the reporting period, Tongcheng Jinhai already paid RMB95 million to China Railway Construction Group in accordance with the Agreement Concerning the Implementation of Settlement (《執行和解協議》), while the balance of RMB15 million has not yet paid.

2. The litigation commenced by China Railway Construction Group against Beijing Zhongguancun Software Education Investment Company Limited (北京中關村軟體教育投資有限公司) (hereinafter "Zhongguancun Software Company") in respect of a dispute concerning the default in construction payment was disclosed in the Company's annual report for 2007. The parties entered into a Settlement Agreement (《結算協議書》) on 22 July 2009, pursuant to which Zhongguancun Software Company should pay China Railway Construction Group an amount of RMB45.9383 million. As at the end of the reporting period, the above payment was fully settled and the case was closed already.

3. As at the end of the reporting period, no further progress was made to the litigation commenced by China Railway 14th Bureau Group Co., Ltd., a wholly-owned subsidiary of the Company, against China Group Real Estate Development Group Jinan Junan Construction Company Limited (中國房地產開發集團濟南軍安工程有限公司) in respect of a dispute concerning the default in construction payment.

4. During the reporting period, no material litigations or arbitrations involving an amount of over RMB10 million and accounting for more than 10% of the absolute value of the latest audited net assets of the Company occurred within the Group. The aggregate amount of the litigations and arbitrations arisen over 12 consecutive months did not meet the above standard as well.

(b) Contingent liabilities

Details of the Company's contingent liabilities are set out in Note 41 to the audited consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

SERVICE CONTRACTS AND REMUNERATION OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors entered into a service contract with the Company for a term of three years. None of the Directors and Supervisors had entered into service contract with the Company which could not be terminated by the employer without compensation (other than statutory compensation) within one year. Remuneration of Directors and Supervisors and details of the five persons with the highest remuneration are set out in note 10 to the financial statements in this annual report. For the year ended 31 December 2009, none of the Directors and Supervisors of the Company waived or agreed to waive any remuneration.

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

For the year ended 31 December 2009, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong) which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified by the directors and supervisors to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2009, neither the Company nor its subsidiaries had entered into any contracts in which any Director or Supervisor had a material interest, whether directly or indirectly. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

EMPLOYEES AND RETIREMENT PLAN

As at 31 December 2009, the Group had 209,103 employees. Employees' emolument includes salary, performance bonus and allowance. Employees of the Company also receive welfare benefits including pension insurance, medical insurance, unemployment insurance, workplace injury insurance, maternity insurance, housing fund and other benefits.

According to the applicable PRC laws and regulations, the premiums for pension insurance and unemployment insurance are contributed strictly pursuant to the PRC national, provincial and municipal regulations, among which basic pension insurance is contributed according to the national standard of 8% by the employee and 14% to 22% by the employer. Employees contribute 0.2% to 1% and employer must pay a corresponding rate of 1% to 3% of their wages to unemployment insurance. Workplace injury insurance rates vary with different industries, ranging from 0.3% to 2% of employees' wages. The contribution rate for medical insurance and maternity insurance are subject to local regulations.

SHARE CAPITAL STRUCTURE

As at 31 December 2009, share capital structure of the Company was as follows:

Shareholders	Nature	Number of shares	Approximate percentage of share capital in issue %
CRCCG	A share *(Note 1)*	7,566,245,500 *(Note 2)*	61.33
National Council for Social Security Fund	A share *(Note 3)*	245,000,000	1.98
Public holders of A shares	A share	2,450,000,000	19.86
Public holders of H shares	H share *(Note 4)*	2,076,296,000	16.83
Total		12,337,541,500	100.00

Notes:

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

2. In accordance with relevant requirements regarding the reduction in state-owned shareholdings, CRCCG transferred 245,000,000 state-owned shares to National Council for Social Security Fund on 22 September 2009. Upon the transfer of shares, the A shares of the Company held by CRCCG decreased to 7,566,245,500 shares.

3. The lock-up period for 245,000,000 A shares (state-owned legal person shares) which were transferred by CRCCG to National Council for Social Security Fund under the reduction of state-owned shares as stated above will end on 10 March 2014.

4. Including the H shares held by National Council for Social Security Fund.

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

As at 31 December 2009, particulars of the top 10 Shareholders and the top 10 holders of tradable shares were as follows:

Total number of Shareholders at the end of the reporting period 339,166

Particulars of the top 10 Shareholders (shareholders holding over 5% of equity interest):

Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
CRCCG	State-owned shares	61.33%	7,566,245,500	–245,000,000	7,566,245,500	—
HKSCC Nominees Limited	Overseas listed foreign invested shares	16.65%	2,054,144,882	57,882	—	Unknown
National Council for Social Security Fund (全國社會保障基金理事會轉持三戶)	Stated-owned legal person shares	1.98%	245,000,000	245,000,000	245,000,000	Unknown
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	Other	0.37%	45,499,901	23,999,901	—	Unknown
Industrial and Commercial Bank of China — Southern Securities Investment Fund for Stocks with Good Performance and Growth (中國工商銀行 — 南方績優成長股票型證券投資基金)	Other	0.33%	41,329,148	4,047,901	—	Unknown
Industrial and Commercial Bank of China — Southern Longyuan Industrial Theme Equity Securities Investment Fund (中國工商銀行 — 南方隆元產業主題股票型證券投資基金)	Other	0.24%	30,035,051	New	—	Unknown
Industrial and Commercial Bank of China — SSE 50 Trading Open-end Index Securities Investment Fund (中國工商銀行 — 上證50交易型開放式指數證券投資基金)	Other	0.24%	29,570,996	16,571,040	—	Unknown
Industrial and Commercial Bank of China — Guangfa Strategic Selected Mixed Equity Investment Fund (中國工商銀行 — 廣發策略優選混合型證券投資基金)	Other	0.19%	23,799,671	17,397,719	—	Unknown
Bank of China — Dacheng Blue Chip Steady Securities Investment Fund (中國銀行 — 大成藍籌穩健證券投資基金)	Other	0.18%	22,099,781	New	—	Unknown
China Construction Bank — Guotai Jinma Stable Returns Securities Investment Fund (中國建設銀行 — 國泰金馬穩健回報證券投資基金)	Other	0.17%	21,116,422	New	—	Unknown

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

Name of Shareholder	Number of shares not subject to trading moratorium at end of the period	Type of shares
HKSCC Nominees Limited	2,054,144,882	H
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	45,499,901	A
Industrial and Commercial Bank of China — Southern Securities Investment Fund for Stocks with Good Performance and Growth (中國工商銀行－南方績優成長股票型證券投資基金)	41,329,148	A
Industrial and Commercial Bank of China — Southern Longyuan Industrial Theme Equity Securities Investment Fund (中國工商銀行－南方隆元產業主題股票型證券投資基金)	30,035,051	A
Industrial and Commercial Bank of China — SSE 50 Trading Open-end Index Securities Investment Fund (中國工商銀行－上證50交易型開放式指數證券投資基金)	29,570,996	A
Industrial and Commercial Bank of China — Guangfa Strategic Selected Mixed Equity Investment Fund (中國工商銀行－廣發策略優選混合型證券投資基金)	23,799,671	A
Bank of China — Dacheng Blue Chip Steady Securities Investment Fund (中國銀行－大成藍籌穩健證券投資基金)	22,099,781	A
China Constuction Bank — Guotai Jinma Stable Returns Securities Investment Fund (中國建設銀行－國泰金馬穩健回報證券投資基金)	21,116,422	A
Bank of China — Jia Shi Hu Shen 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	20,032,629	A
China Life Insurance (Group) Company — Traditional — Ordinary Insurance Product (中國人壽保險(集團)公司－傳統－普通保險產品)	16,853,634	A

Explanations of the connected relationship or concerted action among the above Shareholders	Among the above shareholders, Southern Securities Investment Fund for Stocks with Good Performance and Growth and Southern Longyuan Industrial Theme Equity Securities Investment Fund are both managed by Southern Fund Management Co., Ltd.. The Company has no information on whether there is any connected relationship among other Shareholders or whether such shareholders are parties acting in concert as defined under the Management Methods on Disclosure of Changes in Shareholding of Listed Companies (《上市公司股東持股變動信息披露管理辦法》).

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

As at 31 December 2009, other than HKSCC Nominees Limited, CRCCG was the only Shareholder holding 10% or more of the total issued shares.

PUBLIC FLOAT

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

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

SUBSTANTIAL SHAREHOLDER

So far as the directors of the Company are aware, as at 31 December 2009, the persons who have interests or short positions in the shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholder	Class of shares	Capacity	Numbers of shares held (Note 2)		Percentage in relevant class of issued share capital	Percentage in total share capital
CRCCG	A shares	Beneficial owner	7,566,245,500		73.74%	61.33%
The Capital Group Companies, Inc.	H shares	Investment manager	189,383,200 (Note 3)	(L)	9.12%	1.54%
National Social Security Fund (Note 1)	H shares	Beneficial owner	188,754,500	(L)	9.09%	1.53%
	A shares	Beneficial owner	245,000,000		2.39%	1.98%
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager, trustee	147,636,231	(L)	7.11%	1.20%
			2,458,500	(S)	0.12%	0.02%
			102,977,731 (Note 4)	(P)	4.96%	0.83%

Notes:

1. As at 31 December 2009, National Council for Social Security Fund in aggregate held 188,754,500 H shares and 245,000,000 A shares, in which 245,000,000 A shares were transferred from CRCCG to the National Council for Social Security Fund in accordance with relevant requirements under the "Implementation Measure for the Transfer of Part of the State-owned Shares to the National Council for Social Security Fund in Domestic Securities Market (Cai Qi [2009] No. 94)" (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the "Announcement of Four Authorities in relation to the Implementation of Policy on the Transfer of State-owned Shares in Domestic Securities Market " (announcement no. 63 of 2009) (《四部門關於境內證券市場實施國有股轉持政策公告》(2009年第63號)) jointly issued by the four departments, namely Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund. That portion of A shares were transferred to the account of National Council for Social Security Fund on 22 September 2009.

2. L – long positions; S – short positions; P – lending pool.

3. As at 31 December 2009, JPMorgan Chase & Co. held long positions in an aggregate of 147,636,231 H shares in the Company, through some of its controlled corporations.

4. As at 31 December 2009, The Capital Group Companies, Inc. held long positions in an aggregate of 189,383,200 H shares in the Company, through some of its controlled corporations.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

In 2009, the Company did not redeem any of its shares. In 2009, none of the Company or its subsidiaries purchased or disposed of any shares in the Company.

MANAGEMENT CONTRACT

There was no management or administration contract in respect of all of, or substantial part of, the Company's business during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the purchase from the largest supplier accounted for approximately 0.6% of the Group's total cost of sales, and the purchase from the top five suppliers accounted for approximately 1% of the total cost of sales for construction operations of the Group.

For the year ended 31 December 2009, the sales to the largest customer of construction operations accounted for approximately 5.8% of the Group revenue of the Company, and the sales to the top five customers of construction operations accounted for approximately 15.9% of the segment's revenue of the Group in 2009.

At any time of 2009, none of Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing Shareholders who held, as to the knowledge of Directors, 5% or more of the Group's issued share capital held any interest in the five largest suppliers or customers of the Group.

CONNECTED TRANSACTIONS

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

Non-exempt continuing connected transactions

(1) Continuing connected transactions contemplated under Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement entered into between the Company and CRCCG

CRCCG, being the sole promoter of the Company and currently holding 61.33% equity interest in the Company, retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these operations continued to provide ancillary construction survey and supervisory services to the Company and/or its subsidiaries. In addition, certain subsidiaries of the Company have been providing survey, design and supervisory services as well as construction services to CRCCG for the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC commencing from 2005 (all construction services were completed in 2009). In order to regulate the provision of the above services between the Company and/or its subsidiaries and CRCCG, the Company and CRCCG entered into a Services Mutual Provision Framework Agreement on 5 November 2007 (as supplemented by a supplemental agreement dated 29 January 2008) and determined relevant annual caps for the continuing connected transactions contemplated thereunder.

In the process of the restructuring and listing of the Company, CRCCG retained the equity interests in the project companies of five BOT projects ("Retained BOT Projects"), namely, Chongqing Tiefa Suiyu Highway Co., Ltd., Nanjing Changjiang Tunnel Co., Ltd., Beijing Tongda Jingcheng Highway Co., Ltd., Xianyang Zhongtie Road and Bridge Co., Ltd. and Guangdong Chaojie Highway Co., Ltd.. Following the listing of its H shares on the Hong Kong Stock Exchange, the Company continued to provide construction services and related services such as construction, survey, design and supervision services for some Retained BOT Projects. In order to regulate the business relationship between the Company and/or its subsidiaries and the Retained BOT Projects of CRCC, the Company and CRCCG entered into a Construction and Related Services Framework Agreement on 5 November 2007 (as supplemented by a supplemental agreement dated 29 January 2008) and determined relevant annual caps for the continuing connected transactions contemplated thereunder.

According to the Company's disclosure in the Prospectus, the construction of the office building of CRCCG was to be completed at the end of 2008. However, when the construction of the office building of CRCCG was completed and the Company moved in since July 2008, certain fitting out works and part of the underground car park projects were not yet completed and were still in progress. At the same time, due to further renovation and installation of new equipment to certain parts of the building upon actual occupation, construction was prolonged and the total amount of the contracts exceeded the original amount of the contracts. The original 2009 annual cap as disclosed in the Prospectus was unable to meet the requirements of the Group. In addition, as the PRC Government has increased investments in new construction and renovation projects of railways to stimulate domestic demand and the Ministry of Railways has shortened the scheduled construction periods of some railway construction projects which resulted in an acceleration of the work progress, causing an increase in the provision of ancillary services by CRCCG to the Group. As China Railway First Survey and Design Institute and China Railway Fourth Survey and Design Institute, both wholly-owned subsidiaries of the Company, have won the bids for the preliminary construction for some of the new or renovation projects, this has in turn led to an increase in the demand for ancillary services by China Railway First Survey and Design Institute and China Railway Fourth Survey and Design Institute from the ancillary operations of CRCCG. Accordingly, the Company published an announcement on 30 June 2009 in relation to the revision of the 2009 annual caps with respect to the provision of construction services by the Company to CRCCG in respect of the office building of CRCCG and the 2009 annual cap with respect to the provision of ancillary services by CRCCG (and/or its associates) to the Company contemplated under the Services Mutual Provision Framework Agreement.

For the year ended 31 December 2009, the approved annual caps and actual revenue or expenditure of the non-exempted continuing connected transactions contemplated under the Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement above by the Company and CRCCG, the controlling shareholder and connected person of the Company, and/or its associates are set out below:

Nature of transaction	2009 annual cap as stated in the Prospectus	Revised 2009 annual cap	Aggregate transaction amount of the Group for 2009
		(RMB'000)	
Revenue			
1 Provision of construction service for the office building of CRCCG by the Company and/or its subsidiaries	—	60,000	52,564
2 Provision of construction and related service to some Retained BOT Projects of CRCCG by the Company and/or its subsidiaries	900,000	—	661,492
Expenditure			
3 Provision of services by CRCCG (or its associates) to the Company and/or its subsidiaries	200,000	1,000,000	737,475

(2) Renewal of Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement

As the Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement and their respective supplementary agreements will expire on 31 October 2010 and the annual caps of the continuing connected transactions determined by the Company respectively in the above framework agreements entered into in 2007 will expire on 31 December 2009, in order to regulate such continuing connected transactions, on 28 December 2009, the Company and CRCCG renewed such framework agreements on the same terms and conditions for a term from 1 January 2010 to 31 December 2012 (the original Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement and their respective agreements shall be terminated on the effective date of the renewal of the above framework agreements), and determined the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2012, provided that under the Services Mutual Provision Framework Agreement, the following provision:

- The Company will continue to provide the minor construction services to finalize the construction of the office building of CRCCG at Fuxing Road, Beijing, the PRC.

shall be revised as:

- The Company will provide construction and related services in respect of the engineering technology research and development base of CRCCG (Research Building) to CRCCG until the completion of such construction project,

due to the reason that the construction services in respect of the office building of CRCCG provided by the Company to CRCCG was completed in 2009.

The Research Building of CRCCG is located in Haidian District, Beijing, with a total gross floor area of approximately 54,002m^2. The Company estimates that the main construction work of the new Research Building will commence in the first half of 2010, and relevant preparations and preliminary constructions have been initiated since September 2009. The Research Building will be used as the engineering technology research and development base of CRCCG upon completion of construction. Upon renewal of the Services Mutual Provision Framework Agreement, the Company will enter into specific contract with CRCCG in respect of the construction services of the Research Building.

Set out below are proposed annual caps of the continuing connected transactions under the Services Mutual Provision Framework Agreement and Construction and Related Services Framework Agreement for the three years ending 31 December 2012:

Nature of transaction	**2010**	**2011** *(RMB million)*	**2012**
Expenditure			
Expenditure incurred by the Group in respect of the services provided by CRCCG (or its associates) under Services Mutual Provision Framework Agreement	800	600	600
Revenue			
Revenue recognized by the Group for provision of construction and related services in respect of the Research Building to CRCCG under Services Mutual Provision Framework Agreement	300	500	200
Revenue recognized by the Group for provision of construction and related services in respect of the Retained BOT Projects to CRCCG under Construction and Related Services Framework Agreement	800	200	200

The above proposed annual caps of the continuing connected transactions are determined based on the estimated amount of transactions involved with reference to the historical transaction volumes.

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

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

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

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

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

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

1. the transactions have been approved by the Board;

2. the sample transactions have been entered into in accordance with the pricing policies of the Company and its subsidiaries;

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

4. the actual value of the transactions in 2009 had not exceeded the respective annual caps as disclosed by the Company in the Prospectus or the announcement dated 30 June 2009.

Non-exempted connected transaction

On 5 January 2009, China Railway Rail System Group Co., Ltd. ("CRRS"), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CRCCG in respect of the acquisition of 100% equity interest in Longchang Railway Materials Factory at a consideration of RMB56,343,300. CRCCG is the controlling shareholder of the Company and a connected person of the Company under the Hong Kong Listing Rules. CRRS is a wholly-owned subsidiary of the Company. Accordingly, the aforesaid transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

The major terms of the Equity Transfer Agreement entered into between CRRS and CRCCG are as follows:

Parties:	CRCCG (as transferor) CRRS (as transferee)
Date:	5 January 2009
Acquisition target:	100% equity interests held by the transferor in Longchang Railway Materials Factory
Consideration:	RMB56,343,300, which was determined based on the result of the open tender process at China Beijing Equity Exchange
Payment terms:	Consideration shall be payable in cash in one tranche within five days after the Equity Transfer Agreement becomes effective
Conditions precedent of the equity transfer:	1. Completion of the open tender process in relation to the equity transfer under the Equity Transfer Agreement at China Beijing Equity Exchange by the transferor according to relevant laws, regulations and policies 2. Completion of relevant approval or authorization procedures by the transferee according to relevant laws and the Articles of Association

The acquisition of 100% equity interest in Longchang Railway Materials Factory will effectively optimize the industrial chain and rail-related products, and accommodate the needs for the high speed development of railways. As Longchang Railway Materials Factory is primarily engaged in the production of rail fastener, its acquisition by the Company could effectively optimize the industry chain and manufacturing of comprehensive rail-related products and thus would be beneficial to the Group's long term development. The acquisition will avoid potential competition between the Company and its controlling shareholder in future, thereby facilitating the Company's development and protecting the Shareholders' interests. The acquisition will streamline the management relationship between Longchang Railway Materials Factory and the Company, and reduce potential connected transactions of the Company. Relevant announcement in respect of the transaction was published on the website of the Hong Kong Stock Exchange by the Company on 6 January 2009.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

CRCCG confirmed that during 2009, it had not breached its undertakings under the non-competition agreement entered into with the Company on 5 November 2007.

DONATION

During the reporting period, charitable and other donations made by the Group aggregated approximately RMB10.7 million.

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

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

MAJOR EVENTS

1. ASSETS TRANSACTIONS

(1) Assets acquisitions

On 3 January 2009, China Railway Real Estate Group Co., Ltd. ("China Railway Real Estate"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Beijing Zhonglianya Real Estate Development Co., Ltd. ("Zhonglianya'), pursuant to which Zhonglianya transferred 100% equity interests in Beijing Sixth Continent Real Estate Development Co., Ltd. (the "Sixth Continent") held by it to China Railway Real Estate at a consideration of RMB834.3 million. Upon subsequent friendly negotiation between China Railway Real Estate and Zhonglianya, the parties agreed to the acquisition of 100% equity interests in the Sixth Continent by China Railway Real Estate at RMB760.1 million. As at 31 December 2009, China Railway Real Estate already settled all the considerations of the acquisition and acquired 100% equity interests in the Sixth Continent.

(2) Assets disposals

During the reporting period, the Group had no asset disposals.

2. *SIGNIFICANT GUARANTEES*

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

Unit: RMB0'000

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

Name of the guaranteed party	Date of guarantee (Date of the agreement)	Amount of guarantee	Type of guarantee	Guarantee period	Has it been completed	Was it provided to a related party (yes or no)
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	2006.5.4	113.7	General liability guarantee	2006.5.4-2010.8.8	No	Yes
Sichuan Naxu Railway Company Limited (四川納敘鐵路有限公司)	2006.12.28	6,720	General liability guarantee	2006.12.28-2026.12.28	No	No
Sichuan Naxu Railway Company Limited (四川納敘鐵路有限公司)	2008.4.16	5,040	General liability guarantee	2008.4.16-2028.4.16	No	No

Total amount of guarantee during the reporting period	740.5
Total amount of outstanding guarantee as at the end of the reporting period	11,873.7
Guarantees granted by the Company to its subsidiaries	
Total amount of guarantee provided to the subsidiaries during the reporting period	-531,357.9
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period	798,966.1
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantee	810,839.8
Percentage of the total amount of guarantee to the net assets of the Company	15.0%
Including:	
Amount of guarantee provided to the shareholders, actual controllers and their related parties	—
Amount of guarantee provided directly or indirectly to the guaranteed parties with gear ratio of over 70%	798,833.8
Total amount of guarantee exceeding 50% of the net assets	—
Total amount of the above three guarantees	798,833.8

3. MATERIAL CONTRACTS

Material contracts signed during the reporting period

Domestic operating contracts

No.	Date of contract	Summary of the contract	Contract amount (RMB100 million)	Subject of the contract	Performance period
1	13 February 2009	Master construction contract of pre-station construction for NGZQ-3 section of new Nanning-Guangzhou railway line	37.730	China Railway 17th Bureau Group Co., Ltd.,	38 months
2	13 February 2009	Master construction contract of pre-station construction for NGZQ-7 section of new Nanning to Guangzhou railway line	37.794	China Railway 23rd Bureau Group Co., Ltd.,	34 months
3	16 February 2009	Master construction contract of the civil works in the LYS-1 section of the Xiaguanying (not inclusive) to Guangyuan Section (not inclusive) of the new railway line from Lanzhou to Chongqing	30.250	China Railway 19th Bureau Group Co., Ltd.	68 months
4	16 February 2009	Master construction contract of civil works in the LYS-2 section of the Xiaguanying (not inclusive) to Guangyuan Section (not inclusive) of the new railway line from Lanzhou to Chongqing	35.471	China Railway 16th Bureau Group Co., Ltd.,	68 months
5	23 February 2009	Construction works for the HYZQ-2 section of the new passenger railway line from Hangzhou to Ningbo	40.922	China Railway 17th Bureau Group Co., Ltd.,	35 months
6	7 March 2009	Master construction contract of pre-station construction and associated works for the NHZQ-3 section of the new passenger railway line from Nanjing to Hangzhou	43.808	China Railway 17th Bureau Group Co., Ltd.,	34 months
7	7 March 2009	Master construction contract of pre-station construction and associated works for the NHZQ-4 section of the new passenger railway line from Nanjing to Hangzhou	43.317	China Railway 24th Bureau Group Co., Ltd.,	34 months
8	7 March 2009	Master construction contract of capacity expansion reconstruction works and pre-station construction for the XG-7 section of the Xiang-Gui Railway from Yongzhou to Liuzhou	32.445	China Railway 25th Bureau Group Co., Ltd.,	36 months
9	16 May 2009	Master construction contract of pre-station construction and associated works for the HBZQ-1 section of the passenger railway line from Hefei to Bengbu	35.328	China Railway 19th Bureau Group Co., Ltd.,	31 months
10	30 May 2009	Master construction contract of construction works for section 2 of the new passenger railway line from Panjin to Yingkou	38.861	China Railway 19th Bureau Group Co., Ltd.,	36 months
11	July 2009	Master construction contract of pre-station construction for CMLZQ-4 section of Jiangyou to Meishan section of the new passenger railway line of Chengdu-Mianyang-Leshan	47.666	China Railway 14th Bureau Group Co., Ltd.,	30 months

No.	Date of contract	Summary of the contract	Contract amount *(RMB100 million)*	Subject of the contract	Performance period
12	19 July 2009	Master construction contract of pre-station construction for capacity expansion and renovation of NQ-1 section of Nanning to Qinzhou north section of the Guangxi coastal railway	34.074	China Railway 19th Bureau Group Co., Ltd.,	36 months
13	23 July 2009	Master construction contract of construction for JYSG-1 section of the new Beijing-Tianjin intercity railway extension from Tianjin to Yujiabao	30.237	China Railway 18th Bureau Group Co., Ltd.,	25 months
14	2 September 2009	New construction of WHSG-3 section of Wuhan-Huangshi intercity railway	34.129	China Railway 18th Bureau Group Co., Ltd.,	30 months
15	11 September 2009	Master construction contract of communication, signal, power supply and traction power supply system integration for the new Beijing-Shijiazhuang and Shijiazhuang-Wuhan (Hebei section) passenger railway line	34.635	A consortium comprising China Railway Electrification Bureau (Group) Co., Ltd. and China Railway Construction Group Co., Ltd.	24 months
16	24 September 2009	Master construction contract for the capacity expansion and renovation project of LN-3 section for the Hunan-Guangxi railway from Litang to Nanning and pre-station and parts of post-station construction for the newly constructed Nanning to Litang railway	44.735	China Railway 22nd Bureau Group Co., Ltd.,	33 months
17	24 September 2009	Master construction contract for the capacity expansion and renovation project of LN-5 section for the Hunan-Guangxi railway from Litang to Nanning and pre-station and parts of post-station construction for the newly constructed Nanning to Litang railway	32.960	China Railway 12th Bureau Group Co., Ltd.,	33 months
18	3 October 2009	Master construction contract for the civil works (pre-station) of Section 1 of the new passenger railway line from Harbin to Qiqihar	47.627	China Railway 22nd Bureau Group Co., Ltd.,	49 months
19	3 October 2009	Master construction contract for the civil works (pre-station) of Section 2 of the new passenger railway line from Harbin to Qiqihar	31.540	China Railway 20th Bureau Group Co., Ltd.,	49 months
20	3 October 2009	Master construction contract for the civil works (pre-station) of Section 3 of the new passenger railway line from Harbin to Qiqihar	43.323	China Railway 16th Bureau Group Co., Ltd.,	49 months
21	3 October 2009	Master construction contract for the civil works (pre-station) of Section 5 of the new passenger railway line from Harbin to Qiqihar	44.671	China Railway 13th Bureau Group Co., Ltd.,	49 months
22	29 November 2009	Master construction contract of Section LXS-2 of pre-station project for Lanzhou-Xining section of the new Lanzhou-Xinjiang Railway 2nd dual line	40.502	China Railway 18th Bureau Group Co., Ltd.,	54 months

No.	Date of contract	Summary of the contract	Contract amount *(RMB100 million)*	Subject of the contract	Performance period
23	8 December 2009	Master construction contracts of Section 2 of the electrified double-tracked project of Linchang-Yangzhou East, Yangzhou East-Haian County and Haian County-Nantong Sections of Nanjing-Qidong Railway in Jiangsu	38.411	China Railway 24th Bureau Group Co., Ltd.,	24 months
24	21 December 2009	Master construction contracts of Section 1 of the electrified double-tracked project of Linchang-Yangzhou East, Yangzhou East-Haian County and Haian County-Nantong Sections of Nanjing-Qidong Railway in Jiangsu	33.595	China Railway 14th Bureau Group Co., Ltd.,	24 months
25	28 December 2009	Master construction contract of Section SDJC-1 of the “Four Electrs” system integration of the new Shijiazhuang-Wuhan (Henan Section) Passenger Railway	35.168	A consortium comprising China Railway Electrification Bureau (Group) Co., Ltd. and China Railway Construction Group Co., Ltd.	24 months

Oversea operating contracts

No.	Date of contract	Summary of the contract	Contract amount *(US$0'000)*	Subject of the contract	Performance period
1	10 February 2009	Contract for the Al-Mashaaer Al-Mugadassah Metro light rail project, Saudi Arabia	177,000	China Railway Construction Corporation Limited	27 months
2	1 February 2009	Abuja Metropolitan Railway project, Nigeria	84,165	China Civil Engineering Construction Ltd.	48 months
3	1 June 2009	55-km new railway line project in Algeria from EL AFFROUN to KHEMIS MILIANA	51,173	China Civil Engineering Construction Ltd.	30 months
4	1 June 2009	175-km new electric railway line project of Algeria from B.B.A. to THENIA	191,606	China Civil Engineering Construction Ltd.	48 months
5	18 January 2009	Libya west line railway project (Tripoli-RasAdjir railway) （的黎波裏 — 加迪爾角鐵路）	80,500	China Civil Engineering Construction Ltd.	45 months
6	25 July 2009	Construction project of 200 schools in Saudi Arabia	51,860	China Railway 15th Bureau Group Co., Ltd.,	14 months after the opening of each school

4. *IMPLEMENTATION OF COMMITMENTS*

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

(2) As disclosed in the Prospectus, the Company owned 836 parcels of land in total, including 349 parcels of original allocated land for which the Group was in the process of applying for land use rights by way of capital contribution by the State as the consideration, and 53 parcels for which the Group was in the process of going through the procedures for granted land use rights.

During the reporting period, the Company continued to press ahead works on renewing and applying for land use rights certificates. As at 31 December 2009, land use right certificates had been obtained for 312 parcels of original allocated land by way of capital contribution by the State as consideration of the land use rights, and the granting procedures for 45 parcels of land had been completed and land use right certificates had been obtained accordingly. The Company will further push ahead with the perfection of the land use rights certificates to fulfill its undertakings to the shareholders.

5. *SUBSEQUENT EVENTS*

(1) The formal offer and take-over bid circular in relation to the cash offer made by CRCC-Tongguan Investment (Canada) Co., Ltd., a wholly-owned subsidiary of CRCC-Tongguan Investment Co., Ltd., a company jointly established by the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd., to acquire all of the outstanding common shares of a Canadian junior mining company, Corriente Resources Inc. ("Corriente"), including all shares issued pursuant to the exercise of options granted under Corriente's stock option plan, at the price of C$8.60 per share has been mailed to the registered shareholders and option holders of Corriente. Corriente has also mailed its directors' circular recommending that Corriente's shareholders to accept the offer. The expiry time of the offer has been extended until 17:00 hours on 28 April 2010 (Vancouver time, which corresponds to 08:00 hours on 29 April 2010, Beijing time). (For details, please refer to the announcement of the Company in relation to joint acquisition of Corriente Resources Inc. on 29 December 2009, the announcement of the Company on the progress of joint acquisition of Corriente Resources Inc. on 3 February 2010 and the announcement of the Company of the extension of the expiry time for acceptance of the offer in relation to the joint acquisition of Corriente Resources Inc. on 25 March 2010.)

(2) The 28th meeting of the first session of the Board of the Company considered and approved the proposal on non-public issuance and placing of A shares of the company to target subscribers (《關於公司向特定對象非公開發行A股股票發行方案的議案》). The Company proposed to make non-public issuance of not more than 1,035 million A shares. Among the new A shares to be issued, not more than 518 million A shares will be subscribed by CRCCG by using certain of its assets and cash as consideration. On 2 March 2010, the Company entered into the conditional Share Subscription Framework Agreement with CRCCG in relation to the non-public issuance and placing of shares. (For details, please refer to the announcement of the Company in relation to suspension of trading on 1 March 2010 and related announcement dated 4 March 2010.)

CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2009, the Company had fully complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules.

The Articles of Association, the term of reference of the audit committee and the term of reference of the Supervisory Committee as well as the code of conduct of Directors and specified employees during their securities dealings form the reference basis of the Company's code of corporate governance practices. The Board already reviewed its corporate governance rules, and was of the view that those rules already covered most of the norms and code provisions set forth in the Corporate Governance Code.

The Board considered that the Company had complied with the code provisions of the Corporate Governance Code. For details of the Company's corporate governance, please refer to the section headed "Corporate Governance Report" in this annual report.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The Company's financial statements for the year ended 31 December 2009 were reviewed by the audit and risk management committee of the Company.

AUDITORS

The Company has appointed Ernst & Young and Ernst & Young Hua Ming respectively as international and domestic auditors for the year ended 31 December 2009. Ernst & Young has performed auditing on the accompanying financial statements which were prepared in accordance with IFRSs. The Company has employed Ernst & Young and Ernst & Young Hua Ming since the date of its listing. The proposal for retaining Ernst & Young and Ernst & Young Hua Ming respectively as international and domestic auditors for the year ending 31 December 2010 will be put forward for approval at the 2009 annual general meeting of the Company.

By order of the Board of Directors
LI Guorui
Chairman

Beijing, PRC
26 April 2010

Report of Supervisory Committee

Dear Shareholders,

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

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

During the year 2009, the Supervisory Committee held three meetings, among which, the resolutions in respect of the Company's 2008 Annual Report and its summary, the 2009 First Quarterly Report of the Company, 2008 Work Report of Supervisory Committee, 2008 Final Financial Statements of the Company, 2008 Profit Distribution Plan of the Company and the Special Report on Deposit and Actual Use of Proceeds of the Company were considered and passed at the fifth meeting of the current Supervisory Committee held on 28 April; the resolutions in respect of the 2009 Interim Report and its summary of the Company and Special Report on Deposit and Actual Use of Proceeds of the Company were considered and passed at the sixth meeting of the current Supervisory Committee held on 27 August; and the resolution in respect of the 2009 Third Quarterly Report of the Company was considered and passed at the seventh meeting of the current Supervisory Committee held on 27 October.

II. PRINCIPAL DUTIES OF THE SUPERVISORY COMMITTEE

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

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

During the reporting period, the Supervisory Committee attended 13 Board meetings and two general meetings. The Supervisory Committee has thoroughly supervised and examined the procedures of convening Board meetings and the general meetings and the events proposed at the meetings, the implementation by the Board of the resolutions approved at the general meetings and the performance of Directors, managers and senior management of their duties. The Supervisory Committee is of the view that the decision making procedures of the Company are effective and in compliance with laws, the resolutions of general meetings and Board meetings are implemented in good manner, and the corporate governance and internal control system are sound and effective and a relatively good balance mechanism among the operational departments, decision making departments and supervision departments is in place.

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

During the reporting period, the Supervisory Committee has inspected the legal compliance of the Company's operations. The Supervisory Committee is of the view that, during the reporting period, the Directors, managers and other senior management of the Company were responsible, dedicated, prudently making decisions upon due consideration and diligently performing their duties, in strict compliance with relevant national laws and regulations and various rules and systems of the Company, and reached the set targets by capitalizing on opportunities to accelerate growth, adjusting and refining structures, strengthening management efficiency and deepening reform on system optimization. The Directors or senior management did not violate laws and regulations and the Articles of Association nor did they prejudice against the interests of the Shareholders.

3. Inspection of the Company's daily operating activities

During the reporting period, the Supervisory Committee closely monitored the operations of the Company, and arranged with related departments and personnel of the Company to duly inspect the financial and capital operations of the subsidiaries. Neither the Company, directors of the Company or the senior management was found in breach of the laws and regulations of the state, the Articles of Association and the policy of the Company. The Supervisory Committee is of the opinion that, during the reporting period, the governance structure of the Company was in normal operation, the risk management and internal control system of the Company were sound and the significant economic decision-making and the operating and management activities of the Company were in compliance with the laws and regulations.

4. Inspection of the actual application of proceeds

The Supervisory Committee is of the opinion that the application of all proceeds of the Company during the reporting period was in line with the proposed use of proceeds as undertook in the Prospectus and conformed to the resolution in relation to the changes in the use of H share proceeds resolved on the general meeting in 2008, and was not aware of any misappropriation of proceeds or any matters that impaired the interests of the Company and its Shareholders.

5. Inspection of the Company's financial status

The Supervisory Committee verified cautiously the Company's financial system and financial position, and is of the view that the 2009 final financial report gave a true and fair view of the financial condition and operating results of the Company. Ernst & Young has issued an audit report with standard unqualified opinions and did not have any objection.

6. Connected transactions

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

7. Disclosure of information

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

8. Inspection of assets purchased and disposed by the Company

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

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

Beijing, PRC
26 April 2010

Independent Auditors' Report

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Two International Finance Centre
8 Finance Street, Central
Hong Kong
Phone: (852) 2846 9888
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www.ey.com/china

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

We have audited the financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 83 to 197, which comprise the consolidated and the Company's statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

AUDITORS' RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
26 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	6	344,976,225	219,410,188
Cost of sales		(322,427,811)	(203,607,081)
Gross profit		22,548,414	15,803,107
Other income and gains, net	6	1,114,168	413,110
Selling and distribution costs		(1,016,376)	(848,886)
Administrative expenses		(13,896,993)	(9,384,169)
Other expenses		(118,358)	(1,459,610)
PROFIT FROM OPERATIONS	7	8,630,855	4,523,552
Finance revenue	8	895,460	1,324,847
Finance costs	8	(1,219,712)	(1,269,715)
Share of profits and losses of:			
Jointly-controlled entities		(1,234)	15,656
Associates		2,030	(25,495)
PROFIT BEFORE TAX		8,307,399	4,568,845
Income tax	11	(1,575,694)	(862,554)
PROFIT FOR THE YEAR		6,731,705	3,706,291
Attributable to:			
Owners of the Company	12	6,599,072	3,643,843
Minority interests		132,633	62,448
		6,731,705	3,706,291
Earnings per share attributable to owners of the Company:			
Basic	14	53.49 cents	32.42 cents
Diluted	14	N/A	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR		6,731,705	3,706,291
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value	22	173,356	(130,938)
Income tax effect	23	(34,599)	32,472
Reclassification adjustment for gain on disposal included in the consolidated income statement		(5,374)	—
		133,383	(98,466)
Exchange differences on translation of foreign operations		(6,821)	85,997
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		126,562	(12,469)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,858,267	3,693,822
Attributable to:			
Owners of the Company	12	6,725,714	3,631,312
Minority interests		132,553	62,510
		6,858,267	3,693,822

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	30,440,748	21,886,854
Prepaid land lease payments	16	4,933,996	4,858,618
Intangible assets	17	743,265	686,992
Interests in jointly-controlled entities	19	1,193,175	97,123
Interests in associates	20	282,484	347,495
Held-to-maturity investments	21	6,684	7,288
Available-for-sale investments	22	2,053,113	1,654,096
Deferred tax assets	23	2,351,572	2,754,787
Trade and bills receivables	27	1,905,068	1,236,469
Prepayments, deposits and other receivables	28	60,923	64,684
Total non-current assets		43,971,028	33,594,406
CURRENT ASSETS			
Prepaid land lease payments	16	110,443	102,044
Inventories	24	19,138,399	13,049,538
Properties under development	25	13,490,171	8,779,448
Completed properties held for sale		847,891	320,701
Construction contracts	26	52,021,064	36,317,258
Trade and bills receivables	27	44,895,969	32,773,743
Prepayments, deposits and other receivables	28	43,465,710	36,320,174
Held-to-maturity investments	21	—	10,000
Financial assets at fair value through profit or loss	29	97,339	32,853
Pledged deposits	30	2,582,055	2,464,099
Cash and cash equivalents	30	62,370,198	55,005,965
		239,019,239	185,175,823
Non-current asset held for sale	44	—	1,331,306
Total current assets		239,019,239	186,507,129
TOTAL ASSETS		282,990,267	220,101,535

Consolidated Statement of Financial Position (continued)

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	31	101,980,100	62,824,384
Construction contracts	26	19,913,886	16,804,081
Other payables and accruals	32	71,305,694	60,452,573
Interest-bearing bank and other borrowings	33	12,579,425	16,411,635
Provision for early retirement benefits	35	956,060	1,000,412
Tax payable		857,889	572,894
Provision	37	2,240	2,898
Total current liabilities		207,595,294	158,068,877
NET CURRENT ASSETS		31,423,945	28,438,252
TOTAL ASSETS LESS CURRENT LIABILITIES		75,394,973	62,032,658
NON-CURRENT LIABILITIES			
Trade and bills payables	31	1,242,870	1,001,925
Other payables and accruals	32	104,079	506,262
Interest-bearing bank and other borrowings	33	14,134,294	5,719,540
Provision for early retirement benefits	35	5,181,680	5,946,929
Deferred tax liabilities	23	302,404	301,141
Other long term liabilities		212,927	98,222
Deferred revenue	36	137,486	157,376
Total non-current liabilities		21,315,740	13,731,395
NET ASSETS		54,079,233	48,301,263
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued share capital	38	12,337,542	12,337,542
Reserves	39(a)	38,953,936	34,202,229
Proposed final dividends	13	1,974,007	1,233,754
		53,265,485	47,773,525
MINORITY INTERESTS		813,748	527,738
TOTAL EQUITY		54,079,233	48,301,263

LI Guorui
Director

DING Yuanchen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to owners of the Company									
	Issued share capital	**Capital reserve**	**Available-for-sale investment revaluation reserve**	**Retained earnings**	**Exchange fluctuation reserve**	**Reserve funds**	**Proposed final dividends**	**Total**	**Minority interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note (a))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2008	8,000,000	(3,499,547)	237,940	292,115	27,452	—	—	5,057,960	215,878	5,273,838
Total comprehensive income for the year	—	—	(98,466)	3,643,843	85,935	—	—	3,631,312	62,510	3,693,822
Capital contributions	—	—	—	—	—	—	—	—	67,403	67,403
Acquisition of assets and liabilities *(note 40(b))*	—	—	—	—	—	—	—	—	192,157	192,157
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(10,210)	(10,210)
Issue of shares *(note 38)*	4,337,542	36,062,862	—	—	—	—	—	40,400,404	—	40,400,404
Share issue expenses	—	(1,316,151)	—	—	—	—	—	(1,316,151)	—	(1,316,151)
Transfer from retained earnings to reserve funds *(note 13)*	—	—	—	(219,512)	—	219,512	—	—	—	—
Proposed final 2008 dividend *(note 13)*	—	—	—	(1,233,754)	—	—	1,233,754	—	—	—
As at 31 December 2008	12,337,542	31,247,164*	139,474*	2,482,692*	113,387*	219,512*	1,233,754	47,773,525	527,738	48,301,263

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2009

	Attributable to owners of the Company								Minority interests RMB'000	Total equity RMB'000
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000 (note (a))	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Proposed final dividends RMB'000	Total RMB'000		
As at 1 January 2009	12,337,542	31,247,164	139,474	2,482,692	113,387	219,512	1,233,754	47,773,525	527,738	48,301,263
Total comprehensive income for the year	—	—	133,463	6,599,072	(6,821)	—	—	6,725,714	132,553	6,858,267
Capital contributions	—	—	—	—	—	—	—	—	173,644	173,644
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(20,187)	(20,187)
Final 2008 dividend declared	—	—	—	—	—	—	(1,233,754)	(1,233,754)	—	(1,233,754)
Transfer from retained earnings to reserve funds *(note 13)*	—	—	—	(397,762)	—	397,762	—	—	—	—
Proposed final 2009 dividend *(note 13)*	—	—	—	(1,974,007)	—	—	1,974,007	—	—	—
As at 31 December 2009	12,337,542	31,247,164*	272,937*	6,709,995*	106,566*	617,274*	1,974,007	53,265,485	813,748	54,079,233

* These reserve accounts comprise the consolidated reserves of RMB38,953,936,000 (2008: RMB34,202,229,000) in the consolidated statement of financial position.

Note:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China", which excludes, for the purpose of the financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau and Taiwan) and the Articles of Association of China Railway Construction Corporation Limited (the "Company"), retained earnings available for distribution by the Company will be the lower of the amount determined in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC and other related regulations issued by the MOF (collectively, the "PRC GAAP") and the amount determined in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB").

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,307,399	4,568,845
Adjustments for:			
Finance costs	8	1,219,712	1,269,715
Foreign exchange differences, net	7	(309,580)	849,534
Finance revenue	8	(895,460)	(1,324,847)
Share of profits and losses of jointly-controlled entities		1,234	(15,656)
Share of profits and losses of associates		(2,030)	25,495
Depreciation	15	6,202,413	4,066,509
Amortisation of prepaid land lease payments	16	129,906	108,714
Amortisation of intangible assets	17	42,417	15,538
Impairment of property, plant and equipment	15	6,308	1,003
Impairment of available-for-sale investments	22	1,325	65
Reversal of impairment of trade and bills receivables	27	(61,000)	(61,082)
(Reversal of impairment)/impairment of other receivables	28	(18,739)	56,567
Write-down of inventories to net realisable value	7	14,819	2,654
(Reversal of provision)/provision for properties under development	25	(386,616)	538,055
Provision for foreseeable losses on construction contracts	7	175,645	72,814
Loss/(gain) on disposal of property, plant and equipment, net	7	54,458	(7,526)
Gain on disposal of prepaid land lease payments, net	6	(10,090)	—
Fair value (gains)/losses, net, on financial assets at fair value through profit or loss	7	(12,405)	31,457
Gain on disposal of available-for-sale investments	6	(30,118)	(17,201)
Gain on disposal of an associate	6	(10,943)	(143,877)
Gain on disposal of a jointly-controlled entity	6	(44,481)	—
Recognition of deferred revenue	6	(23,838)	(26,608)
		14,350,336	10,010,168
Increase in inventories		(6,103,680)	(5,022,924)
Increase in completed properties held for sale and properties under development		(1,820,379)	(5,100,908)
Increase in construction contracts		(12,695,820)	(1,014,016)
Increase in trade and bills receivables		(12,729,825)	(2,650,295)
Increase in prepayments, deposits and other receivables		(9,020,290)	(13,112,681)
Increase in trade and bills payables		38,935,457	17,831,273

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Increase in other payables and accruals		8,175,027	7,952,442
Decrease in provision		(658)	(4,712)
Decrease in provision for early retirement benefits		(809,601)	(798,269)
Increase/(decrease) in other long term liabilities		114,705	(2,700)
Cash generated from operations		18,395,272	8,087,378
Income taxes paid		(920,820)	(787,528)
Net cash flows from operating activities		17,474,452	7,299,850
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(12,282,409)	(9,982,762)
Additions to prepaid land lease payments		(269,207)	(137,804)
Additions to intangible assets		(18,194)	(641,267)
Proceeds from disposal of property, plant and equipment		386,649	1,134,053
Proceeds from disposal of prepaid land lease payments		65,614	51,767
Proceeds from disposal of intangible assets		152	132
Proceeds from disposal of non-current asset held for sale, net		1,331,306	—
Capital contributions to jointly-controlled entities		(1,172,192)	(18,900)
Capital contributions to associates		(20,150)	(132,739)
Purchases of available-for-sale investments		(232,665)	(924,967)
Purchases of financial assets at fair value through profit or loss		(59,265)	(11,170)
Acquisition of a subsidiary	40(a)	—	(205,000)
Acquisition of assets and liabilities	40(b)	(760,067)	(200,000)
Proceeds from disposal of an associate		83,660	68,331
Proceeds from disposal of a jointly-controlled entity		75,488	—
Proceeds from disposal of held-to-maturity investments		10,604	2,347
Proceeds from disposal of available-for-sale investments		35,798	52,482
Proceeds from disposal of financial assets at fair value through profit or loss		6,686	13,763
Dividends received		58,373	71,227
Decrease in balances with the ultimate holding company, net		—	206,241
Increase in pledged deposits		(117,956)	(1,165,957)
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(1,749,508)	(2,548,979)
Interest received		998,091	1,301,000
Net cash flows used in investing activities		(13,629,192)	(13,068,202)

	Notes	2009 *RMB'000*	2008 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	39,084,253
Capital contributions from minority shareholders		173,644	67,403
New bank and other borrowings		30,446,693	26,199,890
Repayment of bank and other borrowings		(26,465,731)	(30,294,398)
Special distribution to the ultimate holding company		—	(1,023,883)
Dividends paid to shareholders		(1,233,754)	—
Dividends paid to minority shareholders of subsidiaries		(20,187)	(10,210)
Interest paid		(1,493,256)	(1,736,514)
Net cash flows from financing activities		1,407,409	32,286,541
Effect of foreign exchange rate changes, net		362,056	(251,355)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,614,725	26,266,834
Cash and cash equivalents at beginning of the year		49,455,325	23,188,491
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30	55,070,050	49,455,325

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	44,111	41,372
Investments in subsidiaries	18	32,377,559	18,021,728
Interests in jointly-controlled entities	19	1,069,736	57,680
Interests in associates	20	—	17,236
Available-for-sale investments	22	1,172,951	1,080,994
Deferred tax assets	23	9,195	15,759
Total non-current assets		34,673,552	19,234,769
CURRENT ASSETS			
Inventories	24	35,965	29,169
Construction contracts	26	5,166,434	1,881,056
Trade receivables	27	8,306	8,906
Prepayments, deposits and other receivables	28	22,310,751	17,889,183
Financial assets at fair value through profit or loss	29	53,967	32,320
Cash and cash equivalents	30	15,015,898	22,624,481
Total current assets		42,591,321	42,465,115
TOTAL ASSETS		77,264,873	61,699,884
CURRENT LIABILITIES			
Trade payables	31	602,189	3,137,268
Other payables and accruals	32	10,049,447	5,030,343
Interest-bearing bank and other borrowings	33	2,216,104	1,139,371
Provision for early retirement benefits	35	5,560	5,290
Tax payable		55,951	29,360
Total current liabilities		12,929,251	9,341,632
NET CURRENT ASSETS		29,662,070	33,123,483
TOTAL ASSETS LESS CURRENT LIABILITIES		64,335,622	52,358,252

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	32	—	7,822
Interest-bearing bank and other borrowings	33	10,695,266	1,545,756
Provision for early retirement benefits	35	31,220	33,870
Deferred tax liabilities	23	23,972	—
Total non-current liabilities		10,750,458	1,587,448
NET ASSETS		53,585,164	50,770,804
EQUITY			
Issued share capital	38	12,337,542	12,337,542
Reserves	39(b)	39,273,615	37,199,508
Proposed final dividends	13	1,974,007	1,233,754
TOTAL EQUITY		53,585,164	50,770,804

LI Guorui
Director

DING Yuanchen
Director

Notes to Financial Statements

31 December 2009

1. CORPORATE INFORMATION

The Company was incorporated in the PRC on 5 November 2007 as a joint stock limited company with limited liability. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") and The Shanghai Stock Exchange. The Company's ultimate holding company is China Railway Construction Corporation ("CRCCG", a state-owned enterprise in the PRC).

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of (i) the construction of infrastructure; (ii) the provision of survey, design and consultancy services; (iii) design, research and development, production and sale of large track maintenance machinery and components for railway construction; (iv) real estate development; and (v) the provision of logistics services. Details of the Group's business operations are set out in note 5 to the financial statements.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets, which have been measured at fair value. The Group's non-current asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 3.3 to the financial statements. In addition, these financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IFRS 8 Amendment *	Amendment to IFRS 8 *Operating Segments – Disclosure of Information about Segment Assets* (early adopted)
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment *	Amendment to Appendix to IAS 18 *Revenue – Determining whether an Entity is Acting as a Principal or as an Agent*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to IFRSs (May 2008)	Amendments to a number of IFRSs

* Included in *Improvements to IFRSs 2009* (as issued in April 2009).

Other than as further explained below regarding the impact of IFRS 7, IFRS 8 and IAS 1 (Revised), the adoption of these new and revised IFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Amendments to IFRS 7 *Financial Instruments: Disclosures*

The IFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 46 to the financial statements while the revised liquidity risk disclosures are presented in note 47 to the financial statements.

(b) IFRS 8 *Operating Segments*

IFRS 8, which replaces IAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

The Group has early adopted in these financial statements the Amendment to IFRS 8 issued in *Improvements to IFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) IAS 1 (Revised) *Presentation of Financial Statements*

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

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 (Revised)	*First-time Adoption of IFRSs* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters* [2]
IFRS 1 Amendment	*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [4]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [5]
IFRIC 17	*Distributions of Non-cash Assets to Owners* [1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]

Apart from the above, the IASB has also issued *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that except for the adoption of IFRS 3 (Revised) and IAS 27 (Revised) as further explained below, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement to the contingent consideration affects goodwill.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation *(continued)*

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

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

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

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

Associates

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation *(continued)*

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Concession assets

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Mining rights

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

Others

Others include purchased patents and licences which are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 15 years.

Research and development costs

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

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

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms ranging from 30 to 50 years. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables and quoted and unquoted financial instruments.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near future is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses and removed from the available-for-sale investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates its available-for-sale financial assets whether the ability and the intention to sell them in the near future are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial assets.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Investments and other financial assets** (continued)*

Available-for-sale financial investments (continued)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings and other long term liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

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

Properties under development

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

Completed properties held for sale

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

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

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

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

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

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

Contracts for services

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax *(continued)*

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

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

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

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors of the Company (the "Directors") are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

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

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies *(continued)*

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

Employee benefits

Retirement benefits

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

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

Termination and early retirement benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including their position, length of service, salary level at the time of application, minimum compensation levels set by the local regulatory authorities, and the district in which the employee is located.

The early retirement benefits are considered as defined benefits plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit actuarial valuation method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturities approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined benefit obligation, are charged or credited to the income statement over the expected average remaining working lives of the related employees. Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the "vesting period"). In this case, the past-service costs are amortised on the straight-line basis over the vesting period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Housing funds

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

Bonus entitlements

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Impairment of available-for-sale investments

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

Contingent liabilities arising from litigation and claims

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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

The carrying amount of property, plant and equipment as at 31 December 2009 was RMB30,440,748,000 (2008: RMB21,886,854,000).

Income tax

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the income statement in the period in which such a reversal takes place.

The carrying amounts of tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2009 were RMB857,889,000 (2008: RMB572,894,000), RMB2,351,572,000 (2008: RMB2,754,787,000) and RMB302,404,000 (2008: RMB301,141,000) respectively.

Percentage of completion of construction work

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

The carrying amount of construction contracts as at 31 December 2009 was RMB32,107,178,000 (2008: RMB19,513,177,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty *(continued)*

Impairment of trade receivables

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

The carrying amount of trade receivables including retention money receivables as at 31 December 2009 was RMB46,594,641,000 (2008: RMB33,878,425,000).

Provision for properties under development

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

The carrying amount of properties under development as at 31 December 2009 was RMB13,490,171,000 (2008: RMB8,779,448,000).

Retirement benefits

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

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

The provision for early retirement benefits as at 31 December 2009 was RMB6,137,740,000 (2008: RMB6,947,341,000).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and the Group's reportable operating segments are as follows:

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

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

Segment assets exclude deferred tax assets and segment liabilities exclude tax payable and deferred tax liabilities as the Group does not manage these assets and liabilities based on operating segments.

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

5. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2009 and 2008:

Year ended 31 December 2009

	Construction operations *RMB'000*	Survey, design and consultancy operations *RMB'000*	Manufacturing operations *RMB'000*	Other business operations *RMB'000*	Eliminations and adjustments *RMB'000*	Consolidated *RMB'000*
Segment revenue						
Revenue from external customers	314,122,784	7,306,462	6,728,780	16,818,199	—	344,976,225
Intersegment sales	814,398	30,609	1,307,419	3,075,826	(5,228,252)	—
Total	314,937,182	7,337,071	8,036,199	19,894,025	(5,228,252)	344,976,225
Segment results						
Profit before tax	5,260,804	740,952	487,886	1,817,757	—	8,307,399
Profit before tax included:						
Finance revenue	717,941	128,482	6,811	42,226	—	895,460
Finance costs	(1,128,682)	(2,248)	(52,669)	(36,113)	—	(1,219,712)
Share of profits and losses of:						
Jointly-controlled entities	(908)	—	—	(326)	—	(1,234)
Associates	1,977	53	—	—	—	2,030
Depreciation and amortisation	(5,876,081)	(106,247)	(253,999)	(138,409)	—	(6,374,736)
Write-down of inventories to net realisable value	(6,108)	—	—	(8,711)	—	(14,819)
Provision for foreseeable losses on construction contracts	(175,645)	—	—	—	—	(175,645)
Reversal of provision for properties under development	—	—	—	386,616	—	386,616
Impairment losses reversed/ (recognised)	32,485	(1,866)	(23,260)	64,747	—	72,106
Segment assets and liabilities						
Segment assets *(i)*	244,251,317	9,426,842	9,152,107	31,542,587	(11,382,586)	282,990,267
Segments assets included:						
Interests in jointly-controlled entities	1,135,415	—	—	57,760	—	1,193,175
Interests in associates	253,322	9,762	19,400	—	—	282,484
Segment liabilities *(ii)*	200,459,505	7,697,118	6,218,620	27,109,656	(12,573,865)	228,911,034
Other segment information						
Capital expenditure *(iii)*	13,843,938	340,659	1,081,197	305,310	—	15,571,104

5. OPERATING SEGMENT INFORMATION (continued)

(a) *Operating segments* (continued)

Year ended 31 December 2008

	Construction operations RMB'000	Survey, design and consultancy operations RMB'000	Manufacturing operations RMB'000	Other business operations RMB'000	Eliminations and adjustments RMB'000	Consolidated RMB'000
Segment revenue						
Revenue from external customers	199,988,542	4,446,324	4,348,091	10,627,231	—	219,410,188
Intersegment sales	984,730	104,566	432,849	1,496,083	(3,018,228)	—
Total	200,973,272	4,550,890	4,780,940	12,123,314	(3,018,228)	219,410,188
Segment results						
Profit before tax	3,811,199	480,554	228,901	48,191	—	4,568,845
Profit before tax included:						
Finance revenue	1,140,834	130,804	12,207	41,002	—	1,324,847
Finance costs	(1,159,934)	(5,408)	(48,478)	(55,895)	—	(1,269,715)
Share of profits and losses of:						
Jointly-controlled entities	15,931	—	—	(275)	—	15,656
Associates	(26,043)	548	—	—	—	(25,495)
Depreciation and amortisation	(3,720,857)	(91,499)	(217,454)	(160,951)	—	(4,190,761)
Reversal of write-down/ (write-down) of inventories to net realisable value	897	—	—	(3,551)	—	(2,654)
Provision for foreseeable losses on construction contracts	(72,814)	—	—	—	—	(72,814)
Provision for properties under development	—	—	—	(538,055)	—	(538,055)
Impairment losses reversed/ (recognised)	23,211	(1,865)	(7,021)	(10,878)	—	3,447
Segment assets and liabilities						
Segment assets *(i)*	191,231,315	6,735,210	6,550,698	22,867,411	(7,283,099)	220,101,535
Segments assets included:						
Interests in jointly-controlled entities	82,498	—	—	14,625	—	97,123
Interests in associates	337,712	9,783	—	—	—	347,495
Segment liabilities *(ii)*	151,806,666	5,578,335	4,633,691	18,945,431	(9,163,851)	171,800,272
Other segment information						
Capital expenditure *(iii)*	10,663,943	273,863	617,459	547,753	—	12,103,018

5. OPERATING SEGMENT INFORMATION (continued)

(a) *Operating segments* *(continued)*

Notes:

(i) Segment assets do not include deferred tax assets of RMB2,351,572,000 (2008: RMB2,754,787,000) as the Group does not manage these assets based on operating segments and hence these are not allocated to the operating segments. In addition, intersegment receivables of RMB13,734,158,000 (2008: RMB10,037,886,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB302,404,000 (2008: RMB301,141,000) and tax payable of RMB857,889,000 (2008: RMB572,894,000) as the Group does not manage these liabilities based on operating segments and hence these are not allocated to the operating segments. In addition, intersegment payables of RMB13,734,158,000 (2008: RMB10,037,886,000) are eliminated on consolidation.

(iii) Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

(b) *Geographical information*

The following tables present the Group's geographical information in terms of revenue and non-current assets for the years ended 31 December 2009 and 2008:

Revenue from external customers *(i)*

	2009 *RMB'000*	2008 *RMB'000*
Mainland China	322,672,771	202,208,424
Outside Mainland China	22,303,454	17,201,764
	344,976,225	219,410,188

Non-current assets *(ii)*

	2009 *RMB'000*	2008 *RMB'000*
Mainland China	34,401,718	25,330,871
Outside Mainland China	3,252,873	2,610,895
	37,654,591	27,941,766

Notes:

(i) The revenue information above is based on the location of the customers.

(ii) The non-current assets information above is based on the location of the assets and excludes financial instruments and deferred tax assets.

(c) *Information about major customers*

The Group did not derive revenue of more than 10% of its total revenue from any single customer during the years ended 31 December 2009 and 2008.

6. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Revenue:		
Construction contracts	314,122,784	199,988,542
Provision of survey, design and consultancy services	7,306,462	4,446,324
Manufacture, sale, repair and maintenance of large track maintenance machinery	6,728,780	4,348,091
Others *(note (a))*	16,818,199	10,627,231
	344,976,225	219,410,188
Other income and gains, net:		
Government grants:		
— Recognition of deferred revenue *(note 36)*	23,838	26,608
— Others *(note (b))*	86,458	34,304
Gain on disposal of an associate	10,943	143,877
Gain on disposal of a jointly-controlled entity	44,481	—
Gain on disposal of available-for-sale investments	30,118	17,201
Fair value gains, net, on financial assets at fair value through profit or loss	12,405	—
Reversal of provision for properties under development	386,616	—
Foreign exchange differences, net	309,580	—
Gain on disposal of prepaid land lease payments, net	10,090	—
Gain on disposal of property, plant and equipment	—	7,526
Others *(note (c))*	199,639	183,594
	1,114,168	413,110

Notes:

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

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

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

7. PROFIT FROM OPERATIONS

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

		Group	
	Notes	2009 RMB'000	2008 RMB'000
Cost of services rendered		302,120,638	190,519,408
Cost of goods sold		20,307,173	13,087,673
Total cost of sales		322,427,811	203,607,081
Depreciation of property, plant and equipment *(note (a))*	15	6,202,413	4,066,509
Amortisation of prepaid land lease payments	16	129,906	108,714
Amortisation of intangible assets	17	42,417	15,538
Total depreciation and amortisation		6,374,736	4,190,761
Impairment of property, plant and equipment	15	6,308	1,003
Impairment of available-for-sale investments	22	1,325	65
Reversal of impairment of trade and bills receivables	27	(61,000)	(61,082)
(Reversal of impairment)/impairment of other receivables	28	(18,739)	56,567
		(72,106)	(3,447)
Employee compensation costs (including Directors' and Supervisors' remuneration *(note 10)*)	9	18,839,360	13,654,904
Research and development expenditure		5,162,305	1,755,850
Write-down of inventories to net realisable value		14,819	2,654
Provision for foreseeable losses on construction contracts		175,645	72,814
(Reversal of provision)/provision for properties under development	25	(386,616)	538,055
Auditors' remuneration		37,054	40,947
Minimum lease payments under operating leases		132,024	81,265
Fair value (gains)/losses, net, on financial assets at fair value through profit or loss		(12,405)	31,457
Loss/(gain) on disposal of property, plant and equipment, net		54,458	(7,526)
Foreign exchange differences, net		(309,580)	849,534

7. PROFIT FROM OPERATIONS (continued)

Note:

(a) Depreciation of RMB5,700,541,000 (2008: RMB3,477,991,000) is included in the "Cost of sales" on the face of the consolidated income statement for the year.

8. FINANCE REVENUE AND FINANCE COSTS

The Group's finance revenue totalling RMB895,460,000 (2008: RMB1,324,847,000) mainly represented bank interest income during the year.

The Group's finance costs are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Interest on bank loans and other loans wholly repayable within five years	1,386,838	1,585,559
Interest on bank loans repayable beyond five years	17,794	130,558
Interest on finance leases	21,163	3,133
Interest on discounted bills	10,129	13,505
Interest on corporate bonds	122,895	17,919
Total interest	1,558,819	1,750,674
Less: Interest capitalised in:		
— Construction in progress	(37,039)	(60,491)
— Construction contracts	(73,826)	(35,425)
— Properties under development	(147,594)	(291,957)
— Intangible assets	(80,648)	(93,086)
	1,219,712	1,269,715

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

	Group	
	2009	2008
Capitalisation rates	5.3%-6.6%	5.3%-9.3%

9. EMPLOYEE COMPENSATION COSTS

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Employee compensation costs (including Directors' and Supervisors' remuneration *(note 10)*):		
— Wages, salaries and allowances	12,946,052	9,253,968
— Housing benefits, medical and other expenses	3,918,818	2,941,436
— Retirement benefit costs:		
(i) Contributions to defined contribution retirement plans *(note (a))*	1,780,690	1,148,169
(ii) Contributions to defined benefit retirement plans *(note (b)) (note 35(b))*	193,800	311,331
Total retirement benefit costs	1,974,490	1,459,500
	18,839,360	13,654,904

Notes:

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

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

As at 31 December 2009, the Group's forfeited contributions available to reduce its contributions to the defined contribution retirement plans in future years were not material (2008: Nil).

(b) The Group implemented an early retirement plan for certain employees in addition to the benefits under the government-sponsored retirement plans described above. Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms determining the amount of compensation payments made to early retired employees vary among the terminated and early retired employees depending on various factors including their position, length of service, salary level at the time of application, minimum compensation levels set by the local regulatory authorities, and the district in which the employee is located. These compensation payments to existing early retired employees have continued after the listing of the Company's shares on The Shanghai Stock Exchange and The Hong Kong Stock Exchange. However, the Group's early retirement plan has not continued after the listing of the Company's H Shares on The Hong Kong Stock Exchange and as such, no further new early retirement applications have been accepted by the Group after the listing of the Company's shares on the stock exchanges.

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

(a) *Directors' and Supervisors' remuneration*

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

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Fees	—	—
Other emoluments:		
— Salaries, housing benefits, other allowances and benefits in kind	2,689	1,673
— Performance related bonuses	3,106	2,210
— Pension scheme contributions	229	206
	6,024	4,089

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

(i) Independent non-executive directors

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Salaries, housing benefits, other allowances and benefits in kind:		
Mr. LI Kecheng	271	80
Mr. ZHAO Guangjie	275	80
Mr. WU Taishi	259	80
Mr. NGAI Wai Fung	254	70
	1,059	310

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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

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

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

Group

	Fees	Salaries, housing benefits, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2009					
Executive directors:					
Mr. DING Yuanchen	—	171	455	31	657
Mr. ZHAO Guangfa	—	191	455	31	677
Mr. JIN Puqing	—	84	536	12	632
	—	446	1,446	74	1,966
Non-executive directors:					
Mr. LI Guorui	—	201	536	31	768
Mr. HUO Jingui	—	171	455	31	657
Mr. ZHU Mingxian	—	221	—	—	221
Mr. WU Xiaohua	—	36	—	—	36
	—	629	991	62	1,682
Supervisors:					
Mr. PENG Shugui	—	171	455	31	657
Mr. HUANG Shaojun	—	192	107	31	330
Ms. YU Fengli	—	192	107	31	330
	—	555	669	93	1,317
	—	1,630	3,106	229	4,965

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

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

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

Group

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

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

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

(b) *Five highest paid employees*

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

	Group	
	2009	2008
Non-director and non-supervisor employees	5	5

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

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Salaries, housing benefits, other allowances and benefits in kind	397	435
Performance related bonuses	12,831	5,355
Pension scheme contributions	76	77
	13,304	5,867

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

	Group	
	2009	2008
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	2	4
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	—	—
HK$2,500,001 to HK$3,000,000	—	—
Higher than HK$3,000,000	3	—
	5	5

11. INCOME TAX

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, jointly-controlled entities and associates, which were exempted from income tax or taxed at a preferential rate of 15% primarily due to their status as entities engaging in technology development or their involvement in projects that were supported by the government and development projects in the western part of Mainland China, the entities within the Group are subject to corporate income tax at a rate of 25% (2008: 25%) during the year.

11. INCOME TAX (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the territories/countries in which the relevant companies within the Group operate.

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Current income tax:		
— Mainland China	1,177,064	278,976
— Hong Kong	555	398
— Others	28,196	59,112
Deferred income tax *(note 23)*	369,879	524,068
Income tax charge for the year	1,575,694	862,554

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

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Profit before tax	8,307,399	4,568,845
Income tax charge at the statutory income tax rate of 25% (2008: 25%)	2,076,850	1,142,211
Lower income tax rates for specific provinces or locations	(281,910)	(90,553)
Tax effect of share of profits and losses of jointly-controlled entities and associates	876	2,460
Income not subject to tax	(99,914)	(42,608)
Expenses not deductible for tax purposes	108,621	73,300
Tax losses utilised from previous years	(18,837)	(60,162)
Income tax benefits on locally purchased machinery and research and development expenses	(277,425)	(173,763)
Tax losses not recognised	46,653	62,403
Adjustments in respect of current income tax of previous years	20,780	(50,734)
Income tax charge at the Group's effective income tax rate	1,575,694	862,554

The share of tax attributable to jointly-controlled entities and associates amounting to RMB2,296,000 (2008: RMB5,492,000) and RMB1,058,000 (2008: RMB1,276,000), respectively, is included in the "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a profit of RMB3,979,146,000 (2008: RMB2,276,610,000) which has been dealt with in the financial statements of the Company (note 39(b)).

13. DIVIDENDS

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Proposed final dividends – RMB1.60 (2008: RMB1.00) per 10 shares	1,974,007	1,233,754

The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars. In addition, pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by the Company to the holders of H Shares who are non-resident enterprises. This requirement is effective from 1 January 2009 and applies to earnings generated after 31 December 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the holders of H Shares who are non-resident enterprises. The withholding tax rate applicable is 5% or 10%. The Company will distribute the dividends to its shareholders after deducting the 10% withholding tax applicable to the holders of H Shares who are non-resident enterprises.

13. DIVIDENDS (continued)

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

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

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

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

(iii) Allocation to the specific reserve for maintenance and production funds pursuant to the relevant PRC regulations for construction companies. Pursuant to the relevant PRC accounting regulations issued in December 2008, the Group is required to make a transfer of the maintenance and production funds from retained earnings to a specific reserve under the reserve funds. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised will be transferred from the maintenance and production funds to retained earnings. For the year ended 31 December 2009, the Group transferred RMB2,987,150,000 (2008: RMB1,635,643,000) from retained earnings to the specific reserve for appropriation of the maintenance and production funds which was fully utilised as at 31 December 2009.

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

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

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

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company amounting to RMB6,599,072,000 (2008: RMB3,643,843,000) and the weighted average number of ordinary shares of 12,337,542,000 (2008: 11,238,027,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Production equipment RMB'000	Measurement and experimental equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009								
Cost:								
At 1 January 2009	5,739,253	14,817,795	5,697,891	2,869,288	1,129,909	4,302,485	2,197,979	36,754,600
Additions	612,173	6,290,732	2,268,478	1,183,822	491,441	2,107,882	2,248,527	15,203,055
Acquisition of assets and liabilities *(note 40(b))*	—	—	—	—	—	667	—	667
Transfer from construction in progress	876,004	521,677	106,365	181,928	22,113	166,607	(1,874,694)	—
Disposals	(163,605)	(652,260)	(330,852)	(153,779)	(67,785)	(416,001)	—	(1,784,282)
At 31 December 2009	7,063,825	20,977,944	7,741,882	4,081,259	1,575,678	6,161,640	2,571,812	50,174,040
Accumulated depreciation and impairment:								
At 1 January 2009	(1,731,369)	(5,810,670)	(3,305,255)	(1,142,990)	(628,438)	(2,248,474)	(550)	(14,867,746)
Impairment for the year # *(note 7)*	(3,480)	—	—	(2,828)	—	—	—	(6,308)
Depreciation charge for the year *(note 7)*	(240,713)	(2,679,901)	(1,239,937)	(426,031)	(233,807)	(1,382,024)	—	(6,202,413)
Disposals	57,686	488,972	297,827	78,870	58,330	361,490	—	1,343,175
At 31 December 2009	(1,917,876)	(8,001,599)	(4,247,365)	(1,492,979)	(803,915)	(3,269,008)	(550)	(19,733,292)
Net carrying amount:								
At 31 December 2009	5,145,949	12,976,345	3,494,517	2,588,280	771,763	2,892,632	2,571,262	30,440,748
At 31 December 2008	4,007,884	9,007,125	2,392,636	1,726,298	501,471	2,054,011	2,197,429	21,886,854

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Production equipment RMB'000	Measurement and experimental equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008								
Cost:								
At 1 January 2008	5,249,522	10,472,598	4,471,650	2,447,924	904,429	2,937,294	1,336,870	27,820,287
Additions	401,240	4,941,482	1,460,041	617,300	268,580	1,826,022	1,716,196	11,230,861
Acquisition of a subsidiary *(note 40(a))*	8,410	13,021	—	—	51	12,950	1,516	35,948
Acquisition of assets and liabilities *(note 40(b))*	—	—	—	—	—	919	—	919
Transfer from construction in progress	336,699	187,841	2,683	84,181	1,714	58,693	(671,811)	—
Transfer to prepaid land lease payments *(note 16)*	—	—	—	—	—	—	(184,792)	(184,792)
Disposals	(256,618)	(797,147)	(236,483)	(280,117)	(44,865)	(533,393)	—	(2,148,623)
At 31 December 2008	5,739,253	14,817,795	5,697,891	2,869,288	1,129,909	4,302,485	2,197,979	36,754,600
Accumulated depreciation and impairment:								
At 1 January 2008	(1,636,179)	(4,375,284)	(2,639,688)	(965,303)	(508,620)	(1,696,706)	(550)	(11,822,330)
Impairment for the year # *(note 7)*	(1,003)	—	—	—	—	—	—	(1,003)
Depreciation charge for the year *(note 7)*	(162,133)	(1,610,642)	(883,568)	(325,890)	(148,664)	(935,612)	—	(4,066,509)
Disposals	67,946	175,256	218,001	148,203	28,846	383,844	—	1,022,096
At 31 December 2008	(1,731,369)	(5,810,670)	(3,305,255)	(1,142,990)	(628,438)	(2,248,474)	(550)	(14,867,746)
Net carrying amount:								
At 31 December 2008	4,007,884	9,007,125	2,392,636	1,726,298	501,471	2,054,011	2,197,429	21,886,854
At 31 December 2007	3,613,343	6,097,314	1,831,962	1,482,621	395,809	1,240,588	1,336,320	15,997,957

Impairment losses of RMB6,308,000 (2008: RMB1,003,000) were recognised in the consolidated income statement for the year, which mainly represented the write-down of certain items of buildings and production equipment in the construction operations segment to their recoverable amounts.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings	Vehicles	Production equipment	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009					
Cost:					
At 1 January 2009	2,389	24,116	2,120	22,481	51,106
Additions	46	13,920	1,097	23,718	38,781
Disposals	—	(1,204)	—	(497)	(1,701)
At 31 December 2009	2,435	36,832	3,217	45,702	88,186
Accumulated depreciation:					
At 1 January 2009	(69)	(4,456)	(533)	(4,676)	(9,734)
Depreciation charge for the year	(105)	(16,270)	(1,542)	(17,687)	(35,604)
Disposals	—	972	—	291	1,263
At 31 December 2009	(174)	(19,754)	(2,075)	(22,072)	(44,075)
Net carrying amount:					
At 31 December 2009	2,261	17,078	1,142	23,630	44,111
At 31 December 2008	2,320	19,660	1,587	17,805	41,372
31 December 2008					
Cost:					
At 1 January 2008	2,389	17,155	2,026	19,945	41,515
Additions	—	7,896	94	3,236	11,226
Disposals	—	(935)	—	(700)	(1,635)
At 31 December 2008	2,389	24,116	2,120	22,481	51,106
Accumulated depreciation:					
At 1 January 2008	(10)	(823)	(79)	(276)	(1,188)
Depreciation charge for the year	(59)	(4,527)	(454)	(4,557)	(9,597)
Disposals	—	894	—	157	1,051
At 31 December 2008	(69)	(4,456)	(533)	(4,676)	(9,734)
Net carrying amount:					
At 31 December 2008	2,320	19,660	1,587	17,805	41,372
At 31 December 2007	2,379	16,332	1,947	19,669	40,327

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net carrying amount of RMB616,445,000 (2008: RMB922,106,000) as at 31 December 2009 (note 33).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of machinery amounted to RMB1,053,483,000 (2008: RMB156,640,000) as at 31 December 2009 (note 34).

As at 31 December 2009, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of RMB72,138,000 (2008: RMB16,583,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Carrying amount at beginning of the year	4,960,662	4,797,414
Additions	269,207	137,804
Acquisition of a subsidiary *(note 40(a))*	—	1,133
Transfer from construction in progress *(note 15)*	—	184,792
Disposals	(55,524)	(51,767)
Amortisation for the year *(note 7)*	(129,906)	(108,714)
Carrying amount at end of the year	5,044,439	4,960,662
Portion classified as current assets	(110,443)	(102,044)
Non-current portion	4,933,996	4,858,618

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

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Lease term, at carrying amount:		
Long term leases of not less than 50 years	64,759	55,280
Medium term leases of less than 50 years but not less than 10 years	4,927,941	4,861,109
Short term leases of less than 10 years	51,739	44,273
	5,044,439	4,960,662

16. PREPAID LAND LEASE PAYMENTS (continued)

Certain of the Group's interest-bearing bank and other borrowings were secured by the Group's prepaid land lease payments, which had an aggregate carrying amount of RMB30,920,000 (2008: RMB74,385,000) as at 31 December 2009 (note 33).

As at 31 December 2009, the Group was in the process of applying for the title certificates of certain of its land use rights in the PRC with an aggregate carrying amount of RMB23,867,000 (2008: RMB61,760,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

17. INTANGIBLE ASSETS

Group

	Concession assets *RMB'000*	**Computer software** *RMB'000*	**Mining rights** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
31 December 2009					
Cost:					
At 1 January 2009	525,305	34,009	167,073	20,404	746,791
Additions	46,373	21,724	3,616	27,129	98,842
Disposals	—	(3,944)	—	(881)	(4,825)
At 31 December 2009	571,678	51,789	170,689	46,652	840,808
Accumulated amortisation and impairment:					
At 1 January 2009	(26,146)	(15,989)	(3,528)	(14,136)	(59,799)
Amortisation for the year *(note 7)*	(31,899)	(6,497)	(108)	(3,913)	(42,417)
Disposals	—	4,179	—	494	4,673
At 31 December 2009	(58,045)	(18,307)	(3,636)	(17,555)	(97,543)
Net carrying amount:					
At 31 December 2009	513,633	33,482	167,053	29,097	743,265
At 31 December 2008	499,159	18,020	163,545	6,268	686,992

17. INTANGIBLE ASSETS (continued)

Group

	Concession assets RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
31 December 2008					
Cost:					
At 1 January 2008	1,136,581	33,295	—	20,424	1,190,300
Additions	720,030	9,059	—	5,264	734,353
Acquisition of a subsidiary *(note 40(a))*	—	—	167,073	—	167,073
Transfer to non-current asset held for sale *(note 44)*	(1,331,306)	—	—	—	(1,331,306)
Disposals	—	(8,345)	—	(5,284)	(13,629)
At 31 December 2008	525,305	34,009	167,073	20,404	746,791
Accumulated amortisation and impairment:					
At 1 January 2008	(19,015)	(19,777)	—	(18,966)	(57,758)
Amortisation for the year *(note 7)*	(7,131)	(4,479)	(3,528)	(400)	(15,538)
Disposals	—	8,267	—	5,230	13,497
At 31 December 2008	(26,146)	(15,989)	(3,528)	(14,136)	(59,799)
Net carrying amount:					
At 31 December 2008	499,159	18,020	163,545	6,268	686,992
At 31 December 2007	1,117,566	13,518	—	1,458	1,132,542

Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's intangible assets, which had an aggregate net carrying amount of RMB408,926,000 (2008: RMB395,078,000) as at 31 December 2009 (note 33).

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	32,377,559	18,021,728

18. INVESTMENTS IN SUBSIDIARIES **(continued)**

Particulars of the principal subsidiaries of the Company are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中國土木工程集團有限公司 China Civil Engineering Construction Ltd.	The PRC 1 June 1979	RMB1,210,000	100	—	Construction
中鐵十一局集團有限公司 China Railway 11th Bureau Group Co., Ltd.	The PRC 1 August 2001	RMB1,031,850	100	—	Construction
中鐵十二局集團有限公司 China Railway 12th Bureau Group Co., Ltd.	The PRC 12 May 1986	RMB1,060,677	100	—	Construction
中鐵十三局集團有限公司 China Railway 13th Bureau Group Co., Ltd.	The PRC 6 June 2001	RMB1,044,810	100	—	Construction
中鐵十四局集團有限公司 China Railway 14th Bureau Group Co., Ltd.	The PRC 12 October 1986	RMB1,110,000	100	—	Construction
中鐵十五局集團有限公司 China Railway 15th Bureau Group Co., Ltd.	The PRC 2 April 2001	RMB1,117,210	100	—	Construction
中鐵十六局集團有限公司 China Railway 16th Bureau Group Co., Ltd.	The PRC 1 August 1995	RMB1,068,300	100	—	Construction
中鐵十七局集團有限公司 China Railway 17th Bureau Group Co., Ltd.	The PRC 2 February 1985	RMB1,044,210	100	—	Construction
中鐵十八局集團有限公司 China Railway 18th Bureau Group Co., Ltd.	The PRC 18 April 2001	RMB1,130,000	100	—	Construction
中鐵十九局集團有限公司 China Railway 19th Bureau Group Co., Ltd.	The PRC 26 December 2001	RMB1,095,469	100	—	Construction
中鐵二十局集團有限公司 China Railway 20th Bureau Group Co., Ltd.	The PRC 1 December 1993	RMB1,110,000	100	—	Construction
中鐵二十一局集團有限公司 China Railway 21st Bureau Group Co., Ltd.	The PRC 16 March 2004	RMB950,000	100	—	Construction
中鐵二十二局集團有限公司 China Railway 22nd Bureau Group Co., Ltd.	The PRC 3 March 2004	RMB926,000	100	—	Construction

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中鐵二十三局集團有限公司 China Railway 23rd Bureau Group Co., Ltd.	The PRC 11 June 2002	RMB900,000	100	—	Construction
中鐵二十四局集團有限公司 China Railway 24th Bureau Group Co., Ltd.	The PRC 4 March 2004	RMB953,244	100	—	Construction
中鐵二十五局集團有限公司 China Railway 25th Bureau Group Co., Ltd.	The PRC 14 March 2004	RMB910,720	100	—	Construction
中鐵建設集團有限公司 China Railway Construction Group Ltd.	The PRC 1 August 1979	RMB1,100,000	100	—	Construction
中鐵建電氣化局集團有限公司 China Railway Electrification Bureau (Group) Co., Ltd.	The PRC 1 December 2005	RMB710,000	100	—	Construction
中鐵房地產集團有限公司 China Railway Real Estate Group Co., Ltd.	The PRC 20 April 2007	RMB2,000,000	100	—	Real estate development
中鐵第一勘察設計院集團有限公司 China Railway First Survey and Design Institute Group Co., Ltd.	The PRC 31 December 1992	RMB200,000	100	—	Survey, design and consultancy
中鐵第四勘察設計院集團有限公司 China Railway Fourth Survey and Design Institute Group Co., Ltd.	The PRC 28 May 2001	RMB150,000	100	—	Survey, design and consultancy
中鐵第五勘察設計院集團有限公司 China Railway Fifth Survey and Design Institute Group Co., Ltd.	The PRC 28 December 2001	RMB155,000	100	—	Survey, design and consultancy
中鐵上海設計院集團有限公司 China Railway Shanghai Design Institute Group Co., Ltd.	The PRC 10 December 1992	RMB130,000	100	—	Survey, design and consultancy
中鐵物資集團有限公司 China Railway Goods and Materials Co., Ltd.	The PRC 4 June 1992	RMB700,000	100	—	Trading of construction materials
昆明中鐵大型養路機械集團有限公司 Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	The PRC 29 August 1992	RMB587,984	100	—	Manufacturing of large track maintenance machinery

18. INVESTMENTS IN SUBSIDIARIES **(continued)**

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中鐵軌道系統集團有限公司 China Railway Rail System Group Co., Ltd.	The PRC 23 November 2006	RMB520,000	100	—	Manufacturing of railway track systems
北京鐵城建設監理有限責任公司 Beijing Tiecheng Construction Supervision Co., Ltd.	The PRC 11 November 1998	RMB6,000	80.02	19.98	Construction management and supervision
中國鐵道建設(香港)有限公司 China Railway Construction (HK) Limited	Hong Kong 19 November 2005	HK$6,000	100	—	Construction management
誠合保險經紀(北京)有限責任公司 Chenghe Insurance Brokers (Beijing) Co., Ltd.	The PRC 13 July 2009	RMB20,000	100	—	Insurance brokerage
中鐵建山東京滬高速公路濟樂有限公司 China Railway Construction Shandong Jinghu Highway Jile Co., Ltd.	The PRC 10 November 2009	RMB353,500/ RMB1,767,500	65	—	Construction and operation of highway
中鐵建(北京)商務管理有限公3司 China Railway Construction (Beijing) Business Management Co., Ltd.	The PRC 1 October 1985	RMB8,828	100	—	Property management
中國鐵道建設(加勒比)有限公司 China Railway Construction (Caribbean) Co., Ltd.	Trinidad and Tobago 25 July 2007	TTD1,000	100	—	Construction

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

All the above subsidiaries are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2009. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	—	—	1,069,736	57,680
Share of net assets	1,193,175	97,123	—	—
	1,193,175	97,123	1,069,736	57,680

Particulars of the principal jointly-controlled entities of the Group are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		'000	Direct	Indirect	
湖北萬佳房地產開發有限公司 Hubei Wanjia Real Estate Development Limited	The PRC 31 October 2002	RMB20,000	—	40	Real estate development
Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture	Hong Kong 11 March 1999	—	20	—	Construction
Chun Wo-Henryvicy-CRCC Joint Venture	Hong Kong 7 September 2000	—	25	—	Construction
中鐵建銅冠投資有限公司 CRCC-Tongguan Investment Co., Ltd.	The PRC 10 December 2009	RMB2,000,000	50	—	Investment holding
中土北亞國際投資發展有限公司 CCECC-Beyond International Investment Development Co., Ltd.	The PRC 2 March 2006	RMB200,000	35	30	Investment holding and real estate development

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the jointly-controlled entities of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2009. To give details of other jointly-controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

As at 31 December 2008, the Group directly and indirectly held 50% equity interests in CCECC-Beyond International Investment Development Co., Ltd. ("CCECC-Beyond"). During the year, the Group increased its investments in CCECC-Beyond which resulted in the Group holding 65% equity interests in CCECC-Beyond as at 31 December 2009. In accordance with the articles of association of CCECC-Beyond, the voting rights attached to the 65% equity interests did not provide the Group with the power to govern the financial and operating activities of CCECC-Beyond. As a result, the interests in CCECC-Beyond has been accounted for as a jointly-controlled entity using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	1,298,978	248,771
Non-current assets	277,943	49,802
Current liabilities	(367,990)	(201,296)
Non-current liabilities	(15,756)	(154)
Net assets	1,193,175	97,123
Share of the jointly-controlled entities' results:		
Revenue	39,354	116,276
Other income	1,955	558
	41,309	116,834
Total expenses	(40,247)	(95,686)
Income tax	(2,296)	(5,492)
(Loss)/profit after tax	(1,234)	15,656

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Unlisted investments, at cost	—	—	—	17,236
Share of net assets	284,102	349,113	—	—
Provision for impairment	(1,618)	(1,618)	—	—
	282,484	347,495	—	17,236

Particulars of the principal associates of the Group are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蛇口興華實業股份有限公司 Shekou Xinghua Enterprise Co., Ltd.	The PRC 19 November 1983	RMB46,377	—	33	Real estate development
北京中鐵建協工程技術諮詢有限公司 Beijing China Railway Jianxie Engineering & Technology Consultation Co., Ltd.	The PRC 15 April 2001	RMB5,000	—	49	Technology consultancy
上海先科橋樑隧道檢測加固工程技術有限公司 Shanghai Xianke Bridge and Tunnel Inspection Engineering Technology Co., Ltd.	The PRC 1 November 2005	RMB4,000	—	48	Bridge inspection
中鐵交通國際工程技術有限公司 China Railway Communications International Engineering and Technology Co., Ltd.	The PRC 11 March 2007	RMB200,000	—	38.5	Survey, design and consultancy

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2009. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their audited financial statements or management accounts:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Aggregate of associates' financial position:		
Assets	1,498,644	1,900,450
Liabilities	586,114	853,579
Aggregate of associates' results:		
Revenue	664,736	661,989
(Loss)/profit	(3,628)	21,004

21. HELD-TO-MATURITY INVESTMENTS

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Debt investments:		
— Listed in Mainland China	6,229	6,832
— Unlisted	455	10,456
	6,684	17,288
Portion classified as current assets	—	(10,000)
Non-current portion	6,684	7,288
Held-to-maturity investments are analysed, by issuer, as follows:		
— Central government and central bank	415	1,019
— Corporate entities	6,269	16,269
	6,684	17,288

During the year, the effective interest rates of the held-to-maturity investments ranged from 4.1% to 4.8% (2008: 4.0% to 5.2%) per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Listed equity investments in Mainland China, at fair value	367,914	200,228	186,507	94,550
Unlisted equity investments, at cost	1,698,433	1,465,767	986,444	986,444
Provision for impairment	(13,268)	(11,943)	—	—
	1,685,165	1,453,824	986,444	986,444
Listed bond investments in Mainland China, at fair value	34	44	—	—
	2,053,113	1,654,096	1,172,951	1,080,994
Available-for-sale investments are analysed, by issuer, as follows:				
— Banks and other financial institutions	594,707	173,451	195,159	103,202
— Corporate entities	1,458,406	1,480,645	977,792	977,792
	2,053,113	1,654,096	1,172,951	1,080,994

Movements in the provision for impairment of available-for-sale investments are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year	11,943	12,461
Impairment for the year *(note 7)*	1,325	65
Written off	—	(583)
At end of the year	13,268	11,943

22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The fair values of the listed equity and bond investments are based on quoted market prices. The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB173,356,000 (2008: gross loss of RMB130,938,000).

During the year, the gross gain in respect of the Company's available-for-sale investments recognised in other comprehensive income amounted to RMB91,957,000 (2008: gross loss of RMB61,238,000).

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year, net	2,453,646	2,945,242	15,759	(1,018)
Deferred tax (charged)/credited to the income statements during the year *(note 11)*	(369,879)	(524,068)	(7,547)	1,467
Deferred tax recognised in other comprehensive income during the year:				
Deferred tax liabilities arising from changes in fair values of available-for-sale investments	(34,599)	32,472	(22,989)	15,310
At end of the year, net	2,049,168	2,453,646	(14,777)	15,759

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

The Group's and the Company's deferred tax assets and deferred tax liabilities are attributed to the following items, which are reflected in the statements of financial position:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
Provision for early retirement benefits	1,350,106	1,606,392	9,195	9,790
Provision for impairment of assets	129,468	139,117	—	—
Provision for foreseeable losses on construction contracts	23,262	37,589	—	—
Tax losses available for offsetting against future taxable income	39,926	37,954	—	—
Accruals and provisions	19,304	31,537	—	—
Additional tax deduction on revaluation surplus arising from a prior restructuring	771,585	888,715	—	—
Others	17,921	13,483	—	5,969
	2,351,572	2,754,787	9,195	15,759
Deferred tax liabilities:				
Recognition of revenue on construction contracts	(90,913)	(123,804)	—	—
Others	(211,491)	(177,337)	(23,972)	—
	(302,404)	(301,141)	(23,972)	—
	2,049,168	2,453,646	(14,777)	15,759

As at 31 December 2009, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB146,948,000 (2008: RMB255,687,000), which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2009, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no liability to additional tax should such amounts be remitted (2008: Nil).

24. INVENTORIES

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Raw materials	11,450,286	7,812,983	35,965	29,169
Work in progress	1,413,763	1,215,002	—	—
Finished goods	2,466,981	1,452,002	—	—
Spare parts	3,807,369	2,569,551	—	—
	19,138,399	13,049,538	35,965	29,169

25. PROPERTIES UNDER DEVELOPMENT

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Properties under development	13,641,610	9,317,503
Provision for properties under development	(151,439)	(538,055)
	13,490,171	8,779,448

Movements in the provision for properties under development are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year	538,055	—
(Reversal of provision)/provision for the year *(note 7)*	(386,616)	538,055
At end of the year	151,439	538,055

As at 31 December 2009, certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's properties under development, which had an aggregate carrying amount of RMB1,618,275,000 (2008: RMB821,253,000) *(note 33).*

26. CONSTRUCTION CONTRACTS

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Gross amount due from contract customers	52,021,064	36,317,258	5,166,434	1,881,056
Gross amount due to contract customers	(19,913,886)	(16,804,081)	—	—
	32,107,178	19,513,177	5,166,434	1,881,056
Contract costs incurred plus recognised profits less recognised losses to date	926,396,970	685,036,939	20,283,064	5,813,073
Less: Progress billings	(894,289,792)	(665,523,762)	(15,116,630)	(3,932,017)
	32,107,178	19,513,177	5,166,434	1,881,056

The amounts due from the ultimate holding company, fellow subsidiaries, an associate and a jointly-controlled entity included in the gross amount due from contract customers are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Ultimate holding company	22,996	22,354
Fellow subsidiaries	28,824	22,457
Associate	22,153	—
Jointly-controlled entity	14,678	—
	88,651	44,811

The amounts due to the ultimate holding company and a fellow subsidiary included in the gross amount due to contract customers are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Ultimate holding company	3,813	2,025
Fellow subsidiary	—	92,098
	3,813	94,123

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

27. TRADE AND BILLS RECEIVABLES

The Group's major customers are the PRC government agencies and other state-owned enterprises. The majority of the Group's revenues are generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not have a standardised and universal credit period granted to the construction service customers. The credit period of individual construction service customers is considered on a case-by-case basis and set out in the construction contracts, as appropriate. For the sale of products, a credit period ranging from 30 to 90 days may be granted to large or long-established customers with good repayment history. Receivables from small, new or short term customers are normally expected to be settled shortly after the provision of services or delivery of goods. No credit period is provided by the Group for small, new or short term customers. For retention money receivables in respect of construction work carried out by the Group, the due dates usually range from one to six years after the completion of the construction work. Trade and bills receivables are non-interest-bearing.

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Bills receivable	206,396	131,787	—	—
Trade receivables	40,961,908	28,857,935	1,411	1,411
Retention money receivables	6,082,305	5,557,740	6,895	7,495
Provision for impairment	(449,572)	(537,250)	—	—
	46,801,037	34,010,212	8,306	8,906
Portion classified as current assets	(44,895,969)	(32,773,743)	(8,306)	(8,906)
Non-current portion	1,905,068	1,236,469	—	—

An aged analysis of the Group's and the Company's trade and bills receivables, based on the invoice date and net of provision for impairment of trade receivables, as at the end of the reporting period is as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Within 6 months	39,018,091	26,498,405	—	—
6 months to 1 year	4,072,781	4,115,923	—	1,211
1 to 2 years	2,251,480	2,196,856	1,211	2,489
2 to 3 years	1,067,308	798,003	1,889	—
More than 3 years	391,377	401,025	5,206	5,206
	46,801,037	34,010,212	8,306	8,906

27. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Neither past due nor impaired	42,140,218	29,262,651	8,306	8,906
Past due but not impaired:				
Less than 3 months past due	665,770	634,579	—	—
3 to 6 months past due	314,828	303,590	—	—
Over 6 months past due	344,380	330,924	—	—
	43,465,196	30,531,744	8,306	8,906

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year	537,250	617,293
Reversal of impairment for the year (net) *(note 7)*	(61,000)	(61,082)
Written off	(26,678)	(18,961)
At end of the year	449,572	537,250

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB449,572,000 (2008: RMB537,250,000) with a carrying amount before provision for impairment of RMB3,785,413,000 (2008: RMB4,015,718,000). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

27. TRADE AND BILLS RECEIVABLES (continued)

The amounts due from the ultimate holding company, fellow subsidiaries, associates and a jointly-controlled entity included in the trade and bills receivables are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Ultimate holding company	26,358	419
Fellow subsidiaries	65,933	96,816
Associates	16,089	6,483
Jointly-controlled entity	26	—
	108,406	103,718

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

The weighted average effective interest rate on non-current trade and bills receivables is as follows:

	Group	
	2009	2008
Effective interest rate	5.4%	7.3%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current trade and bills receivables approximate to their fair values. In addition, as the non-current trade and bills receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade and bills receivables approximate to their fair values.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Advances to suppliers	23,627,766	21,258,665	2,678,178	5,572,092
Prepayments	60,923	64,684	—	—
Deposits and other receivables, net of provision for impairment *(note (a))* *	19,837,944	15,061,509	19,632,573	12,317,091
	43,526,633	36,384,858	22,310,751	17,889,183
Portion classified as current assets	(43,465,710)	(36,320,174)	(22,310,751)	(17,889,183)
Non-current portion	60,923	64,684	—	—

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

* Deposits and other receivables mainly represent bidding bonds, performance bonds and various deposits required for the Group's business operations.

Note:

(a) As at 31 December 2008, deposits and other receivables included a non-interest-bearing loan of RMB2,055,501,000 given by the Group's wholly-owned subsidiary, China Railway Real Estate Group Co., Ltd., to the then independent third party, 北京第六大洲房地產開發有限公司 (Beijing Sixth Continent Real Estate Development Co., Ltd.) ("Sixth Continent"). As further described in note 40(b) to the financial statements, the Group acquired a 100% equity interest in Sixth Continent on 5 January 2009 and hence the non-interest-bearing loan was eliminated on consolidation as at 31 December 2009.

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Neither past due nor impaired	19,368,018	14,586,603	19,632,573	12,882,566

Deposits and other receivables that were neither past due nor impaired relate to balances for which there was no recent history of default.

Movements in the provision for impairment of deposits and other receivables are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year	249,988	209,663
(Reversal of impairment)/impairment for the year (net) *(note 7)*	(18,739)	56,567
Written off	(2,925)	(16,242)
At end of the year	228,324	249,988

The above provision for impairment of deposits and other receivables is a provision for individually impaired deposits and other receivables of RMB228,324,000 (2008: RMB249,988,000) with a carrying amount before provision for impairment of RMB698,250,000 (2008: RMB724,894,000). The individually impaired deposits and other receivables relate to debtors that were in financial difficulties or debtors that were in default or delinquency in payments and only a portion of the balances is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The amounts due from the fellow subsidiary, jointly-controlled entities, associates and subsidiaries included in the above are as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Fellow subsidiary	—	650	—	—
Jointly-controlled entities	274,287	123,360	258,107	—
Associates	39,831	45,836	—	54,918
Subsidiaries	—	—	20,768,136	16,007,283
	314,118	169,846	21,026,243	16,062,201

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

The weighted average effective interest rate on non-current deposits and other receivables is as follows:

	Group	
	2009	2008
Effective interest rate	5.4%	7.3%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current deposits and other receivables approximate to their fair values. In addition, as the non-current deposits and other receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current deposits and other receivables approximate to their fair values.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Listed equity investments in Mainland China,at market value	97,339	32,853	53,967	32,320
Financial assets at fair value through profit or loss are analysed, by issuer, as follows:				
— Banks and other financial institutions	—	1,967	—	1,967
— Corporate entities	97,339	30,886	53,967	30,353
	97,339	32,853	53,967	32,320

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Cash and bank balances	49,006,623	32,966,935	4,135,490	4,312,913
Time deposits	15,945,630	24,503,129	10,880,408	18,311,568
	64,952,253	57,470,064	15,015,898	22,624,481
Less: Pledged bank balances for				
— Bills payable *(note 31)*	(1,887,370)	(969,252)	—	—
— Projects bidding	(694,685)	(1,494,847)	—	—
	(2,582,055)	(2,464,099)	—	—
Cash and cash equivalents in the statements of financial position	62,370,198	55,005,965	15,015,898	22,624,481
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(7,300,148)	(5,550,640)		
Cash and cash equivalents in the consolidated statement of cash flows	55,070,050	49,455,325		
Cash and bank balances and time deposits denominated in:				
— RMB	55,850,961	37,689,435	9,865,467	5,751,979
— United States dollars	3,440,970	5,551,507	2,397,477	5,065,043
— Hong Kong dollars	1,419,931	10,843,769	1,329,508	10,203,731
— Other currencies	4,240,391	3,385,353	1,423,446	1,603,728
	64,952,253	57,470,064	15,015,898	22,624,481

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three months to one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled between 60 and 180 days. For retention money payables in respect of construction work carried out by the Group, the due dates usually range from one to six years after the completion of the construction work.

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Trade and bills payables	103,222,970	63,826,309	602,189	3,137,268
Portion classified as current liabilities	(101,980,100)	(62,824,384)	(602,189)	(3,137,268)
Non-current portion	1,242,870	1,001,925	—	—

An aged analysis of the Group's and the Company's trade and bills payables, based on the invoice date, as at the end of the reporting period is as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Within 6 months	88,402,660	53,039,994	547,382	3,088,624
6 months to 1 year	11,701,720	7,847,160	24,533	15,413
1 to 2 years	2,338,794	1,937,088	21,998	30,683
2 to 3 years	430,251	536,661	8,276	2,548
More than 3 years	349,545	465,406	—	—
	103,222,970	63,826,309	602,189	3,137,268

The amounts due to a fellow subsidiary, associates and subsidiaries included in trade and bills payables are as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Fellow subsidiary	—	391	—	—
Associates	4,863	8,693	—	—
Subsidiaries	—	—	183,035	3,010,916
	4,863	9,084	183,035	3,010,916

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered by the fellow subsidiary, associates and subsidiaries to their major customers.

31. TRADE AND BILLS PAYABLES (continued)

The weighted average effective interest rate on non-current trade and bills payables is as follows:

	Group	
	2009	2008
Effective interest rate	5.4%	7.3%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current trade and bills payables approximate to their fair values. In addition, as the non-current trade and bills payables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade and bills payables approximate to their fair values.

The Group's bills payable were secured by pledged bank balances of RMB1,887,370,000 (2008: RMB969,252,000) as at 31 December 2009 (note 30).

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Advances from customers	37,443,418	33,889,939	1,462,349	656,368
Accrued salaries, wages and benefits	6,471,076	5,640,457	33,733	24,394
Other taxes payable	2,836,834	2,089,705	—	—
Current portion of deferred revenue *(note 36)*	18,210	18,138	—	—
Others *	24,640,235	19,320,596	8,553,365	4,357,403
	71,409,773	60,958,835	10,049,447	5,038,165
Portion classified as current liabilities	(71,305,694)	(60,452,573)	(10,049,447)	(5,030,343)
Non-current portion	104,079	506,262	—	7,822

* Others mainly represent payables to sub-contractors for payments made on behalf of the Group, deposits and performance bonds received from sub-contractors, payables for the purchase of machinery and equipment and payables for repair and maintenance expenses.

32. OTHER PAYABLES AND ACCRUALS (continued)

The amounts due to the ultimate holding company, fellow subsidiaries, jointly-controlled entities, associates and subsidiaries included in other payables and accruals are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Ultimate holding company (note (a))	196,692	210,299	196,692	189,660
Fellow subsidiaries	109,333	155,889	—	—
Jointly-controlled entities	2,045,791	1,501,702	1,996,971	57,309
Associates	62,681	5,786	—	—
Subsidiaries	—	—	5,734,707	1,632,151
	2,414,497	1,873,676	7,928,370	1,879,120

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

Note:

(a) In accordance with the notices《財政部關於下達中國鐵建建築總公司2008年中央國有資本經營預算(撥款)的通知》(財企[2008]260號) "Notice Relating to the Allocation of State-owned Capital Operating Budget to CRCCG for 2008 (Cai Qi [2008] No. 260)" and《財政部關於撥付2008年中央企業汶川地震災害後恢復重建基金的通知》(財企[2008]399號) "Notice Relating to the Allocation of the Wenchuan Earthquake Reconstruction Funds to State-owned Enterprises for 2008 (Cai Qi [2008] No. 399)" issued by the MOF (the English titles of the notices are direct translation of the Chinese titles), the MOF injected an amount of RMB189,660,000 to CRCCG for the reconstruction work in relation to the earthquake in Wenchuan County of Sichuan Province in the PRC in 2008. Thereafter, CRCCG contributed the fund so received from the MOF into the Company which the Company has recorded in other payables as at 31 December 2009 and 2008.

The weighted average effective interest rate on non-current other payables is as follows:

	Group	
	2009	2008
Effective interest rate	5.4%	7.3%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying amounts of the current other payables approximate to their fair values. In addition, as the non-current other payables have been discounted based on the effective interest rate, the carrying amounts of the non-current other payables approximate to their fair values.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
Current						
Finance lease payables *(note 34)*	5.0 - 9.3	2010	320,337	97,157	—	—
Short term bank loans:						
— unsecured	1.9 - 7.8	2010	10,413,349	13,076,454	1,993,396	300,000
— secured	4.8 - 5.8	2010	61,100	136,040	—	—
Short term other loans:						
— unsecured	5.8 - 6.0	2010	66,018	67,018	—	—
Short term corporate bonds:						
— unsecured	3.5	2010	402,370	346,599	—	—
Current portion of long term bank loans:						
— unsecured	0.8 - 8.0	2010	901,354	2,667,390	222,708	839,371
— secured	4.4 - 8.6	2010	414,897	20,977	—	—
			12,579,425	16,411,635	2,216,104	1,139,371
Non-current						
Finance lease payables *(note 34)*	5.0 - 9.3	2011 - 2016	569,093	204,753	—	—
Long term bank loans:						
— unsecured	0.8 - 8.0	2011 - 2043	2,431,931	4,150,614	695,266	1,545,756
— secured	0.8 - 8.6	2011 - 2026	1,127,220	1,358,123	—	—
Long term other loans:						
— unsecured	2.6	2011	6,050	6,050	—	—
Long term corporate bonds:						
— unsecured	3.4	2012	10,000,000	—	10,000,000	—
			14,134,294	5,719,540	10,695,266	1,545,756
			26,713,719	22,131,175	12,911,370	2,685,127
Interest-bearing bank and other borrowings denominated in:						
— RMB			22,875,029	20,350,884	10,100,000	2,564,670
— Euro			1,750,980	1,689,252	817,974	120,457
— Hong Kong dollars			8,926	—	—	—
— United States dollars			2,078,784	91,039	1,993,396	—
			26,713,719	22,131,175	12,911,370	2,685,127

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The maturity profile of the interest-bearing bank and other borrowings as at the end of the reporting period is as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	11,790,700	15,900,861	2,216,104	1,139,371
In the second year	982,961	1,936,173	108,753	861,501
In the third to fifth years, inclusive	1,550,469	647,895	284,389	74,636
Beyond five years	1,025,721	2,924,669	302,124	609,619
	15,349,851	21,409,598	2,911,370	2,685,127
Other borrowings (including finance lease payables) repayable:				
Within one year	386,355	164,175	—	—
In the second year	337,062	87,939	—	—
In the third to fifth years, inclusive	199,159	122,864	—	—
Beyond five years	38,922	—	—	—
	961,498	374,978	—	—
Corporate bonds repayable:				
Within one year	402,370	346,599	—	—
In the third to fifth years, inclusive	10,000,000	—	10,000,000	—
	10,402,370	346,599	10,000,000	—
	26,713,719	22,131,175	12,911,370	2,685,127

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The above secured bank loans were secured by certain assets and their carrying values are as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Property, plant and equipment *(note 15)*	616,445	922,106
Prepaid land lease payments *(note 16)*	30,920	74,385
Intangible assets *(note 17)*	408,926	395,078
Properties under development *(note 25)*	1,618,275	821,253
Completed properties held for sale	2,622	—

Certain interest-bearing bank and other borrowings of the Company of approximately RMB127 million (2008: RMB120 million) were guaranteed by the subsidiaries of the Company as at 31 December 2009 (note 41(c)).

Other interest rate information:

Group

	2009		2008	
	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans – unsecured	8,487,430	5,259,204	11,795,684	8,098,774
Bank loans – secured	649,205	954,012	1,046,149	468,991
Other borrowings – unsecured	7,050	65,018	8,050	65,018
Other borrowings – secured	889,430	—	301,910	—
Corporate bonds – unsecured	10,402,370	—	346,599	—

Company

	2009		2008	
	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans – unsecured	2,220,211	691,159	1,591,032	1,094,095
Corporate bonds – unsecured	10,000,000	—	—	—

The carrying amounts of the current bank and other borrowings and the non-current floating rate bank and other borrowings approximate to their fair values.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The carrying amounts and fair values of the Group's non-current fixed rate bank and other borrowings are as follows:

Group

	2009 Carrying amounts RMB'000	2009 Fair values RMB'000	2008 Carrying amounts RMB'000	2008 Fair values RMB'000
Bank loans – unsecured	765,398	664,849	1,531,861	1,419,911
Bank loans – secured	507,828	413,152	935,309	756,632
Other borrowings – unsecured	6,050	5,769	6,050	5,316
Other borrowings – secured	569,093	560,970	204,753	218,003
Corporate bonds – unsecured	10,000,000	9,955,000	—	—
	11,848,369	11,599,740	2,677,973	2,399,862

The fair value of the Company's non-current unsecured bank loans and corporate bonds at fixed rates with an aggregate carrying amount of RMB10,091,517,000 (2008: RMB820,457,000) was RMB10,026,201,000 (2008: RMB779,589,000) as at 31 December 2009.

The fair values of the Group's and the Company's non-current fixed rate bank and other borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates as at the end of the reporting period.

34. FINANCE LEASE PAYABLES

The Group leases certain of its machinery for its construction operations segment. These leases are classified as finance leases and have remaining lease terms ranging from one to six years. The Group has the option to purchase the machinery at nominal amounts upon the expiry of the lease terms.

The Group's total future minimum lease payments under finance leases and their present values are as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Amounts payable:				
Within one year	364,332	118,377	320,337	97,157
In the second year	353,879	94,151	331,012	87,939
In the third to fifth years,inclusive	213,133	123,852	199,159	116,814
Beyond five years	39,831	—	38,922	—
Total minimum finance lease payments	971,175	336,380	889,430	301,910
Future finance charges	(81,745)	(34,470)		
Total net finance lease payables	889,430	301,910		
Portion classified as current liabilities *(note 33)*	(320,337)	(97,157)		
Non-current portion *(note 33)*	569,093	204,753		

34. FINANCE LEASE PAYABLES (continued)

The effective interest rates of the finance lease payables range from 5.0% to 9.3% (2008: 5.8% to 12.7%) per annum. The carrying amounts of the finance lease payables approximate to their fair values.

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of machinery amounted to RMB1,053,483,000 (2008: RMB156,640,000) as at 31 December 2009 *(note 15)*.

35. PROVISION FOR EARLY RETIREMENT BENEFITS

The Group has implemented an early retirement plan for certain employees in addition to the benefits under the government-sponsored retirement plans. The Group's obligations in respect of the early retirement benefits at the end of the reporting period were computed by an independent actuary, Towers, Perrin, Forster & Crosby, Inc., Hong Kong, whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method.

The components of net benefit expenses recognised in the consolidated income statement and the amounts recognised in the statements of financial position are summarised below:

(a) The provision for early retirement benefits recognised in the statements of financial position is as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Present value of defined benefit obligations	6,211,950	7,270,420	43,250	39,160
Unrecognised net actuarial loss	(74,210)	(323,079)	(6,470)	—
Defined benefit liabilities on the statements of financial position	6,137,740	6,947,341	36,780	39,160
Portion classified as current liabilities	(956,060)	(1,000,412)	(5,560)	(5,290)
Non-current portion	5,181,680	5,946,929	31,220	33,870

35. PROVISION FOR EARLY RETIREMENT BENEFITS (continued)

(b) The movements in the provision for early retirement benefits recognised in the statements of financial position are as follows:

	Group		Company	
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Net liabilities at beginning of the year	6,947,341	7,745,610	39,160	43,060
Benefits paid during the year	(1,003,401)	(1,109,600)	(6,020)	(5,626)
Net expense recognised in the consolidated income statement *(note 9)*	193,800	311,331	—	—
Net expense recognised in the Company's income statement	—	—	3,640	1,726
Net liabilities at end of the year	6,137,740	6,947,341	36,780	39,160

(c) The net expense recognised in the consolidated income statement of the Group is as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Interest cost	135,400	311,331
Actuarial losses	58,400	—
	193,800	311,331

(d) The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:

	Group	
	2009	2008
Discount rate	2.8%	2.0%
Medical cost trend rate	8.0%	8.0%
Early-retirees' salary inflation rate	2.5%	2.5%

35. PROVISION FOR EARLY RETIREMENT BENEFITS (continued)

(e) A one percentage point change in the assumed rate of increase in medical cost would have the following effects:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Increase in effect on the interest cost	10	10
Decrease in effect on the interest cost	(10)	(10)
Increase in effect on the defined benefit obligations	490	360
Decrease in effect on the defined benefit obligations	(460)	(330)

36. DEFERRED REVENUE

The Group received government grants from the Ministry of Railways of the PRC for subsidising its purchase of machinery and equipment in respect of customer-related railway projects. The government grants are recognised as income on the straight-line basis over the expected useful life of the relevant machinery and equipment of ten years.

The movements in deferred revenue in relation to government grants as stated under current and non-current liabilities are as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	175,514	195,771
Received during the year	4,020	6,351
Released to the consolidated income statement during the year *(note 6)*	(23,838)	(26,608)
Carrying amount at end of the year	155,696	175,514
Current portion included in other payables and accruals *(note 32)*	(18,210)	(18,138)
Non-current portion	137,486	157,376

37. PROVISION

The movements in the provision for pending litigation are as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of the year	2,898	7,610
Utilised during the year	(658)	(4,712)
At end of the year	2,240	2,898

The Group has been named in a number of legal proceedings and claims arising from disputes of construction contracts in which the subsidiaries of the Company are defendants. The provision regarding these proceedings and claims was made at the end of the reporting period based on the best estimates from the Directors and advice from the Company's legal advisor.

38. ISSUED SHARE CAPITAL

	2009		2008	
	Number of shares *'000*	Nominal value *RMB'000*	Number of shares *'000*	Nominal value *RMB'000*
Registered, issued and fully paid:				
— State legal person shares of RMB1.00 each	7,566,245	7,566,245	7,811,245	7,811,245
— A Shares of RMB1.00 each	2,695,000	2,695,000	2,450,000	2,450,000
— H Shares of RMB1.00 each	2,076,297	2,076,297	2,076,297	2,076,297
	12,337,542	12,337,542	12,337,542	12,337,542

38. ISSUED SHARE CAPITAL (continued))

A summary of the movements in the Company's issued share capital is as follows:

	2009		2008	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	*RMB'000*	*'000*	*RMB'000*
At beginning of the year	12,337,542	12,337,542	8,000,000	8,000,000
Public offer of A Shares *(note (a))*	—	—	2,450,000	2,450,000
Public offer of H Shares *(notes (b), (c))*	—	—	2,076,297	2,076,297
State legal person shares converted into H Shares *(note (c))*	—	—	(188,755)	(188,755)
State legal person shares converted into A Shares *(note (d))*	—	—	—	—
At end of the year	12,337,542	12,337,542	12,337,542	12,337,542

Notes:

(a) During the period from 25 February to 26 February 2008, the Company issued 2,450,000,000 A Shares at RMB9.08 per A Share, which raised total gross proceeds, excluding listing expenses, of RMB22.2 billion. The A Shares were listed on The Shanghai Stock Exchange on 10 March 2008.

(b) During the period from 29 February to 5 March 2008, the Company issued 1,706,000,000 H Shares at HK$10.70 per H Share, which raised total gross proceeds, excluding listing expenses, of HK$18.3 billion. The H Shares were listed on the Main Board of The Hong Kong Stock Exchange on 13 March 2008.

On 8 April 2008, the over-allotment option of H Shares was exercised in part and an additional 181,541,500 H Shares were issued at HK$10.70 per H Share, which were listed on the Main Board of The Hong Kong Stock Exchange on the same day. The gross proceeds from the issuance of these H Shares, excluding listing expenses, amounted to HK$1.9 billion.

(c) On 13 March 2008, CRCCG converted 170,600,000 state legal person shares of the Company into H Shares and transferred the shares to the National Council for Social Security Fund ("NSSF") of the PRC. In addition, on 8 April 2008, CRCCG converted 18,154,500 state legal person shares of the Company into H Shares and transferred the shares to the NSSF.

(d) On 22 September 2009, CRCCG converted 245,000,000 state legal person shares of the Company into A Shares and transferred the shares to the NSSF.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 87 to 88 of the financial statements.

(b) Company

	Capital reserve *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Retained earnings *RMB'000*	Reserve funds *RMB'000*	Total *RMB'000*
At 1 January 2008	1,498,744	35,535	(78,410)	—	1,455,869
Total comprehensive income for the year	—	(45,928)	2,276,610	—	2,230,682
Issue of shares *(note 38)*	36,062,862	—	—	—	36,062,862
Share issue expenses	(1,316,151)	—	—	—	(1,316,151)
Transfer from retained earnings to reserve funds *(note 13)*	—	—	(219,512)	219,512	—
Proposed final 2008 dividend *(note 13)*	—	—	(1,233,754)	—	(1,233,754)
At 31 December 2008	36,245,455	(10,393)	744,934	219,512	37,199,508
Total comprehensive income for the year	—	68,968	3,979,146	—	4,048,114
Transfer from retained earnings to reserve funds *(note 13)*	—	—	(397,762)	397,762	—
Proposed final 2009 dividend *(note 13)*	—	—	(1,974,007)	—	(1,974,007)
At 31 December 2009	36,245,455	58,575	2,352,311	617,274	39,273,615

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 13 August 2008, the Group acquired a 100% equity interest in 林西縣通和礦業有限責任公司 (Linxi Xian Tonghe Mining Co., Ltd.) ("Tonghe"). The purchase consideration of RMB205,000,000 was determined based on the valuation amount of the net assets of Tonghe and was paid in the form of cash prior to 31 December 2008. The principal activities of Tonghe are mining and the sale of mining products.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) *Acquisition of a subsidiary* (continued)

The fair values of the identifiable assets and liabilities of Tonghe acquired as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Property, plant and equipment *(note 15)*	35,948	25,799
Prepaid land lease payments *(note 16)*	1,133	25
Intangible assets *(note 17)*	167,073	—
Prepayments and other receivables	1,780	1,780
Inventories	2,379	2,379
Other payables and accruals	(3,313)	(3,313)
Net assets	205,000	26,670
Satisfied by:		
Cash	205,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	205,000

From the date of acquisition to 31 December 2008, Tonghe's operating results have had no significant impact on the Group's consolidated revenue nor net profit for the year ended 31 December 2008. Had the acquisition taken place at 1 January 2008, Tonghe's operating results would still have had no significant impact on the Group's consolidated revenue nor net profit for the year ended 31 December 2008.

(b) *Acquisition of assets and liabilities*

31 December 2009

On 3 January 2009, the Group entered into a transfer agreement (the "Transfer Agreement") with 北京中聯亞房地產開發有限公司 (Beijing Zhonglianya Real Estate Development Co., Ltd.) ("Zhonglianya") to acquire a 100% equity interest in Sixth Continent for the primary purpose of acquiring certain assets and liabilities held by Sixth Continent at a purchase consideration of RMB834,270,000. Pursuant to the Transfer Agreement, the Group made a partial payment of RMB383,270,000 to Zhonglianya on 5 January 2009 and also appointed its representatives to act as directors of the board and the general manager of Sixth Continent, thereby obtaining the effective control over Sixth Continent on the same date. Subsequently, the Group and Zhonglianya agreed to revise the purchase consideration from RMB834,270,000 to RMB760,067,000. As at 31 December 2009, the Group has fully paid the purchase consideration of RMB760,067,000 to Zhonglianya in the form of cash and has obtained the 100% equity interest in Six Continent.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) *Acquisition of assets and liabilities* (continued)

31 December 2009 *(continued)*

The assets and liabilities of Sixth Continent acquired by the Group as at the date of acquisition, 5 January 2009, were as follows:

	RMB'000
Assets and liabilities acquired:	
Other receivables	2,061
Properties under development	2,883,324
Property, plant and equipment *(note 15)*	667
Trade payables	(3,439)
Other payables and accruals	(2,122,546)
Net assets	760,067
Satisfied by:	
Cash	760,067

31 December 2008

On 31 March 2008, the Group acquired a 51% equity interest in 湖南星沙國際物流有限公司 (Hunan Xingsha International Logistics Co., Ltd.) ("Xingsha") for the primary purpose of acquiring certain assets and liabilities held by Xingsha. The purchase consideration of RMB200,000,000 was paid in the form of cash prior to 31 December 2008. In December 2008, the registered name of Xingsha was changed to 湖南中盛嘉業房地產開發有限公司 (Hunan Zhongsheng Jiaye Real Estate Development Co., Ltd.) and its principal activity is real estate development.

The assets and liabilities of Xingsha acquired by the Group as at the date of acquisition, 31 March 2008, were as follows:

	RMB'000
Assets and liabilities acquired:	
Property, plant and equipment *(note 15)*	919
Prepayments and other receivables	162,873
Properties under development	382,899
Interest-bearing bank and other borrowings	(128,050)
Trade payables	(1,940)
Other payables and accruals	(24,544)
Minority interests	(192,157)
Net assets	200,000
Satisfied by:	
Cash	200,000

41. CONTINGENT LIABILITIES

(a) The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

(b) The Group and the Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	Group		**Company**	
	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jointly-controlled entities	1,137	2,132	1,137	1,137
Subsidiaries	—	—	7,989,661	13,303,241
An investee of the Company *(note (i))*	117,600	109,200	117,600	109,200
	118,737	111,332	8,108,398	13,413,578

Note:

(i) The Company has a 16.8% equity interest in this investee. Other than that, in the opinion of the Directors, this investee has no relationship with the Group and the ultimate holding company.

(c) Certain interest-bearing bank and other borrowings of the Company of approximately RMB127 million (2008: RMB120 million) were guaranteed by the subsidiaries of the Company as at 31 December 2009 *(note 33)*.

42. COMMITMENTS

(a) Operating lease arrangements

The Group leases certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally require the tenants to pay security deposits.

The Group's future minimum operating lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Within one year	112,065	10,789
In the second to fifth years, inclusive	161,267	9,208
Beyond five years	978	584
	274,310	20,581

(b) Capital commitments

In addition to the operating lease commitments detailed above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	1,329,301	1,931,676	48,457	521,810
Intangible assets	—	159,253	—	—
Capital contributions payable to a subsidiary	—	—	919,100	—
Acquisition of minority interests in a subsidiary	242,000	—	—	—
	1,571,301	2,090,929	967,557	521,810
Authorised, but not contracted for:				
Property, plant and equipment	7,641,065	16,849,785	6,410,058	—
Properties under development	351,218	367,162	—	—
Available-for-sale investments	1,600,000	600,000	1,600,000	600,000
	9,592,283	17,816,947	8,010,058	600,000

42. COMMITMENTS (continued)

(b) Capital commitments (continued)

In addition, the Group's and the Company's share of the jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	Group and Company	
	2009	2008
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Acquisition of a subsidiary *(note (i))*	2,205,500	—

Note:

(i) The Company and Tongling Nonferrous Metals Group Holdings Co., Ltd. ("Tongling Holdings") jointly established CRCC-Tongguan Investment Co., Ltd. ("CRCC-Tongguan") in which each party holds 50% equity interests. CRCC-Tongguan will make an offer to acquire Corriente Resources Inc. ("Corriente"), a Canadian-based junior mining company. On 28 December 2009, the Company, Tongling Holdings, CRCC-Tongguan and Corriente signed a Support Agreement (the "Support Agreement") in relation to the proposed acquisition of Corriente. Pursuant to the Support Agreement, CRCC-Tongguan will make a cash offer to acquire all of Corriente's tradeable common shares in issue and the common shares in relation to the options which have been granted but not yet exercised ("Diluted Tradeable Shares"). As at 31 December 2009, the Company's share of CRCC-Tongguan's capital commitments is approximately RMB2,205,500,000.

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2009	2008
	Notes	*RMB'000*	*RMB'000*
Construction operations revenue			
Fellow subsidiaries	(iv)	679,741	976,995
Associate		45,394	21,137
Jointly-controlled entity		2,270,048	1,580,470
Ultimate holding company	(iv)	53,196	120,571
		3,048,379	2,699,173
Survey, design and consultancy operations revenue			
Fellow subsidiary	(iv)	4,840	36,041
Ultimate holding company	(iv)	515	861
		5,355	36,902
Other income	(i)		
Fellow subsidiary	(iv)	140	—
Jointly-controlled entities		166,516	47,173
		166,656	47,173
Finance revenue			
Jointly-controlled entity		5,578	—
Operating expenses	(ii)		
Fellow subsidiaries	(iv)	84,145	76,146
Associates		668	219,960
Jointly-controlled entity		1,968,019	689,054
		2,052,832	985,160

43. RELATED PARTY TRANSACTIONS (continued)

(a) *(continued)*

Notes:

(i) Other income mainly includes management fee income and rental income.

(ii) Operating expenses mainly include management fee expenses, property management fees, sub-contracting costs, operating lease fees and printing costs.

(iii) The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Jointly-controlled entities	1,137	2,132

(iv) These related party transactions also constitute connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules.

In the opinion of the Directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties after taking into account the market prices.

In the opinion of the Directors, the above related party transactions were conducted in the ordinary course of business.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, a large portion of its provision of infrastructure construction services and purchases of services. The Directors consider that these transactions with other SOEs are activities in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its services and products and such pricing policies do not depend on whether or not the customers are SOEs. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

43. RELATED PARTY TRANSACTIONS (continued)

(b) *Outstanding balances with related parties*

Details of the outstanding balances with related parties are set out in notes 26, 27, 28, 31 and 32 to the financial statements.

(c) *Compensation of key management personnel of the Group*

Save as disclosed in note 10 to the financial statements, no remuneration has been paid or is payable during the year by the Company or any of the companies now comprising the Group, to the Directors and Supervisors of the Company.

	Group	
	2009	2008
	RMB'000	*RMB'000*
Short term employee benefits	10,647	7,447
Post-employment benefits	452	401
	11,099	7,848

44. NON-CURRENT ASSET HELD FOR SALE

As at 31 December 2008, the non-current asset held for sale represented a concession asset of RMB1,331,306,000. The concession asset represented the right to operate the northeast section of the Harbin Highway Circle (the "Harbin Highway Circle") and was included in the construction operations segment.

On 10 July 2006, the Group through its wholly-owned subsidiary, China Railway 13th Bureau Group Co., Ltd. ("13th Bureau"), entered into a build-operate-transfer agreement with an external third party, the Heilongjiang Provincial Bureau of Highway Construction under the Heilongjiang Provincial Transport Department, for the construction of the Harbin Highway Circle.

In 2008, the Heilongjiang Provincial Transport Department decided to acquire back the operating right of the Harbin Highway Circle from 13th Bureau upon the completion of its construction. In addition, the Group also agreed to hand over the operating right of the Harbin Highway Circle to the Heilongjiang Provincial Transport Department based on a price mutually agreed between both parties upon the completion of the construction of the Harbin Highway Circle. The construction of the Harbin Highway Circle was not completed as at 31 December 2008, and hence this transaction was also not completed as at 31 December 2008. As the transaction was expected to be completed within the next twelve months from 31 December 2008, the concession asset was classified as a non-current asset held for sale in the consolidated statement of financial position as at 31 December 2008.

During the year ended 31 December 2009, the construction of the Harbin Highway Circle was completed and hence the operation right of the Harbin Highway Circle was handed over to the Heilongjiang Provincial Transport Department as at 31 December 2009.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2009

Financial assets	Group				
	Financial assets at fair value through profit or loss – Held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Held-to-maturity investments	—	6,684	—	—	6,684
Available-for-sale investments	—	—	—	2,053,113	2,053,113
Trade and bills receivables	—	—	46,801,037	—	46,801,037
Financial assets included in prepayments, deposits and other receivables	—	—	19,837,944	—	19,837,944
Financial assets at fair value through profit or loss	97,339	—	—	—	97,339
Pledged deposits	—	—	2,582,055	—	2,582,055
Cash and cash equivalents	—	—	62,370,198	—	62,370,198
	97,339	6,684	131,591,234	2,053,113	133,748,370

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	103,222,970
Financial liabilities included in other payables and accruals	24,640,235
Interest-bearing bank and other borrowings	26,713,719
	154,576,924

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2008

Financial assets	Group				
	Financial assets at fair value through profit or loss – Held for trading *RMB'000*	**Held-to-maturity investments** *RMB'000*	**Loans and receivables** *RMB'000*	**Available-for-sale financial assets** *RMB'000*	**Total** *RMB'000*
Held-to-maturity investments	—	17,288	—	—	17,288
Available-for-sale investments	—	—	—	1,654,096	1,654,096
Trade and bills receivables	—	—	34,010,212	—	34,010,212
Financial assets included in prepayments, deposits and other receivables	—	—	15,061,509	—	15,061,509
Financial assets at fair value through profit or loss	32,853	—	—	—	32,853
Pledged deposits	—	—	2,464,099	—	2,464,099
Cash and cash equivalents	—	—	55,005,965	—	55,005,965
	32,853	17,288	106,541,785	1,654,096	108,246,022

Financial liabilities	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	63,826,309
Financial liabilities included in other payables and accruals	19,320,596
Interest-bearing bank and other borrowings	22,131,175
	105,278,080

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2009

Financial assets		**Company**		
	Financial assets at fair value through profit or loss – Held for trading *RMB'000*	**Loans and receivables** *RMB'000*	**Available-for-sale financial assets** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments	—	—	1,172,951	1,172,951
Trade receivables	—	8,306	—	8,306
Financial assets included in prepayments, deposits and other receivables	—	19,632,573	—	19,632,573
Financial assets at fair value through profit or loss	53,967	—	—	53,967
Cash and cash equivalents	—	15,015,898	—	15,015,898
	53,967	34,656,777	1,172,951	35,883,695

Financial liabilities	**Financial liabilities at amortised cost** *RMB'000*
Trade payables	602,189
Financial liabilities included in other payables and accruals	8,553,365
Interest-bearing bank and other borrowings	12,911,370
	22,066,924

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2008

Financial assets		**Company**		
	Financial assets at fair value through profit or loss – Held for trading	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	—	—	1,080,994	1,080,994
Trade receivables	—	8,906	—	8,906
Financial assets included in prepayments, deposits and other receivables	—	12,317,091	—	12,317,091
Financial assets at fair value through profit or loss	32,320	—	—	32,320
Cash and cash equivalents	—	22,624,481	—	22,624,481
	32,320	34,950,478	1,080,994	36,063,792

Financial liabilities	**Financial liabilities at amortised cost**
	RMB'000
Trade payables	3,137,268
Financial liabilities included in other payables and accruals	4,357,403
Interest-bearing bank and other borrowings	2,685,127
	10,179,798

46. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments:				
Equity investments	367,914	—	—	367,914
Bond investments	34	—	—	34
Financial assets at fair value through profit or loss:				
Equity investments	97,339	—	—	97,339
	465,287	—	—	465,287

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

46. FAIR VALUE HIERARCHY (continued)

As at 31 December 2009, the Company held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments:				
Equity investments	186,507	—	—	186,507
Financial assets at fair value through profit or loss:				
Equity investments	53,967	—	—	53,967
	240,474	—	—	240,474

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. The senior management of the Company meets at least four times a year to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Board of Directors of the Company holds meetings at least two times a year to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial instruments for trading purposes for the years ended 31 December 2009 and 2008. The Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Fair value and cash flow interest rate risks*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the consolidated income statement as earned/incurred.

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Group's borrowings as at 31 December 2009 were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there would be a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB63 million (2008: RMB86 million) for the year, and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2009 and has applied the exposure to interest rate risk to those financial instruments in existence at that date. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currency is defined as the Group's functional currency. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rate of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the years ended 31 December 2009 and 2008 in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and cash equivalents, pledged deposits, and interest-bearing bank and other borrowings as at 31 December 2009 are disclosed in notes 30 and 33 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk* *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Euro, Nigerian Naira, Algerian Dinar, Saudi Riyal and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

Effect on profit before tax

	Increase/ (decrease) in foreign exchange rate	**Increase/(decrease) in profit before tax**	
		2009 *RMB'000*	2008 *RMB'000*
Increase in United States dollar rate	2%	27,200	163,800
Decrease in United States dollar rate	(2%)	(27,200)	(163,800)
Increase in Euro rate	6%	(77,200)	(81,100)
Decrease in Euro rate	(6%)	77,200	81,100
Increase in Nigerian Naira rate	5%	49,100	28,700
Decrease in Nigerian Naira rate	(5%)	(49,100)	(28,700)
Increase in Algerian Dinar rate	4%	23,200	9,500
Decrease in Algerian Dinar rate	(4%)	(23,200)	(9,500)
Increase in Saudi Riyal rate	3%	31,200	3,700
Decrease in Saudi Riyal rate	(3%)	(31,200)	(3,700)
Increase in Hong Kong dollar rate	2%	28,200	325,300
Decrease in Hong Kong dollar rate	(2%)	(28,200)	(325,300)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk* *(continued)*

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2009 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the end of the next annual reporting period.

(c) *Credit risk*

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. In addition, the Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41(b) to the financial statements. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As the Group's major customers are the PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables is disclosed in note 27 to the financial statements.

(d) *Liquidity risk*

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Liquidity risk* *(continued)*

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several PRC banks of up to an amount of RMB330,525 million as at 31 December 2009, of which an amount of approximately RMB120,033 million has been utilised.

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2009					
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease payables *(note 34)*	—	364,332	353,879	213,133	39,831	971,175
Interest-bearing bank and other borrowings (excluding finance lease payables)	—	12,259,088	989,011	11,550,469	1,025,721	25,824,289
Trade and bills payables	—	101,980,100	954,364	277,773	10,733	103,222,970
Other payables	—	24,536,156	71,331	6,389	26,359	24,640,235
Interest payments on financial liabilities	—	790,364	468,454	520,633	128,541	1,907,992
Guarantees given to banks in connection with facilities granted to jointly-controlled entities and an investee	118,737	—	—	—	—	118,737
	118,737	139,930,040	2,837,039	12,568,397	1,231,185	156,685,398

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

Group

	2008					
	On demand	**Within 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease payables *(note 34)*	—	118,377	94,151	123,852	—	336,380
Interest-bearing bank and other borrowings (excluding finance lease payables)	—	16,314,478	1,936,173	653,945	2,924,669	21,829,265
Trade and bills payables	—	62,824,384	603,623	328,810	69,492	63,826,309
Other payables	—	18,814,334	74,300	57,573	374,389	19,320,596
Interest payments on financial liabilities	—	790,098	239,031	451,402	740,642	2,221,173
Guarantees given to banks in connection with facilities granted to jointly-controlled entities and an investee	111,332	—	—	—	—	111,332
	111,332	98,861,671	2,947,278	1,615,582	4,109,192	107,645,055

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Liquidity risk* *(continued)*

Company

	2009					
	On demand	**Within 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	2,216,104	108,753	10,284,389	302,124	12,911,370
Trade and payables	—	602,189	—	—	—	602,189
Other payables	—	8,553,365	—	—	—	8,553,365
Interest payments on financial liabilities	—	414,161	365,659	392,221	40,407	1,212,448
Guarantees given to banks in connection with facilities granted to jointly-controlled entities, subsidiaries and an investee	8,108,398	—	—	—	—	8,108,398
	8,108,398	11,785,819	474,412	10,676,610	342,531	31,387,770

Company

	2008					
	On demand	**Within 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	1,139,371	861,501	74,636	609,619	2,685,127
Trade and payables	—	3,137,268	—	—	—	3,137,268
Other payables	—	4,349,581	7,822	—	—	4,357,403
Interest payments on financial liabilities	—	59,846	12,229	15,659	17,726	105,460
Guarantees given to banks in connection with facilities granted to jointly-controlled entities, subsidiaries and an investee	13,413,578	—	—	—	—	13,413,578
	13,413,578	8,686,066	881,552	90,295	627,345	23,698,836

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and other interest-bearing borrowings. The Group's policy is that not more than 75% of its borrowings should mature in any twelve months period. As at 31 December 2009, 47.1% of the Group's borrowings would mature in less than one year (2008: 74.2%) based on the carrying value of the borrowings reflected in the financial statements.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits. Total equity comprises shareholders' equity and minority interests stated in the consolidated statement of financial position.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) *Capital management* (continued)

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of the reporting period were as follows:

	Group	
	2009 *RMB'000*	2008 *RMB'000*
Trade and bills payables *(note 31)*	103,222,970	63,826,309
Other payables and accruals *(note 32)*	31,111,311	24,961,053
Interest-bearing bank and other borrowings *(note 33)*	26,713,719	22,131,175
Less: Cash and cash equivalents *(note 30)*	(62,370,198)	(55,005,965)
Less: Pledged deposits *(note 30)*	(2,582,055)	(2,464,099)
Net debt	96,095,747	53,448,473
Total equity	54,079,233	48,301,263
Total equity and net debt	150,174,980	101,749,736
Gearing ratio	64%	53%

48. EVENTS AFTER THE REPORTING PERIOD

(a) As at 3 February 2010, CRCC-Tongguan Investment (Canada) Co., Ltd., a wholly-owned subsidiary of CRCC-Tongguan, has made a formal offer to all the registered shareholders and option holders of Corriente for the acquisition of all the Diluted Tradeable Shares at Canadian Dollars 8.60 per share pursuant to the Support Agreement *(note 42(b)(i))*. The offer for the acquisition of Corriente will expire on 28 April 2010.

(b) On 2 March 2010, the Board of Directors resolved to propose the non-public issuance and placing of not more than 1,035 million new A Shares to not more than ten target subscribers, including CRCCG. The specified number of A Shares to be subscribed by CRCCG will be determined based on the assessed value approved by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") in respect of the assets to be transferred by CRCCG to the Company and the issue price of the new A Shares, subject to a maximum of 518 million A Shares. On the same day, the Company entered into the Conditional Share Subscription Framework Agreement with CRCCG in which CRCCG proposed to subscribe part of the new A Shares by the transfer of certain of its assets and by cash.

The non-public issuance and placing of the new A Shares is subject to the approval of the SASAC and the shareholders at the general meeting to be convened for such purpose, as well as the confirmatory approval from the China Securities Regulatory Commission. In addition, CRCCG has to obtain the approval from relevant government authorities in respect of the assets intended to be used as the consideration for its subscription of part of the new A Shares.

(c) Save as aforesaid, no other significant events took place subsequent to 31 December 2009.

49. COMPARATIVE AMOUNTS

As further explained in note 3.1 to the financial statements, due to the adoption of new and revised IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010.

Other Financial Information

1. FINANCIAL HIGHLIGHTS PREPARED UNDER IFRSs

Consolidated Income Statement	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*
Revenue	344,976,225	219,410,188	171,997,410	153,608,974	110,794,747
Cost of sales	(322,427,811)	(203,607,081)	(160,598,330)	(144,012,964)	(102,869,824)
Gross profit	22,548,414	15,803,107	11,399,080	9,596,010	7,924,923
Other income and gains, net	1,114,168	413,110	612,945	185,868	202,823
Selling and distribution costs	(1,016,376)	(848,886)	(696,113)	(893,106)	(926,945)
Administrative expenses	(13,896,993)	(9,384,169)	(6,736,186)	(6,002,090)	(5,251,653)
Other expenses	(118,358)	(1,459,610)	(210,599)	(448,343)	(674,205)
Profit from operations	8,630,855	4,523,552	4,369,127	2,438,339	1,274,943
Finance revenue	895,460	1,324,847	652,160	546,587	384,032
Finance costs	(1,219,712)	(1,269,715)	(1,272,223)	(909,326)	(782,795)
Share of profits and losses of:					
Jointly-controlled entities	(1,234)	15,656	14,624	25,535	34,122
Associates	2,030	(25,495)	24,010	(2,888)	25,086
Profit before tax	8,307,399	4,568,845	3,787,698	2,098,247	935,388
Tax	(1,575,694)	(862,554)	(1,481,766)	(596,289)	(409,507)
Profit for the year	6,731,705	3,706,291	2,305,932	1,501,958	525,881
Attributable to:					
Owners of the Company	6,599,072	3,643,843	2,300,770	1,212,950	349,339
Minority interests	132,633	62,448	5,162	289,008	176,542
	6,731,705	3,706,291	2,305,932	1,501,958	525,881
Distributions/dividends					
Distributions	—	—	4,684,989	305,142	132,681
Proposed final dividends	1,974,007	1,233,754	—	—	—
	1,974,007	1,233,754	4,684,989	305,142	132,681
Earnings per share attributable to owners of the Company:					
Basic	53.49 cents	32.42 cents	28.76 cents	15.16 cents	4.37 cents
Diluted	N/A	N/A	N/A	N/A	N/A

The consolidated total assets and the total liabilities of the Group as at 31 December 2005, 2006, 2007, 2008 and 2009 are summarised as follows:

	31 December 2009 *RMB'000*	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*	31 December 2006 *RMB'000*	31 December 2005 *RMB'000*
Total assets	282,990,267	220,101,535	156,877,781	124,549,726	100,347,305
Total liabilities	228,911,034	171,800,272	151,603,943	120,861,957	97,744,753
Net assets	54,079,233	48,301,263	5,273,838	3,687,769	2,602,552

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS

Major financial information for the year

Items of Consolidated Income Statement and Consolidated Statement of Cash Flows	2009 *RMB'000*	2008 *RMB'000*
Profit from operations	8,193,531	4,701,754
Total profit	8,307,399	4,568,845
Net profit attributable to owners of the Company	6,599,072	3,643,843
Net profit excluding non-recurring gains or losses items attributable to owners of the Company	6,195,112	3,569,576
Net cash flows from operating activities	17,474,452	7,299,850

Non-recurring gains or losses items

	Increase/ (decrease) in net profit for 2009 *RMB'000*	Increase/ (decrease) in net profit for 2008 *RMB'000*
Gains/(Losses) from disposal of fixed assets, intangible assets and other non-current assets	(44,368)	7,526
Disposal of gains from long-term equity investments	122,060	155,428
Government grants accounted for as gains or losses for the current year (other than government grants which are closely related to the Company's normal business operations, comply with national policies and can be enjoyed continuously based on a fixed amount or quantity)	90,018	44,612
Non-monetary asset exchange gains	—	20,122
Gains or losses from debt restructuring	2,358	(146)
Gains/(Losses) from changes in the fair value generated from the holding of transactional financial assets	11,907	(90,498)
Investment gains from disposal of transactional financial assets and available-for-sale financial assets	19,728	3,230
Reversal of the provision for the impairment of receivables subject to separate impairment tests	281,876	165,468
Other non-operating income/expense, excluding the aforesaid items	65,860	(205,022)
	549,439	100,720
Impact of income tax on non-recurring gains or losses	(137,360)	(25,180)
Impact of non-recurring gains or losses attributable to minority interests	(8,119)	(1,273)
Net effect of non-recurring gains or losses	403,960	74,267

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS (continued)

Major accounting information and financial indicators of the Group for the past two years

Year ended 31 December 2009

Major accounting information and financial indicators	2009 *RMB'000*	2008 *RMB'000*	Year-on-year increase/ (decrease) *(%)*
Revenue from operations	355,520,769	226,140,708	57.21
Total profit	8,307,399	4,568,845	81.83
Net profit attributable to owners of the Company	6,599,072	3,643,843	81.10
Net profit excluding non-recurring gains or losses attributable to owners of the Company	6,195,112	3,569,576	73.55
Basic earnings per share *(RMB)*	0.53	0.32	65.63
Diluted earnings per share *(RMB)*	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring gains or losses *(RMB)*	0.50	0.32	56.25
Return on net assets, weighted average *(%)*	13.12	10.07	30.29
Return on net assets after deduction of non-recurring gains or losses, weighted average *(%)*	12.31	9.86	24.85
Net cash flows from operating activities	17,474,452	7,299,850	139.38
Net cash flows per share from operating activities *(RMB)*	1.42	0.65	118.46
Total assets	282,990,267	220,101,535	28.57
Equity attributable to owners of the Company	53,265,485	47,773,525	11.50
Net assets per share attributable to the owners of the Company *(RMB)*	4.32	3.87	11.63

3. ANALYSIS OF THE DIFFERENCE BETWEEN THE FINANCIAL INFORMATION PREPARED UNDER IFRSS AND CHINA ACCOUNTING STANDARDS

	Net profit for the year ended 31 December		**Net assets at 31 December**	
Item	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Prepared in accordance with China Accounting Standards	6,731,705	3,706,291	54,079,233	48,301,263
Prepared in accordance with IFRSs	6,731,705	3,706,291	54,079,233	48,301,263

中国铁建

中國鐵建股份有限公司
China Railway Construction Corporation Limited