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

2010
Annual Report (H Share)

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	Meng Fengchao
Joint company secretaries	Yu Xingxi 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 Limited Rooms 17121716, 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, the PRC 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 Corps of the People's Liberation Army, 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") on 10 March 2008 and 13 March 2008, respectively.

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.133 in 2010. The Company was included among the "Top 225 Global Contractors" consecutively, ranking No.1 in 2010. It was listed among the "Top 500 Chinese Enterprises" in succession, ranking No.8 in 2010.

The activities of the Company comprise construction, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading, capital investment operations and mineral resources development, which constitute a seamless industry chain covering research and development, planning, survey, design, construction, supervision, maintenance, operation and investment and financing and provides one-stop integrated services to property owners/contractors. The Company 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.

At present, the Company's business covers 32 provinces (cities) and autonomous regions and Special Administrative Regions in China (excluding Taiwan), as well as 45 foreign countries and regions in the world.

Corporate Profile (continued)

The Group currently has 33 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.

(30) China Railway Construction (HK) Limited

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

(32) China Sino-Africa Construction Company Limited

(33) China Railway Construction (United States) Company Limited

Financial Highlights

(I) SUMMARY

The financial position of the Group as at 31 December 2010 and business results for the year ended 31 December 2010 ("reporting period", "this year" or "the year") are as follows:

- Total revenue from operations totalled RMB456,338.9 million, representing an increase of 32.3% from RMB344,976.2 million in the corresponding period of last year.

- Net profits for the year amounted to RMB4,316.6 million, representing a decrease of 35.9% from RMB6,731.7 million in the corresponding period of last year.

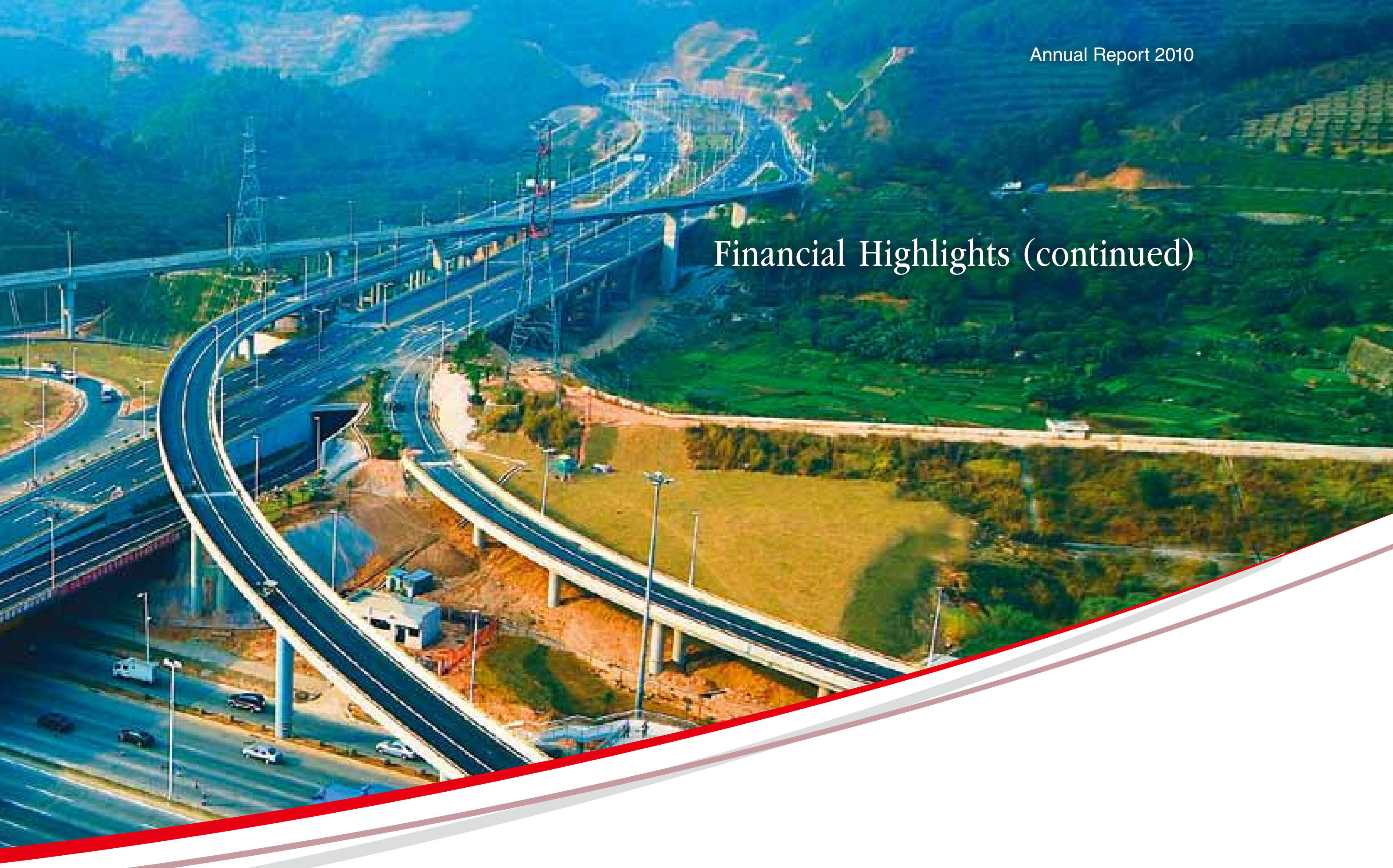
- Net profits attributable to equity holders of the Company amounted to RMB4,246.2 million, representing a decrease of 35.7% from RMB6,599.1 million in the corresponding period of last year.

- Basic earnings per share amounted to RMB0.3442, representing a decrease of 35.7% from RMB0.5349 in the corresponding period of last year.

- Total assets as at 31 December 2010 amounted to RMB350,194.0 million, representing an increase of 23.7% from RMB282,990.3 million in the corresponding period of last year.

- Total equity amounted to RMB58,231.4 million, representing an increase of 7.7% from RMB54,079.2 million in the corresponding period of last year.

- New contract value amounted to RMB747,198.3 million, representing a year-on-year increase of 24.3%, among which overseas new contract value amounted to RMB25,912.5 million.



Financial Highlights (continued)

(II) REVENUE FROM MAJOR BUSINESS SEGMENTS

During the reporting period, the Group recorded:

- ***Construction operations***

  In 2010, revenue from operations amounted to RMB415,433.2 million, representing an increase of 31.9% from RMB314,937.2 million in 2009.

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

  In 2010, revenue amounted to RMB8,026.5 million, representing an increase of 9.4% from RMB7,337.1 million in 2009.

- ***Manufacturing operations***

  In 2010, revenue amounted to RMB9,158.0 million, representing an increase of 14.0% from RMB8,036.2 million in 2009.

- ***Other operations***

  In 2010, revenue amounted to RMB32,143.7 million, representing an increase of 61.6% from RMB19,894.0 million in 2009, among which revenue of real estate business amounted to RMB4,927.0 million, representing an increase of 101.4% from RMB2,446.9 million in 2009.

Financial Highlights (continued)

(III) SUMMARY OF FINANCIAL STATEMENTS

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

Consolidated Income Statement	**2010** *RMB'000*	2009 *RMB'000*
Revenue	**456,338,931**	344,976,225
Cost of sales	**(428,647,118)**	(322,427,811)
Other income and gains, net	**856,180**	1,114,168
Selling and distribution costs	**(1,530,989)**	(1,016,376)
Administrative expenses	**(19,599,242)**	(13,896,993)
Other expenses	**(765,447)**	(118,358)
Profit from operations	**6,652,315**	8,630,855
Finance revenue	**777,031**	895,460
Finance costs	**(1,190,713)**	(1,219,712)
Share of profits and losses of:		
Jointly-controlled entities	**(7,856)**	(1,234)
Associates	**9,726**	2,030
Profit before tax	**6,240,503**	8,307,399
Income tax	**(1,923,867)**	(1,575,694)
Profit for the year	**4,316,636**	6,731,705
Attributable to:		
Owners of the Company	**4,246,221**	6,599,072
Non-controlling interests	**70,415**	132,633
Earnings per share attributable to owners of the Company		
Basic	**34.42 cents**	53.49 cents
Diluted	**N/A**	N/A

Financial Highlights (continued)

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

	As at 31 December 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Total assets	**350,194,015**	282,990,267
Total liabilities	**291,962,595**	228,911,034
Net assets	**58,231,420**	54,079,233

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 2010 in my capacity as the chairman of the board of directors of the Company ("Board").

Year 2010 signaled the end of China's 11th Five-Year Plan. The past five years not only marked a time in which the Group seized historic opportunities and achieved leap forward development, but also a time in which the Group met the serious challenges with rapid increase in reputation and profile. Attributable to the quick development momentum of its production operations, the Group's comprehensive strength has significantly increased and has developed into one of the ultra-large integrated construction enterprises with the strongest competitiveness and the largest scale in China and in the world. Throughout the five years, the Group had relentlessly strengthened its construction capabilities, exercised strictly strategic management and stuck to its quality and efficiency-driven approach to ever increase its corporate control, which had been vital in successfully reducing costs, enhancing economic efficiency and guaranteeing quality of construction of the Company.

In spite of the complex domestic and international economic environment, China's national economy witnessed remarkable growth and has been developing in line with macro-economic controls in 2010. The year was a highly sophisticated and challenging year for CRCC. In active response to the international economic crisis, the Group prevailed against formidable odds and seized opportunities, with outstanding results in market development. Focusing on the three markets, namely railway, off-road and overseas markets, the Group realized rapid growth in all three segments. Through substantial restructuring and technological innovation, the Group facilitated lean management in all directions. As a result, new contract value for the year hit a record high of RMB747,198.3 million, representing an increase of 24.3% over the same period of 2009. Revenue amounted to RMB456,338.9 million, representing an increase of 32.3% over the same period of 2009. Net profit for the year amounted to RMB4,316.6 million. With gradual improvement in corporate governance, the Company was also awarded "2010 The Best Governance Board of State-owned Companies of China (Top 20)" ("2010中國央企控股上市公司最佳董事會(20强)") and "2010 Best Corporate Governance for a Listed Company of China (Top 20)" ("2010中國上市公司最佳治理董事會（20強）").

In 2010, the Group's construction operations continued to experience significant growth, achieving, in particular, outstanding results represented by the successful bidding of various large-scale projects such as the Datong-Xi'an passenger railway line (大西客專), Hefei-Fuzhou passenger railway line (合福客專), Shanghai-Kunming passenger railway line (滬昆客專) and Chengdu-Chongqing passenger railway line (成渝客專) in the third quarter of the large-scale centralized tendering of railway projects. Meanwhile, segments such as survey, design and consultancy, manufacturing, real estate development, logistics and materials trading continue to maintain a relative fast growth. The Group continued to maintain its edge by obtaining more than 60% share of the survey and design projects in the domestic railway market. As for its manufacturing operations, the Group was able to further realize its manufacturing capabilities and had developed a new series of proprietary products as well as research, development and manufacturing capabilities for railway tracks, tunnel equipment, steel structures and other product series. In particular, the heavy equipment manufacturing base of the Group achieved the highest of the national standards, both in terms of scale and capability. The real estate segment had entered into a stage of prime development. With improving market layout as well as substantial growth in sales and profit, the Group had become a well-known brand in the locality.

Chairman's Statement (continued)

The Group further deepened the establishment of its production and operation management system, further strengthened its operational system and built up a more comprehensive financial internal control system. Such measures serve to centralize management and control of capital and save costs. By pushing forward the establishment of a cost management accountability system and building up its management teams, the Group gradually moved towards further systemization and standardization of workflows which have shown noticeable guidance effects. Through optimizing its business layout, organization structure, professional design and management mode, and by focusing support on the development of key companies, the Group remarkably achieved further strengthening of its business fundamentals, profitability and economic strength.

The Group reaffirmed its commitment to independent innovation and innovation through technologies digestion. By focusing on research and development, innovation and application of design technologies, construction and equipment manufacturing technologies, the Group has achieved outstanding technological innovation results. During the year, the Group won 4 national level science and technology progress awards, 50 provincial level science and technology progress awards, 6 national level "Four Excellences Design" prizes and 7 "Zhan Tianyou Civil Engineering Awards". Among its patent applications, 382 have been accepted and 259 have been authorized. Kunming China Railway Large Scale Road Maintenance Machinery Co., Ltd and China Railway Rail System Group Co., Ltd. ("CRRS") were accredited as national new and high-tech enterprises, 20 units were certified as provincial new and high-tech enterprises and 22 technology centres passed the provincial annual review. At the performance evaluation of central state-owned enterprises by SASAC, CRCC was awarded the "Special Award of Technological Innovation" ("科技創新特別獎"). During the reporting period, one post-doctoral unit and 5 full system post-doctoral units were added; the Group's design and construction technologies for high-speed railways continued to maintain the world's advanced standards.

Year 2011 heralds the beginning of the 12th Five-Year Plan and is a crucial year for accelerated growth as well as structural adjustment and transformation for the Company. To achieve sustainable development through accelerated structural adjustment is vital to the Company and is the focal point of the focus of the "12th Five-Year Plan". Apart from improving and strengthening the performance of the construction operations segment, the Group will actively foster restructuring of the segment whilst accelerating the pace of its real estate, manufacturing, materials logistics and mineral resources development and tapping into other new strategic industries. With further optimization and upgrade of its industry structure, the Group aims to achieve a more rational business layout and boost its competitiveness as a whole. The Group will further optimize its corporate governance, reinforce internal control and bring in comprehensive risk management to enhance its risk evaluation, identification and prevention so as to minimise loss from risks. By strengthening the Group's control and promotion of lean production, it will further enhance the quality and efficiency of its economic operations and allow the Group to go from strength to strength to becoming an internationally advanced, high value-added multinational construction industry group and maximize its return to shareholders.

Meng Fengchao
Chairman

Beijing, PRC
30 March 2011

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, real estate development, logistics and materials trading, capital investment operations and mineral resources 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 2010, the Group's new contract value and revenue from operations met the annual planned targets with steady growth in operational efficiency 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, CRCC 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 its business structure, enhancing operational quality and quantity in order to sustain a healthy and continuous development. In 2010, the Company's ranking jumped to 133 among the Fortune "Global 500 Companies" and its ranking in ENR's Top 225 Global Contractors moved up to No.1. Its ranking among Top 500 Chinese Enterprises jumped to no.8 and it was the first time for the Company to be accredited in the list of "World's Most Admired Companies" by Fortune.

Record high new contract value added enormous business growth

New contracts entered into by the Group in 2010 amounted to RMB747,198.3 million, representing a growth of 24.3% over 2009, of which newly signed overseas contracts amounted to RMB25,912.5 million, accounting for 3.5% of the total amount of newly signed contracts. As at the end of 2010, outstanding contracts of the Group totaled RMB972,408.6 million, representing an increase of 37.8% over 2009.

As the core business and advantaged segment of the Group, the business of construction operations continued to reinforce and strengthen in 2010, with new contract value of construction operations amounted to RMB677,591.8 million over the year, accounting for 90.7% of the total new contract value, representing an increase of 22.0% over 2009. Due to our strengthened competitive edges in the railway market, new contract value for railway construction increased to RMB433,676.8 million (of which the contract value of domestic railway construction amounted to RMB428,259.8 million), representing 58.0% of the total new contract value, up 42.2% over the corresponding period of last year. With the decrease in highway construction tenders, new highway contract value amounted to RMB94,183.4 million, down 26.4% from last year, and accounting for 12.6% of the total new contract value. New contract value for metropolitan railway transportation amounted to RMB39,659.9 million, representing a decrease of 24.1% from last year due mainly to the more substantial contract value in respect of the overseas new metropolitan railway transportation contracts in the previous year. The Group also achieved outstanding results in other infrastructure market which gave fresh impetus to its continuous

Business Review (continued)

scale expansion: new contract value for municipal constructions amounted to RMB31,786.0 million, new contract value for real estate constructions amounted to RMB53,049.0 million, water and power generation engineering contracts amounted to RMB11,773.2 million and airport and dock construction contracts value amounted to RMB2,63.5 million.

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 total new contract value amounting to RMB69,606.5 million, representing an increase of 51.3% 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 RMB7,579.0 million for the year, up 21.7% over the previous year. The manufacturing operations segment witnessed rapid growth over the year. Whilst stepping up investment and expanding its production capacities, the Group's sales and marketing functions also caught up quickly, with new contracts from manufacturing operations amounting to RMB8,736.1 million over the year, representing a 53.8% increase over last year. The logistics and materials trading segment made great strides in the year, with new contracts from the segment amounted to RMB40,246.9 million.

Rapid growth in revenue

In 2010, the Group achieved revenue of RMB456,338.9 million, representing an increase of 32.3% over the corresponding period last year, of which domestic (Mainland China) revenue amounted to RMB433,869.5 million, representing an increase of RMB111,196.7 million or 34.5% over RMB322,672.8 million in 2009, accounting for 95.1% of the total revenue. Overseas (including Hong Kong and Macau) revenue amounted to RMB22,469.5 million, accounting for 4.9% of the total revenue. Net profit amounted to RMB4,316.6 million, representing a decrease of 35.9% from the corresponding period last year. Driven by the increase in domestic infrastructure investment, the growth of revenue and operating costs of the Company outpaced that of last year. Loss from the Mecca Light Rail Project was the major reason for the decrease of profit from operations, operating margin and net profit.

Business Review (continued)

Business review, future development strategies and prospects of overseas markets

In 2010, the Group had 156 newly signed overseas contracts with a total contract value amounting to RMB25,912.5 million. As at 31 December 2010, the Company had 283 overseas projects under construction, with a total contract value amounting RMB168,717.7 million. Overseas (including Hong Kong and Macau) revenue amounted to RMB22,469.5 million, accounting for 4.9% of the total revenue. In terms of its overseas market strategies, the headquarters will centralize planning, management and coordination to build up a comprehensive overseas development system. Leveraging the reputation of its two brand names, namely CRCC and CCECC, and through integrating its overseas resources, and identifying its overseas organizations and major regional competitive entities for the purposes of systematic development, China Civil Engineering Construction Corporation (中國土木工程集團有限公司) ("CCECC") and those of the Group with overseas development capabilities have been designated as the main forces for overseas development. Through effective management control, gradual expansion, controllable risks and development synergy, the Group will realize industries and standardized exports and its gradual transformation into a multi-national group.

Prospects of overseas market in the future. In the world today, peace, development and cooperation are trends of the time. The onset of the financial crisis in 2008 has yet to impede the long-term growth of the world's economy. Various governments' fiscal policy driven investments and export stimulus, quickened development of the emerging regional markets, and continuous urbanization led by the developing countries as well as the ongoing increase in production level will be the main driving forces of the world's economic growth. According to the estimates set out in the "Global Construction 2020 Report" (全球建築2020報告) jointly issued by Global Construction Perspectives Limited in U.K. (英國全球經濟視角出版社) and Oxford Economics Research Institute (牛津經濟研究院), the "Global Construction Market Research Report" (《全球建築市場研究報告》) published by Davis Langdon Consultancy Company (戴維斯 • 蘭登咨詢公司) in previous years, the "Top 225 Global Contractors" (《全球225家最大承包商報告》) issued by Engineering News Record (ENR) over the past decade and the "Research Report on High Efficiency of the Construction Industry" (《建築行業高績效研究報告》) issued by Accenture Limited (埃森哲咨詢公司) in recent years, the total investments of the global construction market will grow at a compound annual growth rate of 4% in the next 5 years and such investment will reach US$6 trillion by 2015. Investments in the international construction market will grow at a compound annual growth rate of 4.7% and such investments will reach US$2.46 trillion by 2015. Supported by these Chinese government policy of "Go global", China's overseas contracting market will maintain a compound annual growth rate of around 20% by 2015. There is ample room for overseas development by the Company.

The Company's new achievements and technological innovation awards in 2010

In 2010, the Group witnessed leap forward development in technological innovation. Firstly, the Group continued to maintain the world advanced level of its various sets of comprehensive technologies for high-speed railways and has formed a ballastless track system with Chinese characteristics for export. In May, Shanghai-Hangzhou high-speed railway broke the operating speed record of railways worldwide at a maximum speed of 416.6km/h in trial operation. In October, the Beijing-Shanghai Express Railway undertaken by the Company broke the operating speed record of railways worldwide again at a maximum speed of 486.1km/h in trial sections, which contributed greatly to the development of express railways in China. Secondly, the Group made technological breakthroughs in bridge construction. Upon completion of construction, the self-anchored deck-type arch bridge connecting the Shanghai-Hangzhou high-speed railway and Shanghai-Hangzhou highway with a span of 160m (滬杭高速鐵路跨滬杭高速公路主跨160m自錨上承式轉體拱橋) has the longest span and the highest speed accommodation limit of 350km/h among similar bridges for high-speed railways to date. The ballastless-track-bridge with the largest rotation weight of 16,800T embodied the most advanced construction technology in the world. The commissioning of its Zhijing River steel

Business Review (continued)

arch bridge over the Hurongxi highway (滬蓉西高速公路支井河大橋), being the anchored deck-type arch bridge with the greatest span in the world, marked a breakthrough in terms of the span of bridges constructed by the Company. Thirdly, the Company maintained an industry-leading position in technical knowhow, from design to construction, for tunnels and underground construction. The Nanjing Changjiang Tunnel, a shield tunnel managed, designed and constructed by the Company and posed the gravest challenge to construction and overhaul and the greatest number of technological difficulties in the world, has opened for traffic, signalling the Company's success in overcoming technological setbacks such as the widest shield diameter, the greatest water pressure, complicated geographical conditions, high water permeability, ultra-thin forestation, long excavation length and tool change operation in shield subject to great pressure underwater, and bore testimony to its unrivalled technological strength in the world. Fourthly, the Group saw rapid improvement in its electrification technology for high-speed railways. The Group had successfully developed whole production technologies through the research and invention of highly-efficient cooper magnesium contact lines with proprietary intellectual rights. Fifthly, the Group achieved remarkable results in new product research and development. Through independent design and manufacturing of soil pressure balance shield tunnelling machines that cater for different geographical conditions, the Group has developed shield tunnelling machine manufacturing technology with wholly proprietary intellectual rights. The Company has self developed YCP35 balance impact road rollers and I/II-s-L-800 online mortar operating vehicles and have applied for their patents. Its "Cynamic Deformation Module Evd Testing Device" and "Deformation Module Ev2 Testing Device" have been applied in the road infrastructure detection of various high-speed railways such as Wuhan-Guangzhou High-speed Railway and their relevant indicators had been included in the Regulations on Designs of High-speed Railways (《高速鐵路設計規範》).

During the year, the Group won four (4) national level science and technology progress awards, 50 provincial level science and technology progress awards and two (2) technological research and development awards for building construction projects at central government level issued by the Ministry of Finance (財政部中央級建築施工科技研發項目獎). It was awarded six (6) industry awards by China Exploration & Design Association (中國勘察設計協會行業獎), 49 provincial/ministerial level "Four Excellence" awards for survey and design and seven (7) Zhan Tianyou Civil Engineering Awards. Among its patent applications, 382 have been accepted and 259 have been authorized. It was also awarded one 12th National Outstanding Patent prize (第十二屆中國專利獎優秀獎一項), 190 provincial/ministerial level engineering methods. The technology centre of the Company was certified by Beijing City and its innovative enterprises had passed the appraisal of experts of the three Ministerial Authorities. At the performance evaluation of the central state-owned enterprises by SASAC, CRCC was awarded the "Special Award of Technological Innovation Award" ("科技創新特別獎"). With outstanding technological achievements, CRCC's reputation and prominence have been strengthened.

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

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

Name	Age	Position
Mr. MENG Fengchao	52	Chairman and Executive Director
Mr. ZHAO Guangfa	58	Executive Director and President
Mr. HUO Jingui	60	Non-executive Director
Mr. ZHU Mingxian	67	Non-executive Director
Mr. LI Kecheng	67	Independent Non-executive Director
Mr. ZHAO Guangjie	65	Independent Non-executive Director
Mr. WU Taishi	63	Independent Non-executive Director
Mr. NGAI Wai Fung	49	Independent Non-executive Director

Note:

(1) Due to the reason of age, Mr. LI Guorui no longer served as Chairman and Non-executive Director of the Company since 11 November 2010. On 28 December 2010, Mr. MENG Fengchao was appointed as Chairman and Executive Director of the Company upon approval at the 2010 first extraordinary general meeting of the Company.

(2) Mr. DING Yuanchen no longer served as Vice Chairman and Executive Director of the Company since 7 June 2010 upon the reaching of statutory retirement age.

Mr. MENG Fengchao, 52, a Chinese with no right of abode overseas, the chairman and the secretary to the communist party committee of the Company. Mr. MENG is also the chairman, the general manager and deputy secretary to the communist party committee of China Railway Construction Corporation. He has in-depth knowledge and understanding of and extensive operation and management experience in the PRC construction industry. From January 1982 to May 1998, Mr. MENG held various positions in the Ministry of Railways and its group of engineering companies. From May 1998 to January 2000, he was General Manager Assistant of China Railway Construction Development Centre. From January 2001 to December 2004, Mr. MENG was Deputy General Manager and a member of the standing committee of the Communist Party Committee of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in China. He also served as Chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. from April 2001 to August 2002. From December 2004 to September 2005, he served as General Manager and Deputy Communist Party Committee Secretary of China Harbour Engineering Company (Group) (which is one of the predecessors of China Communications Construction Company Limited). From September 2005 to May 2010, he served as a director and General Manager, Vice Chairman and Communist Party Committee Secretary of China Communications Construction Group (Limited). From August 2006 to May 2010, he was Vice Chairman, General Manager and Communist Party Committee Secretary of China Communications Construction Company Limited. Since May 2010, Mr. MENG has been serving as Chairman, General Manager and Deputy Communist Party Committee Secretary of China Railway Construction Corporation. He served as the Chairman and the secretary to the communist party committee of the Company since December 2010. Mr. MENG graduated from Southwest Jiaotong University with a bachelor degree of engineering, majoring in tunnel and subway. Mr. MENG is a professor grade senior engineer and is entitled to special government allowance granted by the State Council.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. ZHAO Guangfa, 58, 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, 60, 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, 67, 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.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. LI Kecheng, 67, 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, 65, 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, 63, 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 post-doctoral 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.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. NGAI Wai Fung, 49, 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 the vice president of the Hong Kong Institute of Chartered Secretaries, the chairman of Top Orient Group of Companies, the managing director of MNCOR Consulting Limited, and an independent non-executive director of China Coal Energy Company Limited, BaWang International (Group) Holding Limited, SITC International Holdings Company Limited, Biostime International Holdings Limited, Powerful Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company, 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 successively, and received master's degrees in both finance and business administration and an honours bachelor's degree in law.

SUPERVISORS

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

Name	Age	Position
Mr. PENG Shugui	56	Chairman of the Supervisory Committee
Mr. HUANG Shaojun	54	Supervisor
Ms. YU Fengli	54	Supervisor

Mr. PENG Shugui, 56, 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.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. HUANG Shaojun, 54, 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, 54, 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 *(Note)*:

Name	Age	Position
Mr. ZHAO Guangfa	58	President
Mr. HU Zhenyi	56	Vice President, Chief Economist
Mr. XIA Guobin	52	Vice President
Mr. FAN De	57	Vice President
Mr. ZHOU Zhiliang	46	Vice President
Mr. ZHUANG Shangbiao	48	Vice President, Chief Accountant and Chief Legal Adviser
Mr. ZHANG Zongyan	47	Vice President
Mr. LIU Ruchen	47	Vice President
Mr. YU Xingxi	52	Secretary to the Board, Joint Company Secretary
Mr. LAW Chun Biu	37	Qualified Accountant, Joint Company Secretary

Note: Mr. LI Tingzhu no longer served as the Secretary to the Board and Joint Company Secretary of the Company since 12 October 2010 upon the reaching of retirement age. On the same day, the Board resolved to appoint Mr. YU Xingxi as the Secretary to the Board and Joint Company Secretary of the Company.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. ZHAO Guangfa, see "Directors".

Mr. HU Zhenyi, 56, 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, 52, a Chinese with no right of abode overseas, a vice president 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. XIA Guobin no longer served his position as the chief engineer of the Company since October 2009.

Mr. FAN De, 57, 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.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. ZHOU Zhiliang, 46, 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, 48, a Chinese with no right of abode overseas, a vice president, the chief financial officer and legal adviser of the Company. Mr. ZHUANG has in-depth knowledge and understanding of the PRC construction industry and in-depth financial expertise and substantial corporate finance and financial management experience. He also has in-depth legal and financial expertise and substantial financial experience in the PRC construction industry. Mr. ZHUANG joined CRCCG in 2005. He served as the deputy general manager of the financial division of China Road and Bridge Construction Corporation from March 1992 to February 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from February 1994 to February 2001, the chief accountant of China Road and Bridge (Group) Corporation from February 2001 to August 2005, the chief accountant of CRCCG from August 2005 to November 2007, the chief legal adviser of CRCCG from April 2006 to November 2007. He has served as the chief financial officer of the Company since November 2007 and a vice president and the accountant 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, 47, 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, 47, 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) 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.

Biographies of Directors, Supervisors and Senior Management (continued)

SECRETARY TO THE BOARD

Mr. YU Xingxi, 52, a Chinese with no right of adobe overseas. Mr. YU has significant knowledge and understanding of the PRC construction industry and abundant knowledge and experience in financial affairs, accounting, corporate finance and business management. Mr. YU joined China Railway Construction Corporation as early as in 1976. Mr. YU served as Chief Accountant of the construction division of the 20th Bureau of the Ministry of Railways (the predecessor of China Railway 20th Bureau Group Co., Ltd.) from July 1991 to February 1995, Chief Accountant of the finance division of CRCCG from February 1995 to November 1998, Deputy Head of the finance division and Head of the capital settlement center of CRCCG from November 1998 to November 2001, Manager of the investment division of CRCCG from November 2001 to December 2005 and Head of the finance division of CRCCG from December 2005 to November 2007. He has been Head of the finance division of the Company since November 2007. Mr. YU was the chairman of Chenghe Insurance Brokers (Beijing) Co., Ltd. (a wholly-owned subsidiary of the Company) from April 2009 to August 2010, and currently is also a director of China Railway Shandong Jinhu Highway Co., Ltd. (a non wholly-owned subsidiary of the Company), and a director of each of CRCC-Tongguan Investment Co., Ltd. (a joint venture of the Company) and its wholly-owned subsidiary CRCC-Tongguan Investment (Canada) Co., Ltd., and Corriente Resources Inc. (a wholly-owned subsidiary of CRCC-Tongguan Investment (Canada) Co., Ltd.). Mr. YU graduated from Shanxi College of Finance and Economics and subsequently from Beijing Jiaotong University and obtained a bachelor's degree in economics and a master's degree in management. Mr. YU is a senior accountant and is qualified as a PRC certified public accountant.

QUALIFIED ACCOUNTANT

Mr. LAW Chun Biu, 37, 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 had 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 Hong Kong Stock Exchange(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 Work Manual for Independent Directors in Preparing the Annual Report of China Railway Construction Corporation Limited (the "Work Manual for Independent Directors in Preparing the Annual Report"), the Manual of Decision-making on Connected Transactions of China Railway Construction Corporation Limited (the "Manual of Decision-making on Connected Transactions"), the Management Measures for Information Disclosure of China Railway Construction Corporation Limited (the "Management Measures for Information Disclosure"), the Management Measures for 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 for Change in Shareholding of Directors, Supervisors and Senior Management in China Railway Construction Corporation Limited, the Management Measures for Remuneration of Directors and Supervisors of China Railway Construction Corporation Limited and the Code of Conduct on Directors and Relevant Employees' Securities Transactions together constitute the reference bases of the Company's code on corporate governance practices, which has covered the principles and code provisions in the Corporate Governance Code. The standards of the Company's internal corporate governance documents are stricter than those of the Corporate Governance Code in the following aspects:

- The Company held 15 Board meetings during the reporting period;
- During the reporting period, the Company formulated the Detailed Rules for Management of the Resolutions of Board Meetings of the Company, the Accountability System for Material Errors Information Disclosure in Annual Report of the Company and the Management System on Insiders and External Users of Inside Information of the Company, amended such corporate governance rules as the Manual of Decision-making on Connected Transactions of the Company, and continuously perfected itself in corporate governance mechanism to ensure the legal compliance of the operation of the Board.

Corporate Governance Report (continued)

BOARD

The first session of the Board currently comprises eight Directors, including two executive Directors of Mr. MENG Fengchao and Mr. ZHAO Guangfa, two Non-executive Directors of 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. As at the end of the reporting period, Mr. MENG Fengchao was the Chairman and Mr. ZHAO Guangfa was the President of the Company. The term of office for the first session of the Board has expired on 4 November 2010. Pursuant to the Articles of Association, the first session of the Board shall continue to perform its function until the re-election and appointment of the second session of the Board.

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.

Corporate Governance Report (continued)

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 and other senior management of the Company, or any other material relation among them.

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 2010.

BOARD MEETINGS

In 2010, the Company held 15 Board meetings. Minutes of the meetings were recorded by a designated officer, and all proposals passed in each meeting were reached into resolutions of the Board, and were recorded and filed in accordance with relevant laws and regulations.

The table below set out the details of attendance of the Board meetings held in 2010 *(Note)*:

Name of Directors	Attendance in person	Attendance by proxy
Executive Directors		
MENG Fengchao	1	—
ZHAO Guangfa	13	2
Non-executive Directors		
HUO Jingui	15	—
ZHU Mingxian	15	—
Independent Non-executive Directors		
LI Kecheng	15	—
ZHAO Guangjie	15	—
WU Taishi	15	—
NGAI Wai Fung	15	—

Note: Mr. LI Guorui (who no longer served as Director of the Company since 11 November 2010) attended 14 Board meetings in total in 2010, and Mr DING Yuanchen (who no longer served as Director of the Company since 7 June 2010) attended 7 Board meetings in total in 2010.

Corporate Governance Report (continued)

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

Meetings	Date of meeting	Date of information disclosure	Note
The 26th meeting of the first session of the Board	19 January 2010	—	*Note 1*
The 27th meeting of the first session of the Board	27 January 2010	29 January 2010	
The 28th meeting of the first session of the Board	2 March 2010	4 March 2010	
The 29th meeting of the first session of the Board	6 April 2010	—	*Note 2*
The 30th meeting of the first session of the Board	25 to 26 April 2010	27 April 2010	
The 31st meeting of the first session of the Board	24 May 2010	26 May 2010	
The 32nd meeting of the first session of the Board	1 June 2010	2 June 2010	
The 33rd meeting of the first session of the Board	21 June 2010	—	*Note 3*
The 34th meeting of the first session of the Board	30 July 2010	—	*Note 4*
The 35th meeting of the first session of the Board	29 to 30 August 2010	31 August 2010	
The 36th meeting of the first session of the Board	19 September 2010	21 September 2010	
The 37th meeting of the first session of the Board	12 October 2010	13 October 2010	*Note 5*
The 38th meeting of the first session of the Board	28 October 2010	29 October 2010	
The 39th meeting of the first session of the Board	10 November 2010	11 November 2010	
The 40th meeting of the first session of the Board	28 December 2010	29 December 2010	

Corporate Governance Report (continued)

Note 1: The resolution regarding the change of directors of certain subsidiaries was considered and approved at the meeting.

Note 2: The resolution regarding the issue of overseas listed foreign invested shares (the "H Share(s)"_) by the Company under the general mandate granted by the 2008 annual general meeting was considered and approved at the meeting.

Note 3: The resolution regarding the issue of H Shares by the Company under the general mandate granted by the 2009 annual general meeting was considered and approved at the meeting.

Note 4: The resolutions regarding the results of the assessment on performance of the President for the year 2009 and during the term of office from 2007 to 2009, as well as suggestions of realization of the offered remuneration were considered and approved.

Note 5: The resolution regarding the recommendation of candidate for Secretary to the Board and Joint Company Secretary (the Board did not make an announcement in relation to the specific resolutions of the 37th meeting, but published the Announcement on Change of Secretary to the Board and Joint Company Secretary) was considered and approved.

The time and main content of the regular meetings of the Board are all determined at the beginning of a year so as to ensure that all Directors have opportunities to put forward matters that need to be discussed 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 2010 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 comprises 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 executive Directors and those non-executive Directors who have other positions in the Company in addition to being Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their performance and assessment at the Company.

The Directors' total emoluments for 2010 totalled RMB4.133 million. Each Director's emoluments received from the Company are as follows:

MENG Fengchao:	RMB39,000
ZHAO Guangfa:	RMB858,000
HUO Jingui:	RMB755,000
ZHU Mingxian:	RMB181,000
LI Kecheng:	RMB188,000
ZHAO Guangjie:	RMB209,000
WU Taishi:	RMB206,000
NGAI Wai Fung:	RMB182,000

Mr. LI Guorui ceased to serve as Chairman, Non-executive Director and other relevant positions in the Board since 11 November 2010. The total remuneration received by him in 2010 amounted to RMB862,000. Mr. DING Yuanchen ceased to serve as Vice Chairman, Executive Director and other relevant positions in the Board since 7 June 2010. The total remuneration received by him in 2010 amounted to RMB653,000.

Corporate Governance Report (continued)

SHARE OPTION SCHEME

As at 31 December 2010, the preliminary proposal of the share incentive plan for the senior management and core employees of the Company was in the process of going through the approval procedures of the relevant state departments.

CHAIRMAN AND PRESIDENT

The Chairman and the President of the Company 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 the 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.

Corporate Governance Report (continued)

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 financial and accounting standards, the internal control system adopted by the Company, and other relevant financial issues of the Company so as to ensure the integrity, fairness and accuracy of the Company's financial statements and other relevant figures.

During the reporting period, the Audit and Risk Management Committee held 6 meetings, which were attended by all members of the committee, except that Director ZHAO Guangjie was absent from one meeting due to personal matters. 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. The main contents of these meetings include, first, to further appoint Ernst & Young and Ernst & Young Hua Ming as external auditors of the Company for year 2010; second, to forge an in-depth communication with Ernst & Young in relation to the audit process of the Company's 2009 annual report, 2010 interim report and 2010 annual report, so as to make suggestions and recommendations regarding the audit work of each report and the management letter for 2009; and to consider and approve the financial statements of 2009, the profit distribution proposal for 2009 and the 2009 annual report and the summary thereof, the 2010 first quarterly report and the third quarterly report; thirdly, to consider and review the Self-assessment Report on Internal Control of the Company in 2009, Audit Projects Plan for year 2010, Internal Control and Risks Management Report for the first half of 2010, Comprehensive Risk Management Report for year 2010, Risk and Internal Control Management Report for 2010 and Inter Control and Audit Report for year 2010, and make relevant recommendations accordingly; fourthly, to review the resolution in relation to provision for the foreseeable loss in the Mecca Light Rail Project.

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 three meetings altogether, which were attended by all members of the committee. The proposal in relation to the realization of remuneration based on performance of the senior management in 2009 was considered and decided at such meetings.

Pursuant to the procedures and standard requirements under the Management Measures for Remuneration of Directors and Supervisors of the Company passed and approved at the general meeting, the Remuneration and Evaluation Committee proposed the annual remuneration level for the Directors and Supervisors of the Company, which would be put forward for consideration at the general meeting upon approval by the Board. In addition, it proposed the annual remuneration for senior management of the Company in accordance with the Management Measures for Remuneration of Senior Management and the Board's assessment on the annual performance of the senior management of the Company, and submitted it to the Board for approval before implementation.

Corporate Governance Report (continued)

NOMINATION COMMITTEE

A Nomination Committee has been established under the Board. The Nomination Committee currently consists of five Directors, being Mr. MENG Fengchao (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). During the reporting period, in accordance with the approval in relation to the letter approving the appointment and removal of relevant positions of MENG Fengchao and LI Guorui (No. 189 (2010) of "Guo Zi Dang Wei Gan Er") by SASAC and the approval at the 2010 first annual general meeting and the 40th meeting of the first session of the Board, it made adjustment on the chairman of the Nomination Committee under the Board, after which the chairman of the Nomination Committee was Mr. MENG Fengchao while Mr. LI Guorui ceased to be its chairman. 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 has been established, and make recommendations to the Board.

During the reporting period, the Nomination Committee held four meetings altogether, two of which were held to discuss the adjustment of the members of the Board and specific committees under the Board, two of which were held to discuss the adjustment of the members of the board of directors of the subsidiaries of the Group. Three committee members including Mr. HUO Jingui, Mr. ZHU Mingxian and Mr. ZHAO Guangjie attended all the four meetings, whereas Mr. LI Guorui and Mr. LI Kecheng attended three of them. During the reporting period, an aggregate of 16 personnel changes were discussed by the Nomination Committee and submitted to the Board for consideration.

Corporate Governance Report (continued)

STRATEGY AND INVESTMENT COMMITTEE

A Strategy and Investment Committee is also established under the Board. The Strategy and Investment Committee consists of four Directors, being Mr. ZHAO Guangfa (Executive Director), Mr. ZHU Mingxian (Non-Executive Director), Mr. LI Kecheng (Independent Non-Executive Director) and Mr. WU Taishi (Independent Non-Executive Director). 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; and
- 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 2010, the Supervisory Committee held three meetings. The 8th meeting of the first session of the Supervisory Committee was held on 26 April 2010, at which six resolutions concerning the Financial Statements of the Company for 2009, the Profit Distribution Plan of the Company for 2009, Annual Report of the Company for 2009 and its summary thereof, the 2010 First Quarterly Report of the Company, the Report of Supervisory Committee for 2009, and the Specific Report in Relation to the Deposit and Use of Proceeds of the Company were considered and approved. The 9th meeting of the first session of the Supervisory Committee was held on 30 August 2010, at which six resolutions concerning the Financial Statements of the Company for the first half of 2010, 2010 Interim Report of the Company and the summary thereof, the Interim Profit Distribution Plan for 2010, the Resolution in Relation to the Utilization of Part of Interest of Proceeds from the A Share Issue to Temporarily Replenish Working Capital, the Resolution in Relation to the Utilization of Part of Unutilized Proceeds from the A Share Issue to Temporarily Replenish Working Capital and the Specific Report on Deposit and Actual Use of Proceeds of the Company were considered and approved. The 10th meeting of the first session of the Supervisory Committee was held on 28 October 2010, at which two resolutions regarding the 2010 Third Quarterly Report of the Company and the Resolution in Relation to the Provision for Estimated Contractual Loss in the Mecca Light Rail Project were considered and approved.

Corporate Governance Report (continued)

DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 standards as set by the guidance.

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 four general meetings in 2010.

(1) The 2009 annual general meeting

The on-site meeting of the 2009 annual general meeting of the Company was held on 18 June 2010 at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, while the on-line voting was held from 9:30 to 11:30 a.m. and 13:00 to 15:00 p.m. (on 18 June 2010). Mr. Li Guorui, the Chairman of the Company at that time, presided over the meeting and a total of 2,767 shareholders and proxies of shareholders attended the meeting or on-line voting. The Proposal in Relation to the Financial Statements of the Company for 2009, the Proposal in Relation to the Profit Distribution Plan of the Company for 2009, the Proposal in Relation to the 2009 Annual Report and the Summary thereof, the Proposal in Relation to the Report of Directors for 2009, the Proposal in Relation to the Report of the Supervisory Committee for 2009, the Proposal in Relation to Appointment of Accounting Firm as External Auditor of the Company for 2010 and the Payment of Audit Fees, the Proposal in Relation to the Remuneration Packages of Directors for 2009, the Proposal in Relation to the Adjustment of the Basic Annual Remuneration Packages of Independent Directors, the Proposal in Relation to the Company's Compliance with the Conditions for Non-public Issuance and Placing of A Shares, the Proposal in Relation to the Non-public Issuance and Placing of A Shares to Specific Targets, the Proposal in Relation to the Plan of the Non-public Issuance and Placing of A Shares (Supplemented and Revised), the Proposal in Relation to the Conditional Share Subscription Framework Agreement and the Supplementary Agreement entered into between the Company and CRCCG, the Proposal in Relation to Connected Transactions Relating to the Non-Public Issuance and Placing of A Share of the Company, the Proposal in Relation to the Report on the Use of Proceeds from previous issuance, the Proposal in Relation to the Feasibility Study Report on the Investment Projects Funded by the Proceeds from the Non-Public Issuance and Placing of A Shares, the Proposal in Relation to the Waiver from the Requirement of General Offer by CRCCG Subject to the Approval at the General Meeting, the Proposal in Relation to the Authorization to the Board to Deal with Relevant Matters in Relation to the Non-public Issuance and Placing of A Shares, the Proposal in Relation to the Amendments to the Manuals of Decision-making on Connected Transactions of the Company, the Proposal in Relation to the Grant of General Mandate to the Board to Issue H Shares of the Company were considered and approved at the meeting.

Corporate Governance Report (continued)

(2) The 2010 first A Share class meeting

The on-site meeting of the 2010 first A Share class meeting of the Company was held on 18 June 2010 at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing, while the on-line voting was held from 9:30 to 11:30 a.m. and 13:00 to 15:00 p.m. (on 18 June 2010). Mr. LI Guorui, the Chairman of the Company at that time, presided over the meeting and a total of 2,752 shareholders and proxies of shareholders attended the meeting and on-line voting. The proposal in relation to the Non-public A Shares to Specific Targets was considered and approved at the meeting.

(3) The 2010 first H Share class meeting

The 2010 first H Share class meeting of the Company was held on 18 June 2010 at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing. Mr. LI Guorui, the Chairman of the Company at that time, presided over the meeting and a total of 16 shareholders and proxies of shareholders attended the meeting. The Proposal in Relation to the Non-public Issuance and Placing of A Shares to Specific Targets was considered and approved at the meeting.

(4) The 2010 first extraordinary general meeting

The 2010 first extraordinary general meeting of the Company was held on 28 December 2010 at the CRCC Bureau Building, No. 40 Fuxing Road, Haidian District, Beijing. Mr. ZHAO Guangfa, Executive Director and President of the Company, presided over the meeting and a total of 19 shareholders and proxies of shareholders attended the meeting. The Resolution in Relation to the Candidates for Executive Director of the Company, the Resolution in Relation to the Interim Profit Distribution Plan for 2010 and the Resolution in Relation to the Proposed Changes of the Use of the H Share Proceeds 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 roadshows 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 "Excellent Secretary to the Board of PRC Listed Companies for 2010 (2010中國上市公司最佳董事會秘書)", the "Excellent Disclosure Award of the 5th China Investor Relationship Annual Conference (第五屆中國投資者關係年會最佳披露獎)" and the "Top 100 of China Investor Relationship Annual Awards(年度中國投資者關係評選百強獎)".

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 member of the senior management 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 Governance Report (continued)

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 2010, 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 attached great importance to the construction of the internal control and risk management systems. In accordance with requirements under the Basic Internal Control Specifications for Enterprises (《企業內部控制基本規範》) and the Supporting Guidelines for Corporate Internal Control (《企業內部控制配套指引》), the Company established a complete working system to facilitate relevant work in this regard. Horizontally, the headquarters of the Company set up the "4+1"internal control and risk management systems, in which the Board, the management, the component departments, all the relevant business departments and supervision and inspection departments duly discharge their own duties to boost the overall performance; vertically, the Company set up the four-level internal control and risk management system comprising "the Company's headquarters, the group company, the engineering company and the project management department" and conducted the all-round construction of internal control and risk management systems in compliance with the unified deployment of the Company's headquarters.

Pursuant to the Three-year Overall Planning for the Construction of Internal Control and Risk Management Systems (《內部控制與風險管理體系建設三年整體規劃》) and based upon the requirements for the basic regulations of corporate internal control promulgated in 2011, the Company vigorously carried out its internal control work in the following aspects in 2010: First, streamlined business procedures and designed business flowcharts. The Company streamlined 15 management modules covering the Company's principal businesses, 41 secondary procedures and 172 tertiary procedures and completed the drawing of flowcharts of relevant businesses with descriptions attached. Second, intensified the construction of internal control system to promote the internal control within the Company. The Company carefully streamlined the regulations and systems stipulated as at the end of 2009 and prepared the "Collection of the Company's Regulations and Systems (《公司規章制度彙編》)". To cope with the problems in the existing regulations and systems, the Company issued the "Notice on Further Enhancing the Construction of Organ Systems", which required the Company to enhance the internal control and perfect relevant regulations and systems. Third, actively initiated trail tests of internal control and risk management in subsidiaries. In 2010, trial tests of internal control and risk management within subsidiaries approved by the Company were carried out in full scale with immediate following up of relevant work. Such projects would accumulate experience for the Company in terms of internal control and risk management systems and laid a solid foundation for the launch of all-round and systematic internal control and risk management campaigns. Fourth, promoted the basic work of internal control and risk management. All the secondary and tertiary companies were required by the Company, as soon as possible, to establish and improve internal control and risk management systems, which should be in compliance with the Company's unified deployment and subject to requirements under the basic regulations for corporate internal control. Besides, the Company stepped up efforts in publication, education and training and conducted the streamlining work of business procedures, so as to improve all the basic work regarding internal control and risk management.

Corporate Governance Report (continued)

The Company formulated a series of regulations on internal control with reference to the "Internal Accounting Control Standard-Basic Standard (Provisional)" and its detail standards promulgated by the Ministry of Finance, relevant accounting standards and accounting regulations, such as "Internal Control System of Financial Management" (《財務管理內部控制制度》), "Auditing Measures" (《會計核算辦法》), "Accounting Items and Manual of Accounting Items" (《會計科目和會計科目使用說明》), "Provisional Measures of Comprehensive Budget Management" (《全面預算管理暫行辦法》), "Measures of Financial Monitoring" (《財務監察辦法》), "Provisional Regulations of Issues in Relation to Implementation of the Standards of Construction Contracts" (《執行建造合同準則有關問題暫行規定》), "Provisional Regulations of the Recognition of Income from Survey and Design" (《勘察設計收入確認暫行規定》), "Provisional Regulations of Issues in Relation to the Implementation of Standards of Income Tax" (《執行所得稅準則有關問題暫行規定》) and "Provisional Regulations of Issues in Relation to the Implementation of Standards of Real Estate Properties for Investment Purpose" (《執行投資性房地產準則有關問題暫行規定》). Responsibility and authority were reasonably designated by the Company in respect of financial management and auditing. Relevant personnel were appointed to ensure smooth operation of financial activities. While personnel of the accounting department had a clear division of labor and were accountable for their own positions, all positions were mutually supervisory. The constant strengthening of the financial system and regulations on financial management had improved corporate management and boosted economic efficiency.

Establishing and maintaining an adequate internal control system for financial reporting is the responsibility of the Board of the Company. The Board has assessed relevant internal control of financial reporting in accordance with the Basic Internal Control Specifications for Enterprises (《企業內部控制基本規範》) and is of the opinion that it was effective in 2010 and there are no defects in internal control of areas other than financial reporting during self-assessment of internal control.

After examining the internal control self-assessment report of the board of directors for 2010 in accordance with Basic Internal Control Specifications for Enterprises (《企業內部控制基本規範》), the Implementary Guideline for Enterprise Internal Control and Internal Control Guidelines for Internal Control of Listed Companies and based on the actual status of the Company's internal control, the Supervisory Committee is of the opinion that: the Company has established and effectively implemented a sound internal control system based on its own actual conditions; the internal control organization of the Company is complete and departments and staff for internal audit are well in place which ensured the effective implementation and supervision on key internal control activities; and there were no violation of relevant laws and regulations. The supervisory committee considers that the internal control self-assessment report is complete, true, accurate, and truly reflect the actual status of the Company's internal control.

The overall objectives of the Company in respect of its internal control: 1. further enhance and improve its internal control and risk management to strictly prevent any defects in the internal control and control the risk to an acceptable level, so as to improve operation efficiency and results and facilitate the achievement of the corporate strategic objectives. 2. Establish a complete and sound rules, systems and processes for internal control and risk management to provide reasonable assurance for the compliant business operation, asset safety and truthfulness and completeness of financial report and relevant information. 3. Cultivate and increase the risk management awareness among all staff, obtain professional talents in internal control and risk management through training and recruiting, gradually realize an information-based internal control and risk management and establish a sound and complete internal control and risk management system across all units in the Company, so as to provide guarantee for the healthy and sustainable development of the Company.

Corporate Governance Report (continued)

The implementation scope: on the principle of "completeness, priority and objectivity", the internal control and risk management work shall cover the principal business and matters of the Company and its affiliated entities and will focus on the management of major business processes in relation to quality safety, investment, overseas business, capital, overall budget, engineering project, equipment and materials, human resources and legal matters, etc.. Major and significant risks involved in the production and operation shall be identified carefully and risk analysis shall be conducted to prepare proper countermeasures.

The general implementation strategies: we will adopt an implementation strategy of "taking risk management as orientation and internal control as means; conducting promotion based on pilot, optimization based on standardization; being gradual and pragmatic". We will focus on the five key factors, being "internal environment, risk assessment, control activities, information and communication, and internal supervision". We will seek to implement the internal control and risk management throughout the Company and gradually establish a sound and complete internal control and risk management system in about three years (2009-2011). In general, there will be three steps toward the aforesaid goal: 1. July 2009 to April 2010, led by the development planning department and with the participation from other departments, internal control and risk management shall be launched at the headquarter of the Company. The process for major business activities will be streamlined and the effectiveness of internal control will be assessed to analyze internal control defects, put forth advice on improvement and formulate rectification scheme. Each department shall rectify the defects in its internal control related to its business. On such basis, significant risks faced by the Company as a whole shall be identified, assessed and ordered to draw a risk map. Meanwhile, significant risks shall be matched to relevant business processes and incorporated into the risk control rules of specific business process. 2. January 2010 to March 2011, we will conduct the pilot work for internal control and risk management. At China Railway 12th Bureau Group which is principally engaged in construction, we will conduct the pilot work at the group company, project company and project unit to conduct internal control and risk management from top to bottom throughout the business process; At China Railway Real Estate Group with its principal business being real estate, we will fully implement the internal control and risk management within the group company. 3. November 2010 to December 2011, based on the experience summarized from headquarter and pilot entities, internal control and risk management will be carried out throughout the whole system. We are to establish and optimize work organizational system and enhance promotion and training. Based on the work at headquarter and pilot entities and with reference to the streamlined rules and processes at other entities, we will detect defects in design and implementation of internal control and identify significant risks, formulate and implement rectification plan.

REMUNERATION OF AUDITORS

During the reporting period, the Company had 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 four consecutive years.

During the reporting period, the Company had paid RMB33.00 million in total to Ernst & Young Hua Ming and Ernst & Young for their audit services in relation to the Company's financial statements for 2010 and relevant non-auditing services.

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).

(I) SUMMARY

For the year ended 31 December 2010, the Group's total revenue from operations amounted to RMB456,338.9 million, representing an increase of 32.3% as compared with RMB344,976.2 million last year. Profit attributable to owners of the Group amounted to RMB4,246.2 million, representing a decrease of 35.7% year on year. Basic earnings per share of the Group were RMB0.3442.

The financial results for the years ended 31 December 2010 and 2009 are set out below.

Results of operations

For the year ended 31 December 2010, the Group's profit before tax amounted to RMB6,240.5 million, representing a decrease of 24.9% as compared with RMB8,307.4 million last year. Profit attributable to owners of the Group amounted to RMB4,246.2 million, representing a year-on-year decrease of 35.7%, which was mainly due to the losses incurred by the Mecca Light Rail Project. Basic earnings per share of the Group was RMB0.3442.

Revenue

For the year ended 31 December 2010, the Group's total revenue increased by 32.3% to RMB456,338.9 million from RMB344,976.2 million for the year ended 31 December 2009. The increase was mainly attributable to an increase in revenue of RMB98,982.2 million from construction operations, an increase in revenue of RMB713.2 million from survey, design and consultancy services, an increase in revenue of RMB1,327.0 million from manufacturing operations and an increase in revenue of RMB10,340.3 million from other operations.

Cost of Sales

For the year ended 31 December 2010, the Group's cost of sales increased by 32.9% to RMB428,647.1 million from RMB322,427.8 million for the year ended 31 December 2009, mainly attributable to significant growth in business scale of the Group.

New and outstanding contracts

In 2010, the value of new contracts signed during the year increased by 24.3% to a new historical high level of RMB747,198.3 million, reflecting a strong growth momentum. As at 31 December 2010, the aggregated value of outstanding contracts of the Group amounted to RMB972,408.6 million, representing an increase of 37.8% over 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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

Unit: RMB'00 million

	Value of new contracts			Value of outstanding contracts		
	2010	2009	Growth	31 December 2010	31 December 2009	Growth
Construction operations	6,775.918	5,553.144	22.0%	9,337.856	6,845.977	36.4%
Survey, design and s upervision operation	75.790	62.251	21.7%	17.282	24.290	-28.9%
Manufacturing operations	87.361	56.805	53.8%	1.419	8.672	-83.6%
Others	532.914	341.071	56.2%	367.529	178.504	105.9%
Total	7,471.983	6,013.271	24.3%	9,724.086	7,057.443	37.8%

Notes: New overseas contracts accounted for RMB25,912.5 million or 3.5% of the total value of the Group's new contracts signed in 2010.

Finance revenue

The finance revenue of the Group mainly includes bank interest income. For the year ended 31 December 2010, the Group's finance revenue decreased by 13.2% to RMB777.0 million from RMB895.5 million for the year ended 31 December 2009.

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 2010, the Group's finance costs decreased by 2.4% to RMB1,190.7 million from RMB1,219.7 million for the year ended 31 December 2009. Such decrease was mainly attributable to a decrease in the interest rate of Reminbi-denominated borrowings year on year.

Share of profits of jointly-controlled entities and associates

For the year ended 31 December 2010, the Group's share of profits of jointly-controlled entities and associates increased by RMB1.1 million or 137.5% to RMB1.9 million from RMB0.8 million for the year ended 31 December 2009, mainly attributable to the increase in profit from associates during the year.

Income tax expense

For the year ended 31 December 2010, the Group's income tax expenses increased by 22.1% to RMB1,923.9 million from RMB1,575.7 million for the year ended 31 December 2009. Such increase in income tax expense was mainly attributable to the increase in profit before tax upon deduction of Mecca Light Rail Project in 2010.

Non-controlling interests

For the years ended 31 December 2009 and 2010, the profit attributable to non-controlling shareholders of the Group amounted to RMB132.6 million and RMB70.4 million respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

(II) 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	
	2009	2010	2009	2010	2009	2010
	(RMB million)		(RMB million)		(%)	
Construction operations	314,937.2	415,433.2	5,670.5	4,031.2	1.8	1.0
Survey, design and consultancy operations	7,337.1	8,026.5	614.7	727.4	8.4	9.1
Manufacturing operations	8,036.2	9,158.0	533.7	453.3	6.6	4.9
Others	19,894.0	32,143.7	1,812.0	1,440.5	9.1	4.5
Subtotal	350,204.5	464,761.4	8,630.9	6,652.4	2.5	1.4
Inter-segment elimination	-5,228.3	-8,422.5	—	—	—	—
Total	344,976.2	456,338.9	8,630.9	6,652.4	2.5	1.5

1. *Construction Operations*

As the core and traditional business segment of the Group, construction operations covered various fields, such as railways, highways, buildings, urban utilities, metropolitan railway, irrigation works and water and power generation works, bridges, tunnels and airports. During the reporting period, the Group had completed an aggregate of 2,396 kilometers equivalent of bridges, tunnels of 1,476 kilometers equivalent, main railway track lines of 7,229 kilometres and highways of 2,764 kilometres. The Group provided services to 32 municipalities and cities, autonomous regions as well as Hong Kong and Macau in the PRC and took part in infrastructure construction projects in 45 countries and regions such as Africa, Asia, the Middle East and Europe. Such increase in the revenue from construction operations was mainly due to the rapid development of China's economy and hefty investment in infrastructure in the PRC which results in a build-up of uncompleted contracts of the Company.

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	
	2009	2010
	(RMB million)	
Segment revenue	314,937.2	415,433.2
Selling and distribution costs	(364.2)	(391.0)
Administrative expenses and others	(11,689.5)	(17,296.6)
Segment results	5,670.5	4,031.2
Depreciation and amortization	5,876.1	7,191.8

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Segment revenue. For the year ended 31 December 2010, the Group's segment revenue before elimination of inter-segment sales from construction operations increased by 31.9% to RMB415,433.2 million from RMB314,937.2 million for the year ended 31 December 2009. 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 RMB814.4 million and RMB2,328.2 million for the years ended 31 December 2009 and 2010 respectively.

As a result, total segment revenue generated from external sales after elimination of inter-segment sales from our construction operations was RMB314,122.8 million for the year ended 31 December 2009 and RMB413,105.0 million for the year ended 31 December 2010.

Selling and distribution costs. For the year ended 31 December 2010, the Group's selling and distribution costs from construction operations increased by 7.4% or RMB26.8 million to RMB391.0 million from RMB364.2 million for the year ended 31 December 2009, which was mainly attributable to the increase in costs arising from the business growth of the Group.

Administrative expenses and other expenses. For the year ended 31 December 2010, administrative expenses for the construction operations of the Group increased by 48.0% or RMB5,607.1 million to RMB17,296.6 million from RMB11,689.5 million for the year ended 31 December 2009, which was mainly attributable to the increase in costs arising from the business growth of the Group.

Segment results. As a result of the foregoing reasons, for the year ended 31 December 2010, total profit from the construction operations of the Group decreased by RMB1,639.3 million to RMB4,031.2 million from RMB5,670.5 million for the year ended 31 December 2009.

For the year ended 31 December 2010, the operating margin for the construction operations of the Group decreased to 1.0% from 1.8% for the year ended 31 December 2009.

2. ***Survey, design and consultancy operations***

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.

During the reporting period, 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	
	2009	**2010**
	(RMB million)	
Segment revenue	7,337.1	**8,026.5**
Selling and distribution costs	(322.6)	**(405.6)**
Administrative expenses and other expenses	(647.2)	**(762.6)**
Segment results	614.7	**727.4**
Depreciation and amortization	106.2	**133.3**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Segment revenue. For the year ended 31 December 2010, the Group's segment revenue before elimination of inter-segment sales from survey, design and consultancy operations increased by 9.4% to RMB8,026.5 million from RMB7,337.1 million for the year ended 31 December 2009. The increase was primarily due to the Group's expanded scale of the survey, design and consultancy operations.

Inter-segment sales revenue generated from the Group's survey, design and consultancy operations was RMB30.6 million and RMB6.8 million for the years ended 31 December 2009 and 2010 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 RMB7,306.5 million for the year ended 31 December 2009 and RMB8,019.7 million for the year ended 31 December 2010 respectively.

Selling and distribution costs. For the year ended 31 December 2010, selling and distribution costs from the survey, design and consultancy operations of the Group increased by 25.7% or RMB83.0 million to RMB405.6 million from RMB322.6 million for the year ended 31 December 2009, which was primarily attributable to the increase of costs arising from the business growth of the Group.

Administrative expenses and other expenses. For the year ended 31 December 2010, administrative expenses for the survey, design and consultancy operations of the Group increased by 17.8% to RMB762.6 million from RMB647.2 million for the year ended 31 December 2009, which was primarily attributable to the increase of costs arising from the business growth of the Group.

Segment results. As a result of the foregoing reasons, for the year ended 31 December 2010, profit from the survey, design and consultancy operations of the Group increased to RMB727.4 million from RMB614.7 million for the year ended 31 December 2009. For the year ended 31 December 2010, the operating margin from the survey, design and consultancy operations of the Group increased to 9.1% from 8.4% for the year ended 31 December 2009.

3. *Manufacturing operations*

The manufacturing operation segment of the Group mainly covers design, research and development, manufacturing and maintenance of large-size road maintenance machinery, tunnel construction machinery and parts and components for railways, bridges, track crosstie and track system. In 2010, the Group's manufacturing operation segment maintained sound momentum. Demand for large-size road maintenance machinery was significantly driven by railway investment, leading to business growth in the design, research and development, production and repair and maintenance of large-size road maintenance machinery, and improvement of the products and ancillary facilities of China Railway Rail System Group Co., Ltd. and helped form a comprehensive industry chain for the track line product. The successful research and development and launch of a series of equipment for tunnel construction, with tunnel boring machines as the core products, enhanced the development capability of the Group as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

During the reporting period, 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	
	2009	2010
	(RMB million)	
Segment revenue	8,036.2	9,158.0
Selling and distribution costs	(77.1)	(165.0)
Administrative expenses and others	(391.1)	(740.9)
Segment results	533.7	453.3
Depreciation and amortization	254.0	300.7

Segment revenue. For the year ended 31 December 2010, segment revenue before elimination of inter-segment sales from manufacturing operations increased by 14.0% to RMB9,158.0 million from RMB8,036.2 million for the year ended 31 December 2009.

Selling and distribution costs. For the year ended 31 December 2010, selling and distribution costs from the manufacturing operation of the Group increased by 114.0% to RMB165.0 million from RMB77.1 million for the year ended 31 December 2009, which was primarily attributable to the increase of costs arising from the business growth of the Group.

Administrative expenses and other expenses. For the year ended 31 December 2010, administrative expenses for the manufacturing operations of the Group increased by 89.4% to RMB740.9 million from RMB391.1 million for the year ended 31 December 2009, which was primarily attributable to the increase of costs arising from the business growth of the Group.

Segment results. As a result of the foregoing reasons, for the year ended 31 December 2010, profit from the manufacturing operations of the Group decreased to RMB453.3 million from RMB533.7 million in 2009. The operating margins for the manufacturing operations of the Group for the years ended 31 December 2009 and 2010 were 6.6% and 4.9%, respectively.

4. *Other businesses*

The Group's other business operations mainly include sales of real estate and logistics and materials trading services.

Real estate business. In 2010, the Group obtained 14 additional real estate development projects in 9 cities including Beijing, Hangzhou, Xiamen, Chengdu, Xi'an, Guangzhou, Tianjin, Jinan and Linyi, with additional land for construction of 1,590,000 m^2 and planned gross floor area of 5,270,000 m^2. The new projects obtained in 2010 had vast market potentials given their distinct advantages in terms of locations and reasonable land prices, and thereby laid solid foundation for the sustainable development of the real estate business. As at the end of 2010, the Group commenced real estate development business in 26 cities including Beijing respectively, with a gross area of land for project construction of 6,460,000 m^2 and a gross planned floor area of 20,120,000 m^2. Throughout the year, 29 projects in 21 cities were sold, with area sold of 1,834,000 m^2, representing an increase of 141.3% over 2009. Revenue from operations amounted to RMB4,927.0 million, representing an increase of 101.4% over 2009. Gross profit margin before elimination of inter-segment transaction of the real estate business was 26.2%, representing a decrease of 1.7 percentage points as compared with 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Logistics and materials trading business. The Group is mainly engaged in the logistics and trading of materials in respect of construction materials. Following the expansion of domestic infrastructure, and in light of the railway construction planning and the development of the Company, the competitiveness of the segment was enhanced as a whole. The logistics and materials trading business of the Company witnessed tremendous growth. In 2010, the revenue from operations of the Group's logistics and materials trading business increased by 62.9% over 2009. Before elimination of inter-segment trading, the gross profit margin of logistics and materials trading business was 4.0% in 2010, down by 2.8 percentage points as compared to 2009. China Railway Goods and Materials Co., Ltd., as the leading enterprise of the Company's logistics segment, ranked 7th among 50 Most Competitive Logistics Enterprises in the PRC (中國最具競爭力的50強物流企業).

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	
	2009	2010
	(RMB million)	
Segment revenue	19,894.0	32,143.7
Selling and distribution costs	(252.5)	(569.5)
Administrative expenses and others	(173.4)	(708.4)
Segment results	1,812.0	1,440.5
Depreciation and amortization	138.4	180.1

Segment revenue. Segment revenue derived from other operations mainly includes income from the sales of real estate properties and logistics and materials trading to external customers. For the year ended 31 December 2010, revenue before elimination of inter-segment sales of these businesses increased by 61.6% to RMB32,143.7 million from RMB19,894.0 million for the year ended 31 December 2009.

Inter-segment sales revenue generated from other operations for the years ended 31 December 2009 and 2010 was RMB3,075.8 million and RMB4,985.2 million respectively.

As a result, total revenue generated from external sales after elimination of inter-segment sales of the Group's other operations was RMB16,818.2 million for the year ended 31 December 2009 and RMB27,158.5 million for the year ended 31 December 2010.

Selling and distribution costs. For year ended 31 December 2010, selling and distribution costs from the Group's other operations increased to RMB569.5 million from RMB252.5 million for the year ended 31 December 2009. This was mainly attributable to the growth of the Group's operations.

Administrative and other expenses. For the year ended 31 December 2010, administrative expenses for the Group's other operations increased to RMB708.4 million from RMB173.4 million for the year ended 31 December 2009. This was mainly attributable to the growth of the Group's operations.

Segment results. As a result of the foregoing reasons, total profits from the Group's operations other than construction, survey, design and consultancy and manufacturing operations for the years ended 31 December 2009 and 2010 were RMB1,812.0 million and RMB1,440.5 million, respectively. The Group's segment operating margins for the years ended 31 December 2009 and 2010 were 9.1% and 4.5%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

(III) LIQUIDITY AND CAPITAL RESOURCES

1. *Cash Flow*

	Year ended 31 December	
	2009	2010
	(RMB million)	
Cash and cash equivalents as at 1 January	49,455.3	55,070.1
Net cash inflow from operating activities	17,474.5	6,252.6
Net cash outflow from investing activities	(13,629.2)	(15,525.1)
Net cash inflow from financing activities	1,407.4	10,358.8
Effect of foreign exchange rate changes, net	362.1	(233.2)
Net increase in cash/cash equivalents	5,614.8	853.1
Cash and cash equivalents as at 31 December	55,070.1	55,923.1

2. *Cash flows from operating activities*

For the year ended 31 December 2010, the Group's net cash inflow from operating activities was RMB6,252.6 million, mainly attributable to the profit-before-tax in the amount of RMB6,240.5 million generated in the year, as well as the following adjustments to statement of cash flows: (i) depreciation in fixed assets of RMB7,608.0 million; (ii) increase in trade and bills payables of RMB39,528.3 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 RMB14,767.9 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 RMB14,904.2 million due to the expanded scale of the Group's business; (ii) decrease in prepayments, deposits and other receivables of RMB8,598.7 million due to the increase in projects for which the Group was subject to performance bond and retention money; (iii) increase in inventories of RMB7,469.4 million; (iv) increase in completed properties held for sale and properties under development of RMB18,093.8 million; and (v) net increase in construction contract receivables and payables of RMB11,358.4 million due to significant expansion of the Group's construction operations.

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 receivables and payables of RMB12,695.8 million due to significant expansion of the Group's construction operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

3. *Cash flow from investing activities*

For the year ended 31 December 2010, the Group's net cash outflow from investing activities was RMB15,525.1 million. The Group's net cash outflow for investing activities mainly consists of (i) purchase of property, plant and equipment of RMB16,188.1 million; The Group's net cash inflow for investing activities mainly consists of: (i) proceeds from disposal of property, plant and equipment of RMB1,238.2 million; (ii) interest received of RMB829.7 million; and (iii) receipt of less non-restricted term deposits with terms over 3 months of RMB1,880.0 million.

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.

4. *Net cash flow from financing activities*

For the year ended 31 December 2010, the Group's net cash inflow from financing activities was RMB10,358.8 million. The Group's net cash inflow for financing activities mainly consists of newly borrowed bank loans and other borrowings of RMB34,230.6 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 RMB20,300.7 million; and (ii) cash used in the payment of interests of RMB1,633.5 million; and (iii) dividends paid to shareholders of RMB1,974.0 million.

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.

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 RMB15,571.1 million and RMB16,726.7 million for the years ended 31 December 2009 and 2010, respectively.

The following table sets forth the capital expenditures for the Group's business operations for the years ended 31 December 2009 and 2010:

	Year ended 31 December	
	2009	**2010**
	(RMB million)	
Construction operations	13,843.9	**15,045.5**
Survey, design and consultancy operations	340.7	**513.9**
Manufacturing operations	1,081.2	**871.7**
Others	305.3	**295.6**
Total	15,571.1	**16,726.7**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

6. *Working Capital*

(a) Construction contracts in progress

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

	As at 31 December	
	2009	**2010**
	(RMB million)	
Contract costs incurred plus recognized profits less recognized losses	926,397.0	**1,272,736.2**
Less: progress billings received and receivable	(894,289.8)	**(1,229,814.8)**
Contract work-in-progress	32,107.2	**42,921.4**
Representing:		
Amount due from customers for contract work	52,021.1	**60,384.7**
Amount due to customers for contract work	(19,913.9)	**(17,463.3)**
	32,107.2	**42,921.4**

The Group's construction contracts in progress increased to RMB42,921.4 million as at 31 December 2010 from RMB32,107.2 million as at 31 December 2009, mainly attributable to the substantial growth in construction operations of the Group during the year.

(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 balance sheet date indicated:

	As at 31 December	
	2009	**2010**
Turnover days of trade receivables[(1)]	43	**44**
Turnover days of trade payables[(2)]	95	**105**

(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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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

	As at 31 December	
	2009	**2010**
	(RMB million)	
Less than one year	43,090.9	**59,571.4**
One to two years	2,251.5	**3,568.4**
Two to three years	1,067.3	**914.9**
More than three years	391.4	**399.9**
Total	46,801.0	**64,454.7**

As of 31 December 2010, the Group had a provision for impairment of RMB432.6 million. The directors of the Group 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 date of the balance sheet indicated:

	As of 31 December	
	2009	**2010**
	(RMB million)	
Less than one year	100,104.4	**138,223.5**
One to two years	2,338.8	**3,547.4**
Two to three years	430.3	**607.5**
More than three years	349.5	**242.8**
Total	103,223.0	**142,621.2**

As of 31 December 2010, the Group's trade and bills payable increased to RMB142,621.2 million from RMB103,223.0 million as of 31 December 2009, mainly attributable to the significant growth in business scale of the Group.

7. ***Retentions***

As of 31 December 2009 and 31 December 2010, among the Group's trade and bills receivables, retention money receivables amounted to RMB6,131.1 million and RMB7,916.2 million, respectively. As of 31 December 2009 and 31 December 2010, among the Group's trade and bills payables, retention money payables amounted to RMB1,242.9 million and RMB1,425.0 million, respectively.

8. ***Prepayments, deposits and other receivables***

The Group's prepayments, deposits and other receivables increased to RMB50,199.9 million as at 31 December 2010 from RMB43,526.6 million as at 31 December 2009. Such increase was mainly attributable to the significant increase in bidding bonds, performance security, all other kinds of deposits and prepayment in respect of labor and materials for construction given the increase in the tendering and successful bidding of construction projects following the growth in business scale of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

9. *Replenishment for pension subsidies and 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 Watson Management Consulting (Shenzhen) Co., Ltd., 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 2009 and 31 December 2010, the Group's provision for those obligations were RMB6,137.7 million and RMB5,295.7 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 2009 and 31 December 2010, the Group had other payables and accruals of RMB71,409.8 million and RMB84,860.6 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 RMB37,443.4 million as of 31 December 2009 to RMB42,724.1 million as of 31 December 2010.

11. *Indebtedness*

(a) Borrowings

The maturity profile of interest-bearing borrowings of the Group as of 31 December 2009 and 31 December 2010 is as follows:

	As of 31 December	
	2009	**2010**
	(RMB million)	
Within one year	12,579.4	**17,421.7**
In the second year	1,320.0	**13,812.8**
In the third to fifth years (both years inclusive)	11,749.6	**8,080.4**
Beyond five years	1,064.7	**784.3**
Total	26,713.7	**40,099.1**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

The Group's gearing ratio was 64.0% and 72.7% as of 31 December 2009 and 31 December 2010, respectively. Gearing ratio is calculated by dividing net liabilities by the sum of total equity plus net liabilities. Net liabilities include 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 2011, guarantees previously provided by CRCCG and its subsidiaries to the Group have been fully released or cancelled. As at 31 December 2009 and 31 December 2010, 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	
	2009	**2010**
Contracted, but not provided for:		
Property, plant and equipment	1,329.3	**429.4**
Intangible assets	—	**7.6**
Properties under development	—	**320.6**
Acquisition of minority interests in subsidiaries	242.0	**—**
Investments in associated companies	—	**196.0**
	1,571.3	**953.6**
Authorized, but not contracted:		
Property, plant and equipment	7,641.1	**—**
Properties under development	351.2	**320.8**
Available-for-sale investment	1,600.0	**1000.0**
	9,592.3	**1,320.8**

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 2010, a cumulative amount of RMB21,422.5 million from the proceeds raised from A shares had been used and the unused proceeds amounted to RMB303.2 million, and there was RMB304.4 million held in the Company's special account for proceeds raised from A shares. The use of the Company's proceeds raised from A shares is in line with the proposed uses disclosed in the A share prospectus. The temporarily unused proceeds raised from A shares are deposited in the Company's special account for proceeds. As at 31 December 2010, specific details in relation to various projects financed by the A share proceeds of the Company are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Unit: RMB million

Gross proceeds	22,246.00
Total proceeds used during the reporting period	3,951.16
Total accumulated proceeds used	21,422.51

Projects undertaken	Planned investment	Whether there is any change in the project	Actual amount of proceeds applied	Income generated	Whether the project is on Schedule	Whether in accordance with estimated earnings
1. Acquisition of equipment for domestic construction projects	10,500.00	No	10,500.00	N/A	Yes	N/A
2. Expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd.	1,150.00	No	846.85	*Note 1*	*Note 2*	*Note 3*
3. The project of railway system of China Railway Rail System Group Co., Ltd.	320.00	No	320.00	Accumulated profit of RMB348.00 million	Yes	Yes
4. The project of Changsha Xiu Feng Shan Zhuang	400.00	No	400.00	Accumulated profit of RMB33.35 million	Yes	*Note 4*
5. Shijiazhuang Wuhan Passenger Railway Line Project	1,500.00	No	1,500.00	N/A	Yes	*Note 5*
6. Replenishment of working capital and repayment of loans	7,855.66	No	7,855.66	N/A	Yes	N/A
Total	21,725.66		21,422.51	381.35		

Reasons and procedures for the changes (by specific items)	N/A
Use and intended use of unused proceeds	RMB304.4 million is deposited in a special proceeds account (including: unused proceeds of RMB303.2 million and interest income of RMB1.2 million) and will be used in the expansion of the domestic technology introduction project by Kunming China Railway Large Road Maintenance Machinery Co., Ltd..

Note 1: as the industry base project and the original plant, equipment and techniques of KCR Group Company (昆明中鐵集團公司) were inseparable, economic efficiency of the project alone is hard to measure. The profit of KCR Group Company for 2010 amounted to RMB239.9 million.

Note 2: as the building of the technology centre was constructed along the route of the old airport of Kunming, there was a limit in respect of the maximum building height. As originally planned, the limit in respect of the maximum building height for the first half of 2010 could be released and local approval for the planning of the building of the technology centre could be successfully obtained. However, as the construction and relocation of the new Kunming airport had not been conducted as scheduled, the project was delayed.

Note 3: the industry base project in Kunming has not been completed in 2010. Upon consecutive commissioning of phase I construction, the production site and equipment were improved significantly. In 2010, calculated on basis of the original production benchmark, the number of unit produced and manufactured by the group company was 250 units, meeting 80% of target as originally planned.

Note 4: As at 31 December 2010, construction of Phase I of Changsha Shan Yu Cheng had been basically completed, with 180,000 m2 being inspected and delivered upon completion. 80% of the remaining construction were also completed and full completion is expected in May 2011. Pilot work has commenced for Phase 2 of the project, while main structures of ancillary buildings such as school and kindergarten had been completed and is expected to commence operation in 2011. Phase 3 has not commenced.

Note 5: according to the prescribed project construction plan, the project is still under construction and has no direct contribution to profit yet.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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

The Company's H shares were listed on the Hong Kong Stock Exchange on 13 March 2008 and the Company raised a total net proceeds equivalent to RMB17,358.6 million. As at 31 December 2010, all proceeds raised from H shares had been used and an aggregate of net foreign exchange losses (after crediting interest received) equivalent to RMB174.2 million were incurred. As at 31 December 2010, 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	Foreign exchange losses	Unused amount	Whether in accordance with planned progress	Whether in accordance with estimated Earnings
1. Purchase of equipment	Yes	14,107.63	14,014.79	-92.84	—	Yes	N/A
2. Cement plant in Nigeria	Yes	1,515.10	—	—	—	N/A	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 "-")	N/A						N/A
5. The change of the use of proceeds from the purpose of financing the cement plant in Nigeria to replenishment of working capital and repayment of the foreign currency liquid capital borrowings	No	1,515.10	1,433.74	-81.36	—	Yes	N/A
Total		17,358.59	17,184.39	-174.20	—		

Due to the impact of such factors as the global financial crisis resulting in the changes in the infrastructure construction environment in Nigeria, the Nigeria cement plant project set out in the H share prospectus was terminated. Upon consideration and approval at the Company's first extraordinary general meeting held on 28 December 2010, proceeds of approximately HK$1,685.5 million (i.e. approximately RMB1,515.1 million originally intended to be used in the project were used to replenish the working capital and repay the foreign currency liquid capital borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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

(1) The rebuilding and expansion BT 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)

With a total investment of RMB3,257 million, the project had been completed and open for traffic on 28 September 2009. The inspection, transfer, settlement and audit for the project are in progress. As at the end of 2010, the Company received repurchase payment of RMB1,909 million with a balance of RMB1,360 million.

(2) The BT 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)BT項目)

The total contract value of the project was RMB458 million. The project commenced construction on 28 March 2009 and is expected to complete construction on 28 July 2011 upon a term of construction of 28 months. During the reporting period, the Company invested RMB193 million in the project and its accumulated investment in the project aggregated to RMB338 million.

(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)

The total project investment is estimated at approximately RMB7,000 million, with a construction period from June 2010 to 30 November 2012. During the reporting period, the Company contributed RMB325 million to the capital of CRCC Shandong Beijing-Shanghai Expressway Jile Company Limited (中鐵建山東京滬高速公路濟樂有限公司) and its accumulated investment aggregated to RMB555 million.

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

In order to jointly acquire Corriente Resources Inc., a Canadian-based junior mining company, the Company and Tongling Nonferrous Metals Group Holdings Co., Ltd. ("Tongling Holdings") 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. During the reporting period, the Company had invested RMB0.2 billion in the project and the capital investment aggregated to RMB1.2 billion. In 2010, CRCC-Tongguan completed acquisition of Corriente Resources Inc., a canadian junior mining company and holds 100% equity interest of the company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

(5) Sino-Africa Lekki Investment Company Limited-Lekki Free Trade Zone Project（中非萊基投資有限公司 - 萊基自由貿易區項目）

In 2010, CCECCBEYOND International Investment Development Co., Ltd. (中土北亞國際投資發展有限公司) changed its name to Sino-Africa Lekki Investment Company Limited ("Sino-Africa Lekki"). The shareholding structure of Sino-Africa Lekki was then adjusted, with CRCC, CCECC, China Africa Development Fund (中非發展基金) and Nanjing Jiangning Economic and Technology Development Corporation (南京江寧經濟技術開發總公司) holding 35%, 30%, 20% and 15% equity interests, respectively. The registered capital of Sino-Africa Lekki amounted to RMB200 million. In April 2010, in accordance with "NDRC's approval of the joint investment and establishment of Phase 1 of Lekki Free Trade Zone Project in Nigeria by CCECCBEYOND International Investment Development Co., Ltd." (《國家發改委關於中土北亞國際投資發展有限公司在尼日利亞合資建設萊基自由貿易區一期項目核准的批覆》) (Fa Gai WAi Zi[2010] No.859), the filing procedures with National Development and Reform Commission in respect of the project investment of Phase 1 of Lekki Free Trade Zone Project (11.76 km^2) had been completed. In October, procedures of change of Overseas Investment Permit (境外投資許可) with the Ministry of Commerce had been completed. In November, in accordance with the relevant regulations of "Provisional Measures of Confirmation of Overseas Economic Trade Cooperation Zone" (《境外經濟貿易合作區確認考核暫行辦法》), Lekki Free Zone passed relevant examination and obtained the "Letter of Confirmation of Overseas Economic Trade Zone" (境外經濟貿易區確認函) jointly issued by the Ministry of Commerce and the Ministry of Finance. During the reporting period, the Company and CCECC had not invested in Sino-Africa Lekki and the accumulated capital investment amounted to RMB130 million.

(6) Shiwu Passenger Railway Line (石武鐵路客運專線)

At the 18th meeting of the first session of the Board, it was considered and passed 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 two investments, the Company's capital injection in BGPRHC will amount to RMB2.5 billion, representing approximately 8.12% of its total share capital. During the reporting period, the Company invested an aggregate amount of RMB600 million in BGPRHC and the accumulated investment amounted to RMB1.5 billion.

(7) BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section)(成渝高速公路複線（重慶段）BOT項目).

At an investment ratio of 40% to 60%, the Company and Chongqing Expressway Group Company Limited（重慶高速公路集團有限公司） jointly invested in and established Chongqing Yurong Highway Company Limited (重慶渝蓉高速公路有限公司) which is responsible for the investment, construction and operation of BOT Project for Construction of Chengyu Expressway Double-line (Chongqing Section) (成渝高速公路複線（重慶段）BOT項目). The estimated total investment of the project is approximately RMB7.838 billion and the registered capital is approximately RMB1.9595 billion, of which the Company will contribute RMB783.8 million according to its 40% equity interest in the project. The construction started from April 2010 and will end on 31 December 2013, with a concession period of 30 years. During the reporting period, the Company's capital injection in Chongqing Yurong Highway Company Limited amounted to RMB196 million and the accumulated investment amounted to RMB196 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

(8) North Second Ring Road BT Project in Guiyang City (貴陽市北二環道路工程BT項目)

The contract in relation to the North Second Ring Road (BT) Project in Guiyang City was entered into on 26 January 2010 by CRCC and Guiyang Jinyang Construction Investment (Group) Co., Ltd. (貴陽金陽建設投資(集團)有限公司). The total investment of the project is RMB3,190 million, with a construction period from March 2010 to 15 August 2011 and a redemption period of 5 years. During the reporting period, the Company had invested RMB1,690 million in the project and the accumulated investment amounted to RMB1,690 million.

(9) Jiafeng-Nanchenpu Local Railway BT Project (嘉峰至南陳鋪地方鐵路BT項目)

The Company and China Railway 12th Bureau Group Co., Ltd. jointly invested in the local railway from Jiafeng to Nanchenpu. The total investment is temporarily set at RMB1.947 billion. The construction period of the project started from November 2009 and will end on April 2012, with a redemption period of 5 years. During the reporting period, the Group's capital injection amounted to RMB560 million and the accumulated investment amounted to RMB560 million.

(10) The BT Project of Dongtuo of Shuanglong Road and Pugou Road in Jinjiang (晉江雙龍路東拓與浦溝路工程BT項目)

China Railway 22nd Bureau Group Co., Ltd. invested in the BT Project of Dongtuo of Shuanglong Road and Pugou Road in Jinjiang. The total investment of the project is set at RMB229 million, with a construction period from April 2010 to March 2011. During the reporting period, the Group had invested RMB178 million and the accumulated investment amounted to RMB178 million.

(11) The BT Project of Hong Gu Tan New District in Nanchang (南昌市紅穀灘新區BT項目)

China Railway Goods and Materials Co., Ltd. and China Railway 16th Bureau Group Co., Ltd. jointly invested in and carried out construction of the BT Project of Hong Gu Tan New District in Nanchang (南昌市紅穀灘新區BT項目). The total investment in the project is approximately RMB1.2 billion. Construction had commenced in December 2010 and the construction period is temporarily set at 18 months. During the reporting period, the Group had invested RMB40 million and the accumulated investment amounted to RMB40 million.

14. Litigations and other proceedings

There are disputes, litigations and claims with customers, sub-contractors and suppliers in the Group's daily business. After consulting the legal advisors and with reasonable estimation by the management on their consequences, the Group had made provisions for such disputes, litigations and claims which may incur potential losses to the Group. No provision was made for those pending disputes, litigations and claims the consequences of which cannot be reasonably estimated or as considered by the management will not pose material adverse impact on the operation results or financial standing of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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. In order to reduce foreign exchange risk, the Company converted foreign currency income from construction work as early as possible and appropriately increased foreign currency borrowings based on future income from construction work.

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 46 to the consolidated financial statements.

17. *Property valuation*

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

(IV) PROSPECTS OF THE COMPANY

1. *Industry Trends and Opportunities ahead of the Company*

Construction industry. The international construction industry is principally characterized by four development phenomena: (1) the gradual replacement of master construction contract with EPC (engineering, procurement and construction) as the main operation mode of construction operations, (2) public-private partnership as the mainstream development, especially in Europe; (3) active mergers and reorganization activities could be seen between international construction enterprises and even between construction enterprises and other industries, with high and increasing industry concentration; (4) the global green construction market will grow rapidly and sustainable development has become an important regulation and standard in the global construction market. According to relevant analysis data consolidated by Accenture Limited, the investment in the international construction market will grow at a compound annual growth rate of 4.7% in the future and reach US$2.46 trillion by 2015. The international construction operation market will be dominated by construction and infrastructure construction in the emerging markets worldwide, with emerging regional markets taking over construction markets of developed countries as sub-regional markets of international construction operations. Looking into the development trend of the domestic construction industry, China's construction industry will grow steadily over a long period of time going forward. Based the "12th Five-Year Plans" on various sectors, infrastructure investment will continue to remain at a high level. For instance, investment during the "12th Five-Year Plan" in railways, roads and rail transit markets will reach RMB3.5 trillion, RMB2.2 trillion and RMB1.2 trillion, respectively, of which the operating mileage of railways will reach 120,000 kilometres by 2015. The construction of a high-speed railway network consisting of four East-West and four North-South main railways as well as feeder high-speed railways and inter-city high-speed railways linking the main railways will accelerate. New and renovated railway stations amounting to 1,015 in total, and large-scale railway construction will continue. A network for highways will be constructed 7 capital radiate lines, 9 North-South connecting lines and 18 East-West connecting lines. New operating mileage of urban rail transit will reach 6,560 kilometres by 2020 and the sector is set to become another bright spot among investors, next to large-scale railway construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

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 increase 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 raise significantly, and a long-term huge market for the manufacturing and repairing of railway maintenance machinery, the railway maintenance and overhaul services and special construction equipment such as railway electrification products and uplifting frames will take shape,. In addition, the expansion of metropolitan railway construction presents ample room of market development for tunnel construction equipment such as tunnel boring machines, thus bringing sound opportunities to the Group's manufacturing segment.

Real estate industry. China will see a steady momentum in urbanization in the next decade, which will continue to stimulate growth in urban population and thus providing the domestic real estate market with huge potential. Recently, the state has introduced a series of austerity measures to temper the real estate market, the ultimate aim of which is to maintain a steady and sound real estate market development, which is vital for long-term market stability. Real estate business is the Company's major business and is closely related to the Company's construction operations, its conventional business. The Company will quicken its expansion in real estate business by strengthening its real estate development capability, improving its regional layout and developing competitive product series, aspiring for synergies of the business with other businesses such as construction operations and concession. It will further develop a consolidated real estate development mode which focuses on residential development with equal emphasis on commercial real estate development and properties held, and make corresponding improvement so as to increase the profit contribution of the real estate business to the Company. The Company will continue to consolidate its real estate resources to achieve synergies for its real estate business layout, with China Railway Real Estate Group Co., Ltd. as the core and mainly supported by regional real estate companies of the Group. It will also seek chances to acquire assets from non-real estate state-owned companies and other enterprises.

Logistics industry. According to the stimulus plan of the logistics industry, the fast-growing infrastructure construction in railway, road and urban transit industries posed 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, spot trading and further processing. In view of such unprecedented opportunities in the logistics industry, the Company's logistics segment will focus on two areas, namely "construction logistics system services" and "integrated supply of railway materials" to achieve an inter-dependent and synergistic development of its spot trading, international trading, warehousing and logistics processing, and thus transforming itself from simple trading to the provision of modern logistics value-added services. China Railway Goods and Materials Co., Ltd., a subsidiary of the Company, has become one of the leading railway materials suppliers in China. It is also 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. It is working towards becoming the most competitive construction logistics system service provider and supplier of integrated railway materials.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

2. *Challenges and Risks Faced by the Company*

The Company actively initiated risk management work in adherence to its principle of risk directed management. Given the domestic and international economic dynamics, the characteristics, business distribution, management approach and future development strategies of the industries where the Company is operating, the major risks faced by the Company are as follows:

Market risks. The Group's business highly relies 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. Meanwhile, the increase in the marketization level of the railway construction sector in China will lead to more market competition, which will pose some challenges to the market share of the Company. To cope with these risks, the Company will continue to grow its business steadily and improve its operations. The Company will expand and strengthen profit-making segments in addition to stabilizing its construction operation business. It will strength its design and consultancy to drive business, prop up its core competitiveness in industry manufacturing, expand and specialize in real estate business, enhance the overall fundamentals of its logistics trading, promote stable and sound capital operations and improve its development of mineral resources.

Risks of construction safety and quality. The construction industry is by nature a high-risk industry. Together with the rapid growth in the Company's business, high-risk projects are mounting and operations have become more widespread, which have posed grave challenges to the safety and quality management of projects. In the principle of "focusing on safety-production, construction quality and corporate image as a state-owned enterprise", the Company will conscientiously draw upon the costly lessons brought by national safety and quality incidents in the national construction and building arenas in recent years, and persists in tackling the roots and the symptoms, especially the underlying problems by strengthening risk management through the establishment of a corporate-wide, omission-free safety and quality monitoring mechanism. It remains committed to implementing a production safety accountability system to reinforce monitoring, inspection and punishment. Special emphasis have been placed on the safety and quality of overseas construction, with more effective measures and more stringent regulations brought in place to rectify hidden causes of incidents and prevent accidents.

Risks of price fluctuations. A substantial amount of equipment and materials will be used for the Company's principal business and any fluctuations in the prices of these equipment and materials will affect the Company's operating performance. The Company will continue to step up market investigation and analysis. It will also foster centralized bidding and procurement of materials and equipment by paying specific attention to the implementation of "Provisional Measures of Centralized Tendering, Procurement and Management of Equipment" (《設備集中招標採購管理暫行辦法》) and "Provisional Measures of Centralized Tendering, Procurement and Management of Materials" (《物資集中招標採購管理暫行辦法》) to strengthen and widen the scope of its centralized tendering and procurement. By taking advantage of its centralized procurement, it ensures product quality and reduces procurement costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Risks of overseas operations. The Company's overseas operations are mainly located at developing countries or economically under-developed areas where there exist certain political and economic uncertainties which may bring uncertainties to the overseas business development of the Company. The Company will, in the principle of positioning in key markets, reinforce its existing markets, penetrate related fields and continue to tap into new ones to expand into new areas. It will further consolidate resources, specify division of labour and establish a highly efficient coordination mechanism to strengthen the coordination of and guidance over overseas operations for improvement of business conditions. It will remain scientific in operation, strengthen its construction capability, look closely into international economic dynamics and keep abreast of the latest trends, have a full grasp of market rules and master laws and regulations and policies in respect of exchange rates, taxation and labour to consolidate and streamline its business for risk aversion.

Investment risks. Investment projects have a relatively long operating cycle and one single project involves substantial investment. Hence, in case of any policy changes, insufficient preliminary studies of feasibility, material mistakes in investment decision-making or any force majeure events, such investment will cease to incur profit as expected, which may affect the operating results of the Company. The Company will refrain from investment and insist not to make investment that is not in line with its major businesses, that is unaffordable and brings insignificant return on investment. The Company will actively and prudently select quality capital operation projects, improve systems and procedures relating to investment management and make prudent decisions by strictly observing prescribed authorities and procedures. It will also enhance the tracking and evaluation of the process and strengthen award and punishment in this respect to stress on responsibilities for return on investment and ensure standardized operation of all its investment projects. It will step up efforts in systematic resource integration and market development. By abiding by the principle of "active, prudent and gradual development", it will seize opportunities whilst actively, steadily and progressively operating its business to avert risks.

Capital risks. To sustain sound and steady development of the national economy and prevent inflation, the state introduced a raft of fiscal and monetary policies which may affect the financing and credit condition of the Company to a certain extent. In addition, given the Company's huge demand for capital for the purpose of investment in capital projects and procurement of large-sized equipment, it faces pressure on financing. In order to safeguard capital turnover and meet its capital needs, the Company will strengthen its partnership with banks to increase the Company's ability to borrow. Greater efforts will be made in centralized capital management and reinforce the Group's capital control over its subsidiaries to ever increase capital concentration. The Company will also expedite its establishment of financial companies and tap into these financial companies. It will refer to various fund raising activities such as the issue of medium-term notes and short-term commercial papers, accounts receivable factoring business, the leasing of large-sized machinery and equipment, entrusted credit and the issue of domestic credit certificates to trim financing costs, so as to meet the capital needs arising from normal production and operation as well as industry restructuring and optimization of the enterprise.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Risks of the real estate business. To curb excessive growth in real estate prices, the state has gradually released a series of control policies over the real estate market recently. In particular, the General Office of the State Council issued the Notice on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which raised out policies to "specify targets of controlling property prices and curb property purchase within a larger scope and on more stringent terms". The severity of the policies and the time when they were promulgated were both beyond market consensus, which posed certain impact on the real estate development of the Company in the short run. Among the existing real estate projects of the Company, there are basically no high-end property projects with large units and high overall price. As the Company focuses on medium- to- small-sized and medium- to low-priced residential products for first-time self-resident and first-time improvement purpose, the impact of these policies on the Company was insignificant. The Company will further quicken its pace of development, value its properties at prices that are reasonable and in line with market rates, and secure the first-mover advantage in the market to launch projects for sale. As the national credit policy continues to tighten and strengthen capital monitoring, the Company will strive to enhance risk prevention to secure liquidity, whilst obtaining quality and low-cost projects through stringent control of land premiums with reference to its prudent approach to land acquisitions.

3. *Operation Plan for 2011 and Measures to be Taken by the Group*

In 2011, the Group's operation plan is to achieve new contract value of RMB550.0 billion (aspire to achieve RMB650.0 billion), and revenue from operations of RMB495.0 billion. To this end, it will strengthen market development and improve its operations first. Secondly, it will reinforce its project management to ensure safety and quality. Thirdly, it will foster lean management for better economic efficiency. Fourthly, it will optimize its industry portfolio to expand and strengthen profit-making segments. Fifthly, it will aspire for a comprehensive management and control mechanism to standardize its overseas operations. Sixthly, it will construct talent pipeline to strengthen its team building. Seventhly, it will promote the establishment of construction companies and a dedicated team for construction to lay foundation for development. Finally, it will maintain corporate stability to create a harmonious atmosphere.

4. *Capital Requirement and Capital Use Plan*

In order to achieve the business goals for 2011 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 its 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 2010.

PRINCIPAL OPERATIONS

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

FINANCIAL HIGHLIGHTS

Annual results of the Group for the year ended 31 December 2010 are set out in the Consolidated Income Statement on page 92. The financial highlights of the Group for the most recent five financial years as set out on page 205 to page 206 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 offering of its H shares.

DIVIDENDS

The Board recommends the payment of a final dividend in cash of RMB0.5 per 10 shares (including tax) for 2010, on the basis of the total share capital (12,337,541,500 shares) of the Company as at 31 December 2010. This final dividend, together with the payment of an interim dividend in cash of RMB0.05 per share in the first half of 2010, constitute to a total payment of a dividend in cash of RMB0.10 per share and a total distributed profit of RMB1,233,754,150 by the Company throughout the year, accounting for 27.47% of the distributable profit to shareholders of the Company for the year and 29.06% of net profit attributable to shareholders of the Company in the consolidated financial statements for the year, respectively. Upon distribution, the remaining undistributed profit of the Company will amount to RMB3,258,313,542.33, which will be transferred to the next year.

The Company will further announce the arrangement for the distribution of the final dividend, including the record date for distribution of dividend and the closure of the H share register of members if the proposed distribution of the final dividend for the year ended 31 December 2010 is approved by shareholders at the annual general meeting.

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 PRC enterprises issuing such H shares. When a PRC enterprise distributes annual dividends for the year 2008 and onward to their H shareholders who are overseas non-resident enterprises (any H shares registered under the name of HKSCC Nominees Limited, other institutional nominees, trustees, or other organizations or groups, shall be deemed as shares being held by a non-resident enterprise shareholder), enterprise income tax shall be withheld at a uniform rate of 10% by the relevant PRC enterprise. Any natural person investors whose H shares are registered under the name of any such non-individual shareholders and who do not wish to have any enterprise income tax withheld by the Company may consider transferring the legal title of the relevant H shares to his or her name and lodge all transfer documents together with the relevant H share certificates with the H share registrar of the Company for transfer of shares.

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

Report of Directors (continued)

SHARE CAPITAL

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

In 2010, 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 on pages 97 to 99 and note 39 to the 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 consolidated financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to the Articles of Association, the reserves available for distribution during the relevant period is the lower of the amounts as shown in the financial statements prepared in accordance with PRC generally acceptable accounting principles and International Financial Reporting Standards in case of inconsistency. As at 31 December 2010, the Company had distributable reserves of approximately RMB3,875 million.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2010, the Group had no designated deposits placed with any financial institutions in China, nor any time deposits 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 its existing shareholders.

LITIGATIONS AND CONTINGENT LIABILITIES

1. *Material litigations*

(1) The litigation initiated by China Railway Construction Group Ltd. ("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) ("Tongcheng Jinhai") in respect of a dispute concerning default in payment of construction fees was disclosed in the Company's annual report for 2007. As at the end of the reporting period, Tongcheng Jinhai had already paid RMB105 million to China Railway Construction Group in accordance with the Agreement on Execution of Settlement, while a balance of RMB5 million has not yet been paid. However, such balance of RMB5 million was the prepayment for resumption of construction as agreed in the Agreement on Execution of Settlement and shall be paid only when construction is resumed. Hence, the case was closed.

Report of Directors (continued)

(2) The litigation initiated by China Railway 14th Bureau Group Co., Ltd. against China Real Estate Development Group Ji'nan Jun'an Construction Company Limited ("Ji'nan Jun'an Construction Company" (濟南軍安公司) in respect of a dispute concerning default in payment of construction fees, was disclosed in the Company's annual report for 2007. Following several trials, the High People's Court of Shandong Province conducted mediations between both parties and issued the civil mediation agreement ((2007) Lu Min Yi Chu Zi No.13) on 31 May 2010, pursuant to which Ji'nan Jun'an Construction Company is to pay RMB44.03 million to China Railway 14th Bureau Group Co., Ltd.. The payment was fully settled and the case was closed.

(3) During the reporting period, there was no new material litigation or arbitration involving the Company.

2. *Contingent liabilities*

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the current Directors, Supervisors and senior management of the Company are set out on pages 16 to 23.

Pursuant to the Articles of Association, the term of office for all the Directors and 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 had entered into a service contract with the Company for a term of three years. None of the Directors or Supervisors had entered into service contract with the Company which could not be terminated by the employer within one year without compensation (other than statutory compensation). 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 2010, none of the Directors or Supervisors of the Company waived or agreed to waive any remuneration.

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

For the year ended 31 December 2010, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions 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, 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 Securities and Futures Ordinance 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 for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2010, 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.

Report of Directors (continued)

EMPLOYEES AND RETIREMENT PLAN

As at 31 December 2010, the Group had 229,070 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 in strict compliance with the PRC national, provincial and municipal regulations, among which basic pension insurance is contributed according to the national standard of 8% by the employees and 20% to 22% by the employer. Employees contribute 0.2% to 1% and the employer must pay 1% to 1.5% to unemployment insurance. Workplace injury insurance rates vary in 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 2010, the share capital structure of the Company was as follows:

shareholders	Nature	Number of shares	Approximate percentage of the issue share capital %
CRCCG	A share *(Note 1)*	7,566,245,500	61.33
National Council for Social Security Fund	A share *(Note 2)*	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 *(Note3)*	2,076,296,000	16.83
Total		12,337,541,500	100.00

Notes:

1. The 7,566,245,500 A shares held by CRCCG had been released from the lock-up restrictions and became tradable on the market on 10 March 2011.

2. The lock-up period for the 245,000,000 A shares which were transferred by CRCCG to National Council for Social Security Fund under relevant regulation of reduction of state-owned shares will end on 10 March 2014.

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

Report of Directors (continued)

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

As at 31 December 2010, particulars of the top 10 shareholders and the top 10 holders of tradable shares of the Company were as follows:

Total number of shareholders at the end of the reporting period 319,460

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	—	7,566,245,500	—
HKSCC NOMINEES LIMITED	Overseas listed foreign invested shares	16.65%	2,054,703,382	558,500	—	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	Unknown
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	Others	0.37%	45,499,901	—	—	Unknown
China Pacific Insurance (Group) Co., Ltd. — dividend — personal dividend (中國太平洋人壽保險股份有限公司 — 分紅－ 個人分紅)	Others	0.35%	43,114,900	—	—	Unknown
Changjiang Securities Co., Ltd.	Others	0.25%	30,273,185	—	—	Unknown
Bank of China- Harvest Steady and Open Securities Investment Fund (中國銀行－嘉實穩健開放式證券投資基金)	Others	0.17%	20,669,408	—	—	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)	Others	0.15%	19,031,684	-2,084,738	—	Unknown
Bank of China - Harvest CSI 300 Index Securities Investment Fund(中國銀行 － 嘉實滬深300指數證券投資基金)	Others	0.14%	17,646,369	-2,386,260	—	Unknown
China Life Insurance Company Limited — Traditional — Ordinary Insurance Product — 005L — CT001 Hu (中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001滬)	Others	0.14%	17,100,000	3,100,000	—	Unknown

Report of Directors (continued)

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

Name of Shareholder	Number of shares not subject to trading moratorium at end of the reporting period	Class of shares
HKSCC Nominees Limited	2,054,703,382	H
National Council for Social Security Fund 108 Portfolio (全國社保基金一零八組合)	45,499,901	A
China Pacific Insurance (Group) Co., Ltd. — dividend — personal dividend（中國太平洋人壽保險股份有限公司－分紅－個人分紅）	43,114,900	A
Changjiang Securities Co., Ltd.	30,273,185	A
Bank of China- Harvest Steady and Open Securities Investment Fund (中國銀行－嘉實穩健開放式證券投資基金)	20,669,408	A
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）	19,031,684	A
Bank of China — Harvest CSI 300 Index Securities Investment Fund（中國銀行 — 嘉實滬深300指數證券投資基金）	17,646,369	A
China Life Insurance Company Limited — Traditional — Ordinary Insurance Product- 005L — CT001 Hu (中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001滬)	17,100,000	A
International Capital Corporation-Citigroup-MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED (國際金融－花旗－ MARTIN CURRIEINVESTMENT MANAGEMENT LIMITED）	14,630,688	A
Guotai Ju'an- CCB- The Hong Kong and Shanghai Banking Corporation Limited (國泰君安－建行－香港上海匯豐銀行有限公司)	13,988,651	A

Explanations of the connected relationship or concerted action among the above shareholders

Among the above shareholders, Harvest Steady and Open Securities Investment Fund and Harvest CSI 300 Index Securities Investment Fund are both managed by Harvest 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 Measures for Management of 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》).

Report of Directors (continued)

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

As at 31 December 2010, other than HKSCC Nominees Limited, CRCCG was the only Shareholder holding 10% or more of the total issued shares of the Company.

PUBLIC FLOAT

As at the date of this annual report, a total of 4,526,296,000 shares of the Company 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 in its share capital as required by the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, as at 31 December 2010, the persons who have interests or short positions in the shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) were as follows:

Name of substantial Shareholder	Class of shares	Capacity	Numbers of shares held *(Note 1)*	Percentage in relevant class of issued share capital	Percentage in the total issued share capital
CRCCG	A shares	Beneficial owner	7,566,245,500	73.74%	61.33%
National Social Security Fund	H shares	Beneficial owner	188,754,500 (L)	9.09%	1.53%
	A shares	Beneficial owner	245,000,000	2.39%	1.98%
The Capital Group Companies, Inc.	H shares	Investment manager	167,219,700 (L) *(Note 2)*	8.05%	1.36%
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager, custodian corporation/ approved lending agent	146,881,031(L) *(Note 3)* 4,487,000 (S) 112,474,531 (P)	7.07% 0.22% 5.42%	1.19% 0.04% 0.91%

Notes:

1. L-long position; S-short position; P-lending pools.

2. As at 31 December 2010, The Capital Group Companies, Inc. held long positions in 167,219,700 H shares of the Company through certain corporations under its control.

3. As at 31 December 2010, JPMorgan Chase & Co. held long positions in 146,881,031 H shares of the Company through certain corporations under its control.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

In 2010, the Company did not redeem any of its shares. In 2010, none of the Company or its subsidiaries purchased or disposed of any shares of the Company.

Report of Directors (continued)

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2010, the purchases from the largest supplier of the Group accounted for approximately 0.4% of the Group's total cost of sales, and the purchases from the top five suppliers accounted for approximately 1.3% of the total cost of sales for construction operations of the Group.

As at 31 December 2010, the sales to the largest customer of construction operations of the Group accounted for approximately 2.6% of the revenue of the Group from construction operations, and the sales to the top five customers of construction operations accounted for approximately 8.8% of the revenue of the Group from construction operations in 2010.

At any time of 2010, none of the Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing shareholders who owned, as to the knowledge of the Directors, 5% or more of the Company's issued share capital held any interests 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. Such transactions are monitored and managed by the Company under the Hong Kong Listing Rules. Set out below are the non-exempt connected transactions recorded by the Company during the year.

Non-exempt continuing connected transactions

1. Continuing connected transactions contemplated under the Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement between the Company and CRCCG

   CRCCG, being the controlling shareholder and connected person of 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 since 2005. Meanwhile, in the process of the restructuring and listing of the Company, CRCCG retained its equity interests in the construction project companies of five 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 and related services such as survey, design and supervision services for some retained BOT Projects held by CRCCG.

Report of Directors (continued)

In order to regulate the above continuing connected transactions between the Company and CRCCG, the Company and CRCCG entered into the Services Mutual Provision Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) and the Construction and Related Services Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) on 5 November 2007, respectively and set relevant annual caps for the continuing connected transactions contemplated thereunder.

As the Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement (and their respective supplemental agreements) would have expired on 31 October 2010 and the annual caps for the respective continuing connected transactions determined by the Company when entering into the above framework agreements in 2007 had expired 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 the Construction and Related Services Framework Agreement and their respective supplemental agreements shall be terminated on the effective date of the said renewal), and set the annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2012. However, due to the reason that the construction services in respect of the office building of CRCCG provided by the Company had been completed in 2009, the relevant provision under the Service Mutual Provision Framework Agreement was revised correspondingly 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".

For the year ended 31 December 2010, the approved annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions contemplated under the Services Mutual Provision Framework Agreement and the Construction and Related Services Framework Agreement by the Group and CRCCG and/or its associates are set out below:

Nature of transaction	**Annual caps for 2010** *RMB'000*	**Aggregate transaction amounts of the Group for 2010** *RMB'000*
Revenue		
1 Revenue recognized by the Group for provision of construction and related services in respect of the Research Building to CRCCG under the Services Mutual Provision Framework Agreement	300,000	48,981
2 Revenue recognized by the Group for provision of construction and related services to CRCCG in respect of the retained BOT Projects under the Construction and Related Services Framework Agreement	800,000	594,555
Expenditure		
3 Expenditure incurred by the Group in respect of the services provided by CRCCG (or its associates) under the Services Mutual Provision Framework Agreement	800,000	535,380

Report of Directors (continued)

2. Independent non-executive Directors of the Company have reviewed the non-exempt continuing connected transactions and confirmed that:

   (1) the relevant contractual terms of such continuing connected transactions are fair and reasonable and are in the interests of the Shareholders of the Company as a whole;

   (2) such continuing connected transactions fall within the ordinary and usual course of business; and

   (3) such continuing connected transactions are on normal commercial terms or on terms not less favorable than those available to or from independent third parties.

3. The Company's auditors had provided a letter to the Directors confirming that:

   (1) nothing had come to the auditors' attention that had caused them to believe that the continuing connected transactions as disclosed had not been approved by the Board;

   (2) in respect of the continuing connected transactions relating to the provision of commodity and services by the Group, nothing had come to the auditors' attention that caused them to believe that such transactions had not been consistent with the pricing policy of the Company in all material aspects;

   (3) nothing had come to the auditors' attention that caused them to believe that such transactions had not complied with the requirements under relevant agreements in all material aspects; and

   (4) nothing had come to the auditors' attention that caused them to believe that the continuing connected transactions as disclosed had exceeded the relevant annual caps set out in the announcement published by the Company on 29 December 2009.

Non-exempt connected transactions

The Company and CRCCG entered into the conditional Share Subscription Framework Agreement and the Supplementary Agreement on 2 March 2010 and 26 April 2010, respectively. CRCCG will subscribe for the A Shares issued under the Non-Public Issuance and Placing of A Shares of the Company by transfers of the target assets owned by CRCCG, i.e. the 80% equity interest of Chongqing Tiefa Suiyu Highway Co., Ltd. ("Suiyu Company"), 90% equity interest of Xianyang Zhongtie Road and Bridge Co., Ltd ("Xianyang Company") and 100% equity interest of Xi'an Tianchuang Real Estate Company Limited (西安天創房地產有限公司) ("Tianchuang Company") held by it, and the Designated Fund for Post-disaster Restoration as consideration. CRCCG is the controlling shareholder and connected person of the Company. As such, the Share Subscription Framework Agreement and the Supplementary Agreement as well as CRCCG's subscription of certain A Shares issued under the Non-Public Issuance and Placing of A Shares constituted a connected transaction of the Company under the Hong Kong Listing Rules.

Report of Directors (continued)

Major terms of the above Share Subscription Framework Agreement and the Supplementary Agreement are set out below:

Date:	Share Subscription Framework Agreement:	2 March 2010
	Supplementary Agreement:	26 April 2010

Parties: The Company (Party A)

CRCCG (Party B)

Conditions precedent and effective date: The Share Subscription Framework Agreement and the Supplementary Agreement shall have been signed by the respective legal representatives or authorized representatives and chopped with the respective chops of Party A and Party B, and shall become effective on the date when all the following conditions have been satisfied:

- Party B has gone through its internal approval procedures and approved the transaction;
- The valuation results of the target assets have gone through the filing procedures of SASAC;
- The transfer of the target assets by Party B to Party A has been approved by SASAC;
- Party B has obtained approval from other shareholders of Suiyu Company and Xianyang Company of the target assets under the proposed transfer to waive their pre-emptive rights;
- The Non-Public Issuance and Placing of A Shares has been considered and approved by the Board, the general meeting, the A Share class meeting and H Share classing meeting of Party A;
- The Share Subscription Framework Agreement and the Supplementary Agreement as well as the CRCCG's subscription of certain A Shares issued under the Non-Public Issuance and Placing of A Shares have been approved by the Board and the general meeting of Party A;
- If the obligation to make a general offer is triggered by Party B's acquisition of certain A Shares under the Non-Public Issuance and Placing of A Shares, Party B is granted the waiver from the obligation to make such general offer as approved by the Non-connected shareholders and the general meeting of Party A and is waived by CSRC, if applicable;

Report of Directors (continued)

- The Non-Public Issuance and Placing of A Shares of Party A has been approved by SASAC; and

- The Non-Public Issuance and Placing of A Shares of Party A has been confirmed by CSRC.

Principal terms of the agreement:

- Method of subscription and consideration:

  The Subscription Amount will not exceed RMB4 billion, of which (i) RMB189,660,000 will be funded by the Designated Fund for Post-disaster Restoration; and (ii) the remaining amount will be satisfied by the target assets, the value of which is determined by the appraised value as approved by SASAC. If the Subscription Consideration as determined is greater than the Subscription Amount, Party A will pay the excess to Party B from its internal resources.

- Number of Shares to be subscribed:

  The number of A Shares to be subscribed by Party B will be no more than RMB518 million A Shares under the Non-Public Issuance and Placing of A Shares of Party A, the consideration for which will be paid by:

  (1) If the Subscription Consideration is more than RMB4 billion, the number of Shares to be subscribed by Party B will be determined by the whole number (rounded down to the nearest multiple of 100) of RMB4 billion divided by the Final Issue Price, and the excess of the Subscription Consideration over the Subscription Amount will be paid by Party A to Party B from its own resources;

  (2) If the Subscription Consideration is equal to or less than RMB4 billion, then the number of Shares to be subscribed by Party B will be determined by the Subscription Consideration divided by the Final Issue Price (rounded down to the nearest multiple of 100), and the amount in excess due to rounding will be given by Party B to Party A for free as its capital reserve fund.

Report of Directors (continued)

- The target assets comprise the following:

  (1) the equity interests held by Party B in certain Retained BOT Projects, including 80% equity interest in Suiyu Company and 90% equity interest in Xianyang Company; and

  (2) 100% equity interest in Tianchuang Company.

- Method of delivery and settlement of consideration of target assets:

  (1) Party A and Party B should complete the delivery of the target assets within 3 days of the Issue Price Determination Date. The completion of delivery is subject to completion of the procedures of change of business registration concerning the change of shareholders of the target assets Related Companies (the date is called the "Settlement Date").

  (2) The rights and obligations attached to the target assets will be transferred to Party A since the Settlement Date, to the effect that Party A will become the shareholder of the target assets Related Companies from the Settlement Date, and shall be entitled to shareholders' rights and assuming all shareholders' obligations according to law.

  (3) Party B should deposit the Designated Fund for Post-disaster Restoration of RMB189,660,000 in cash to the designated bank account of Party A within 3 days of the Issue Price Determination Date.

  (4) If the Subscription Consideration to be paid by Party B is more than RMB4 billion, Party A shall make a one-off cash payment to Party B to settle the excess of the Subscription Consideration over the Subscription Amount within 3 days of the Issue Price Determination Date.

Report of Directors (continued)

(5) During the period from the Valuation Date (i.e. 31 December 2009, the valuation date used by China Tong Cheng Assets Appraisal Co., Ltd (中通誠資產評估有限公司) ("China Tong Cheng") in valuating the target assets) to the Settlement Date, the increase in net assets of the target assets due to realization of profits and other reasons or the decrease of net assets due to operating losses will be secured or borne by Party A.

Pricing of target assets: Taking into consideration various factors including the net asset value in the latest accounts of the target assets, the importance and business integration brought by the target assets to the Company's operation, the appraised values of the target assets by China Tong Cheng and Jones Lang LaSalle Sallmanns Limited, Party A and Party B have agreed the price of the target assets to be RMB4,472 million after arm's length negotiations. However, the final price is determined according to the appraised value approved by SASAC.

To further streamline the relationship between the controlling shareholder and the Company as a listed company, to reduce connected transactions and competitions to expedite the strategic transformation of the Company, the Company's acquisition of the target assets held by CRCCG will accelerate the development of the capital operation segment of the Company, step up structural adjustment to the production chain of the Company and enhance the Company's capability against cyclical risks in the infrastructure industry. At the same time, upon acquisition of the equity interests of Suiyu Company, the continuing connected transactions relating to the Company's provision of construction and related services to CRCCG will cease upon completion of relevant equity transfers. In addition, given the Company's expanding business activities in the mid-west region, the Company needs to acquire property and use it as office premises in Xi'an, in order to attract local talents and to facilitate the Company's local business. The acquisition of Tianchuang Company and CRCC Luoke Tower will satisfy the Company's business needs, and avoid connected transactions between the Company and CRCCG.

According to the Hong Long Listing Rules, the above connected transaction, determined by its size, is also subject to the approval of the independent shareholders of the Company in addition to complying with the reporting and announcement requirements. Relevant proposals had been submitted to and the independent shareholders of the Company had considered and approved such connected transaction at the annual general meeting held on 18 June 2010. CRCCG, which holds 61.33% equity interest of the Company, and its associates, had abstained from voting for the relevant resolutions at the annual general meeting.

As at the end of the reporting period, since the Company had not completed relevant government approval procedures relating to the above Share Subscription Framework Agreement and the Supplementary Agreement, the Share Subscription Framework Agreement and the Supplementary Agreement had not yet been carried out.

Report of Directors (continued)

COMPLIANCE WITH NON-COMPETITION AGREEMENT

CRCCG confirmed that during 2010, 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 RMB14.5418 million.

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

None of the Directors of the Company 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. *ASSET TRANSACTIONS*

(1) Asset acquisitions

During the reporting period, the Company had no material asset acquisitions.

(2) Asset disposals

During the reporting period, the Company had no material asset disposals.

Report of Directors (continued)

2. SIGNIFICANT GUARANTEES AND GUARANTEES GIVEN BY THE COMPANY DURING THE REPORTING PERIOD

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

Unit: RMB million

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

Name of the guaranteed party	Date of guarantee (Date of the agreement)	Amount of guarantee	Type of guarantee	Guarantee period	Has it been completed	Was it provided to a related party (yes or no)
Sichuan Naxu Railway Company Limited (四川納敘鐵路有限公司)	2006.12.28	67.20	General liability	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	50.40	General liability	2008.4.16-2028.4.16	No	No
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	68.28	General liability	2010.5.25-2015.5.25	No	Yes
CRCC-Tongguan Investment Co., Ltd.	2010.5.25	998.92	General liability	2010.5.25-2015.5.25	No	Yes

Total amount of guarantees during the reporting period	1,066.06
Total amount of outstanding guarantees as at the end of the reporting period	1,184.80
Guarantees granted by the Company to its subsidiaries	
Total amount of guarantees provided to the subsidiaries during the reporting period	-3,776.08
Total amount of outstanding guarantees provided to the subsidiaries as at the end of the reporting period	4,213.58
Total amount of guarantees granted by the Company (including the guarantees provided to the subsidiaries)	
Total amount of guarantees	5,398.38
Percentage of the total amount of guarantees to the net assets of the Company	9.27%
Including:	
Amount of guarantees provided to the shareholders, actual controllers and their related parties	—
Amount of debt guarantees provided directly or indirectly to the guaranteed parties with gearing ratio over 70%	4,212.25
Total amount of guarantees exceeding 50% of the net assets	—
Total amount of the above three guarantees	4,212.25

Note: Among the opening balance of the Company's exteral guarantee, the guarantee given to Chun Wo-Henryvicy-CRCC-Queensland Rail Joint Venture by the Company amounting to RMB1.137 million expired during the reporting period.

Report of Directors (continued)

3. *MATERIAL CONTRACTS*

During the reporting period, material contracts of the Group were as follows:

Domestic operating contracts

No.	Date of the contract	Summary of the contract	Contract value *(RMB100 million)*	Party to the contract on the Company's side	Performance period
1	2010.3.8	Pre-station construction for Section 1 of new passenger railway line from Datong to Xi'an	37.088	China Railway 25th Bureau Group Co., Ltd.	46 months
2	2010.3.8	Pre-station construction for Section 5 of new passenger railway line from Datong to Xi'an	35.160	China Railway 15th Bureau Group Co., Ltd.	46 months
3	2010.3.8	Pre-station construction for Section 8 of new passenger railway line from Datong to Xi'an	78.010	China Railway 12th Bureau Group Co., Ltd.	46 months
4	2010.3.8	Pre-station construction for Section 10 of new passenger railway line from Datong to Xi'an	33.973	China Railway 19th Bureau Group Co., Ltd.	46 months
5	2010.3.29	Master construction contract of construction for Section LXS-14 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line	38.621	China Railway 12th Bureau Group Co., Ltd.	45 months
6	2010.3.29	Master construction contract of construction for Section LXS-15 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line	31.834	China Railway 19th Bureau Group Co., Ltd.	45 months
7	2010.3.29	Master construction contract of construction for Section LXS-16 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line	35.447	China Railway 11th Bureau Group Co., Ltd.	45 months
8	2010.3.29	Master construction contract of construction for Section LXS-17 of Zhangye-Hongliuhe section of the new Lanzhou-Xinjiang Railway 2nd dual line	30.213	China Railway 17th Bureau Group Co., Ltd.	45 months
9	2010.4.7	Master construction contract of Section ZNTJ-1 of pre-station project for Watang-Tangyindong (inclusive) section of the new Shanxi South Central Railway Passage	60.423	China Railway 12th Bureau Group Co., Ltd.	42 months

Report of Directors (continued)

No.	Date of the contract	Summary of the contract	Contract value *(RMB100 million)*	Party to the contract on the Company's side	Performance period
10	2010.4.7	Master pre-station project for construction contract of Section ZNTJ-7 of Watang-Tangyindong (inclusive) section of the new Shanxi South Central Railway Passage	37.037	China Railway 11th Bureau Group Co., Ltd.	54 months
11	2010.4.7	Master construction contract of Section ZNTJ-13 of pre-station project for Watang-Tangyindong (inclusive) section of the new Shanxi South Railway Passage	37.497	China Railway 21st Bureau Group Co., Ltd.	54 months
12	2010.4.12	Master construction contract of Section HCZJ-2 of pre-station project for Zhejiang of the passenger railway line of the new Hangzhou-Changsha railway	41.043	China Railway 17th Bureau Group Co., Ltd.	39 months
13	2010.4.12	Master construction contract of Section HCZJ-3 of pre-station project for Zhejiang of the passenger railway line of the new Hangzhou-Changsha railway section	30.040	China Railway 11th Bureau Group Co., Ltd.	39 months
14	2010.4.12	Master construction contract of Section HCZJ-7 of pre-station project for Zhejiang section of the passenger railway line of the new Hangzhou-Changsha railway	31.723	China Railway 19th Bureau Group Co., Ltd.	39 months
15	2010.4.13	Master contract of Section HCTJ-1 of pre-station project for Hunan construction of the passenger railway line of the new Hangzhou-Changsha railway	43.729	China Railway 20th Bureau Group Co., Ltd.	28 months
16	2010.4.15	Master construction contract of Section HKJX-1 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway	57.041	China Railway 15th Bureau Group Co., Ltd.	32 months
17	2010.4.15	Master construction contract of Section HKJX-5 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway	46.599	China Railway 16th Bureau Group Co., Ltd.	32 months
18	2010.4.15	Master construction contract of Section HKJX-8 of pre-station project for Jiangxi section of the passenger railway line of the new Hangzhou-Changsha railway	47.523	China Railway 19th Bureau Group Co., Ltd.	32 months

Report of Directors (continued)

No.	Date of the contract	Summary of the contract	Contract value *(RMB100 million)*	Party to the contract on the Company's side	Performance period
19	2010.4.13	Master construction contract of pre-station construction and associated works for the HFZQ-2 section for Anhui section of the new Hefei-Fuzhou railway	59.329	China Railway 13th Bureau Group Co., Ltd.	48 months
20	2010.4.13	Master construction contract of pre-station construction and associated works for the HFZQ-4 section for Anhui section of the new Hefei-Fuzhou railway	32.539	China Railway 24th Bureau Group Co., Ltd.	48 months
21	2010.4.13	Master construction contract of pre-station construction and associated works for the HFZQ-7 section for Anhui section of the new Hefei-Fuzhou railway	35.992	China Railway 11th Bureau Group Co., Ltd.	40 months
22	2010.4.15	Master construction contract of the civil works in the HFMG-1 section for the new Hefei-Fuzhou passenger railway line (Mingan section)	70.802	China Railway 11th Bureau Group Co., Ltd.	38 months
23	2010.4.15	Master construction contract of the civil works in the HFMG-3 section for the new Hefei-Fuzhou passenger railway line (Mingan section)	45.926	China Railway 19th Bureau Group Co., Ltd.	40 months
24	2010.4.15	Master construction contract of the civil works in the HFMG-4 section for the new Hefei-Fuzhou passenger railway line (Mingan section)	30.268	China Railway 24th Bureau Group Co., Ltd.	40 months
25	2010.4.15	Master construction contract of the civil works in the HFMG-7 section for the new Hefei-Fuzhou passenger railway line (Mingan section)	42.924	China Railway 17th Bureau Group Co., Ltd.	40 months
26	2010.4.21	Master construction contract of capacity expansion and renovation project and construction works of Section 1 of the Mudanjiang-Suifenhe section of Binsui railway	31.2085	A consortium comprising China Railway 22nd Bureau Group Co., Ltd. and China Railway Electrification Bureau (Group) 3rd Engineering Co., Ltd.(中鐵建電氣化局集團第三工程有限公司)	43 months
27	2010.4.21	Master construction contract of capacity expansion and renovation project and construction works of Section 2 of the Mudanjiang-Suifenhe section of Binsui railway	30.476	A consortium comprising China Railway 13th Bureau Group Co., Ltd., The 5th Engineering Co., Ltd. of China Railway 14th Group Co., Ltd., China Railway Construction Group Co., Ltd. and China Railway Electrification Bureau (Group) 1st Co., Ltd. (中鐵建電氣化局集團第一有限公司)	43 months

Report of Directors (continued)

No.	Date of the contract	Summary of the contract	Contract value (RMB100 million)	Party to the contract on the Company's side	Performance period
28	2010.4.30	Master construction contract of construction works for Section SDTJ-2 of the new passenger railway Line from Shenyang-Dandong	37.928	A consortium comprising China Railway 13th Bureau Group Co., Ltd. and China Railway 23th Bureau Group 2nd Engineering Co., Ltd.	45 months
29	2010.5.10	Master construction contract of Section YGZQ-4 of pre-station construction (Guangxi section) of the new Yun-Gui Railway	71.819	China Railway 19th Bureau Group Co., Ltd.	65 months
30	2010.5.10	Master construction contract of Section 2 of pre-station construction (Yunnan section) of the new Yun-Gui Railway	41.552	China Railway 25th Bureau Group Co., Ltd.	59 months
31	2010.5.10	Master construction contract of Section 5 of pre-station construction (Yunnan section) of the new Yun-Gui Railway	31.483	China Railway 17th Bureau Group Co., Ltd.	55 months
32	2010.5.10	Master construction contract of Section 6 of pre-station construction (Yunnan section) of the new Yun-Gui Railway	35.800	China Railway 18th Bureau Group Co., Ltd.	58 months
33	2010.5.10	Master construction contract of Section 8 of pre-station construction (Yunnan section) of the new Yun-Gui Railway	31.426	China Railway 19th Bureau Group Co., Ltd.	56 months
34	2010.5.10	Pre-station construction for the inclusion of new Yun-Gui railway line to Kunming networks	34.819	China Railway 11th Bureau Group Co., Ltd.	49 months
35	2010.8.15	Master construction contract of Section 2 of pre-station construction (Yunnan section) of the Changsha-Kunming section of the new Shanghai-Kunming passenger railway line	36.312	China Railway 20th Bureau Group Co., Ltd.	60 months
36	2010.8.15	Master construction contract of Section 3 of pre-station construction (Yunnan section) of the Changsha-Kunming section of the new Shanghai-Kunming passenger railway line	46.931	A consortium comprising China Railway 19th Bureau Group Co., Ltd. and China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司)	59 months
37	2010.8.18	Master construction contract of Section CZTZH-2 of Changsha-Zhuzhou-Xiangtan Inter-city railway line	52.329	A consortium comprising China Railway 14th Bureau Group Co., Ltd., China Railway Construction Group Co., Ltd. and China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團第四工程有限公司)	44 months

Report of Directors (continued)

No.	Date of the contract	Summary of the contract	Contract value *(RMB100 million)*	Party to the contract on the Company's side	Performance period
38	2010.8.18	Master construction contract of Section CZTZH-3 of Changsha-Zhuzhou-Xiangtan Inter-city railway line	36.669	China Railway 25th Bureau Group Co., Ltd.	44 months
39	2010.8.21	Master construction contact of Section CKTJ-3 of the Hunan section of the new Changsha-Kunming passenger railway line	61.798	A consortium comprising China Railway 11th Bureau Group Co., Ltd. and China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司)	40 months
40	2010.8.21	Master construction contact of Section CKTJ-5 of the Hunan section of the new Changsha-Kunming passenger railway line	30.665	China Railway 12th Bureau Group Co., Ltd.	43 months
41	2010.8.21	Master construction contact of Section CKTJ-9 of the Hunan section of the new Changsha-Kunming passenger railway line	32.132	China Railway 14th Bureau Group Co., Ltd.	43 months
42	2010.8.22	Master construction contract of Section CKGZTJ-5 of the pre-station project for Changsha-Kunming section (Guizhou) of the passenger railway line of the new Shanghai-Kunming railway	32.978	A consortium comprising China Railway 17th Bureau Group Co., Ltd. and China Railway 24th Group Fujian Railway Construction Co., Ltd. (中鐵二十四局集團福建鐵路建設有限公司)	37 months
43	2010.8.22	Master construction contract of Section CKGZTJ-6 of the pre-station project for Changsha-Kunming section (Guizhou) of the passenger railway line of the new Shanghai-Kunming railway	43.537	China Railway 23rd Bureau Group Co., Ltd.	38 months
44	2010.8.22	Master construction contract of Section CKGZTJ-9 of the pre-station project for Changsha-Kunming section (Guizhou) of the passenger railway line of the new Shanghai-Kunming railway	49.730	China Railway 20th Bureau Group Co., Ltd.	54 months
45	2010.8.22	Master construction contract of Section CKGZTJ-11 of the pre-station project for Changsha-Kunming section (Guizhou) of the passenger railway line of the new Shanghai-Kunming railway	30.775	China Railway 13th Bureau Group Co., Ltd.	55 months
46	2010.8.22	Master construction contract of Section CKGZTJ-12 of the pre-station project for Changsha-Kunming section (Guizhou) of the passenger railway line of the new Shanghai-Kunming railway	39.418	China Railway 22nd Bureau Group Co., Ltd.	55 months

Report of Directors (continued)

No.	Date of the contract	Summary of the contract	Contract value *(RMB100 million)*	Party to the contract on the Company's side	Performance period
47	2010.8.27	Master construction contract of capacity expansion and renovation project of Section GL-1 of Ganzhou-Longyan Railway	30.483	China Railway 25th Bureau Group Co., Ltd.	43 months
48	2010.8.27	Master construction contract of capacity expansion and renovation project of Section GL-3 of Ganzhou-Longyan Railway	31.188	China Railway 22nd Bureau Group Co., Ltd.	43 months
49	2010.8.31	Master construction contract of Section ZTSG-3 of the new Zhangjiakou-Tangshan Railway	30.531	China Railway 17th Bureau Group Co., Ltd.	49 months
50	2010.8.31	Master construction contract of Section ZTSG-5 of the new Zhangjiakou-Tangshan Railway	30.038	China Railway 12th Bureau Group Co., Ltd.	49 months
51	2010.9.6	Master construction contract of Section CYSG-2 for the construction works of the passenger railway of the new Chengdu-Chongqing Railway	54.908	A consortium comprising China Railway 16th Bureau Group Co., Ltd. and Intermediary Railway Construction Co., Ltd. (中間鐵路建設有限公司) (the Company accounted for RMB3,6605 million)	41 months
52	2010.9.6	Master construction contract of Section CYSG-4 for the construction works of the passenger railway of the new Chengdu-Chongqing Railway	49.035	China Railway 11th Bureau Group Co., Ltd.	41 months
53	2010.9.10	Master construction contact of Section ZNTJ-18 for the construction works of Tangyindong (exclusive)-Rizhao (inclusive) section of the new Shanxi South Central Railway Passage	33.581	A consortium comprising China Railway 16th Bureau Group Co., Ltd. and China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司)	40 months
54	2010.9.10	Master construction contact of Section ZNTJ-20 for the construction works of Tangyindong (exclusive)-Rizhao (inclusive) section of the new Shanxi South Central Railway Passage	30.065	A consortium comprising China Railway 17th Bureau Group Co., Ltd. and China Railway 24th Bureau Group Nanchang Railway Engineering Co., Ltd. (中鐵二十四局集團南昌鐵路工程有限公司)	40 months
55	2010.9.16	Master construction contract of Section HNCJS-NO.3 for all pre-station and part of post-station construction for the new Zhengzhou-Jiaozuo and Zhengzhou-Kaifeng inter-city railway line	34.517	China Railway 15th Bureau Group Co., Ltd.	35 months

Report of Directors (continued)

4. *OTHER SIGNIFICANT EVENTS*

On 10 February 2009, the Company signed the Contract of Mecca Light Rail Project in Saudi Arabia with the Ministry of Municipality and Rural Affairs of the Kingdom of Saudi Arabia, pursuant to which the parties agreed to adopt the EPC+O&M general contracting model (that is, engineering, procurement, construction plus operation and maintenance) to complete the construction of the Mecca Light Rail Project.

During construction, as the actual work quantities increased significantly as compared with the estimated figures at the time of signing of the contract, the management of the Company expected the project to incur substantial loss. As at 31 October 2010, the estimated total revenue from the contract determined with reference to contract value of the construction operation (6.650 billion Saudi Riyals) amounted to RMB12,051 million, while the estimated total costs for the contract was RMB16.045 billion. Together with the finance cost of RMB0.154 billion, the net loss of the project is expected to be RMB4.148 billion, of which the accumulated net loss attributable to the part of construction work that has been completed amounted to RMB3,462 million and the provision made for the foreseeable loss of the uncompleted part is estimated to be RMB0.686 billion.

In order to facilitate the implementation of the Mecca Light Rail Project, to ensure a smooth completion thereof and to properly deal with the claim issues thereunder, on 21 January 2011, the Company entered into the Agreement on the Arrangement of Matters in relation to the Mecca Light Rail Project with CRCCG, controlling shareholder, pursuant to which it was confirmed that from 31 October 2010, the controlling shareholder shall exercise and perform all the rights and obligations of the Company under and arising from the EPC Contract of the project and pay a consideration of RMB2.077 billion to the Company. In addition, the Company shall cease to bear/enjoy the subsequent loss/profit of the project after 31 October 2010 (excluding relevant arrangement made in respect of the income from claims under the project by the parties. (Please see the Announcement on the Arrangement of Matters in Relation to the Mecca Light Rail Project of CRCC (《中國鐵建關於沙特麥加輕軌項目相關事項安排的公告》) published by the Company on 22 January 2011).

5. *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 with the renewal and application for land use rights certificates. As at 31 December 2010, 341 land use right certificates had been obtained for an aggregate of 349 parcels of allocated land, which were contributed as capital of the Company by the State, while 8 had not completed relevant procedures; 46 parcels of land had obtained the land use right certificates upon completion of the land grant procedures among 53 parcels of land for which grant procedures were required, while 7 had not completed relevant procedures. The Company will further push ahead with the perfection of the land use rights certificates.

Report of Directors (continued)

(3) As disclosed in the prospectus of the Company, the Company had not obtained building ownership certificates for 822 buildings. During the reporting period, the Company continuously pushed ahead the application procedures for building ownership certificates. As at 31 December 2010, it obtained 211 building ownership certificates. Among the remaining 611 buildings, 480 were properties for ancillary production use for which it would be impossible to obtain building ownership certificates, 121 buildings were construction of a remote age, for which it would be difficult to obtain building ownership certificates, and the application of building ownership certificates for the remaining 10 buildings are under way. However, the properties invested and constructed by the Company have relevant accounting invoices and construction proofs and there were no disputes as to the rights of such buildings. The Company had the right to occupy, use, incur earnings from and effectively dispose these buildings. The Company will further accelerate the application procedures for building ownership certificates for the 10 buildings.

(4) Realization of estimated profit

During the reporting period, the Company did not make any profit forecast.

6. *SUBSEQUENT EVENTS*

(1) The release from lock-up restrictions and available for listing and trading of shares of controlling shareholders. As undertaken by CRCCG and in accordance with relevant regulations, the 7,566,245,500 A shares of the Company held by CRCCG had been released from the lock-up restrictions and become tradable on the market on 10 March 2011. Corresponding changes in the share capital structure of the Company: the number of A shares subject to trading restrictions changed from 7,811,245,500 shares to 245,000,000 shares, while A shares not subject to trading restrictions changed from 2,450,000,000 shares to 10,016,245,500 shares. There were no changes in the total share capital and overseas listed foreign shares (H shares) of the Company (please refer to the Reminder Announcement on the Commencement of Trading of Shares Subject to Trading Restrictions Held by the Controlling Shareholder of China Railway Construction Corporation Limited" (《中國鐵建控股股東限售股份上市流通提示性公告》) published by the Company on 3 March 2011 for details).

(2) Suspension of Projects in Libya. As the situation in Libya continues to be volatile, there were attacks against some of the camps of the three EPC (engineering, procurement and construction) projects of the Company in Libya, including the Coastal Railway and its extension line (Tripoli-Sirte), the North-South Railway Line (Alhishe-Sabha) and the West Line Railway (Tripoli-RasAdjir), and all projects have been suspended. All employees in Libya have been evacuated safely and some expenses will be incurred due to the evacuation. The total contract value of the projects is US$4,237 million. Currently, the work completed represents a contract value of US$686 million and the outstanding contract value aggregates to US$3,551 million which accounts for 2.3% of the Company's total outstanding contract value. Given the uncertain situation in Libya, the preservation of equipments and materials on site and subsequent development remain unclear. The Group will evaluate potential losses from the project timely with reference to the changes in Libya. (please refer to Announcement in Relation to Projects in Libya of CRCC (《中國鐵建利比亞項目情況公告》) dated 2 March 2011).

Report of Directors (continued)

CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2010, the Company had fully complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules.

The Articles of Association, the term of reference of the audit and risk management 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 principles and code provisions set forth in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

The Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code during the reporting period. 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 powers and duties 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 2010 has been reviewed by the Audit and Risk Management Committee of the Company.

AUDITORS

The Company had appointed Ernst & Young and Ernst & Young Hua Ming respectively as international and domestic auditors for the year ended 31 December 2010. 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.

In accordance with the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的咨詢總結》) published by the Hong Kong Stock Exchange in December 2010, and corresponding amendments to the Listing Rules, as well as the relevant documents issued by the Ministry of Finance and CSRC, the Board recommended to appoint Ernst & Young Hua Ming as the sole external auditor of the Company for the year 2011 and not to further appoint Ernst & Young as the overseas auditor of the Company. The above proposal will be put forward at the annual general meeting of the Company for consideration and approval.

By order of the Board
MENG Fengchao
Chairman

Beijing, PRC
30 March 2011

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 2010, the Supervisory Committee held three meetings, among which the Financial Statements of the Company for 2009, the Profit Distribution Plan of the Company for 2009, the Annual Report of the Company and its summary for 2009, the First Quarterly Report of the Company for 2010, the Report of Supervisory Committee for 2009 and the Specific Report on Deposit and Actual Use of Proceeds of the Company were considered and passed at the 8th meeting of the current session of the Supervisory Committee held on 26 April; the Financial Statements of the Company for the first half of 2010, the Interim Report of the Company for 2010 and its summary, the Interim Profit Distribution Plan for 2010 of the Company, the Proposal in Relation to Replenishing Working Capital with Part of the Interests on Proceeds Raised from the A Share offering, the Proposal in Relation to Utilization of Part of Unutilized Proceeds from the A Share offering to Temporarily Replenish the Working Capital and the Proposal in Relation to the Special Report on Deposit and Actual Use of Proceeds by the Company were considered and passed at the 9th meeting of the current session of the Supervisory Committee on 30 August; while the 2010 Third Quartery Report and the Proposal in Relation to the Provision for the Estimated Contract Loss for Mecca Light Rail Project in Saudi Arabia were considered and passed at the 10th meeting of the current session of the Supervisory Committee on 28 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 15 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 manners, and the corporate governance and internal control system are sound and effective and a relatively good balanced mechanism among the operational departments, decision making departments and supervision departments is in place.

Report of Supervisory Committee (continued)

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

During the reporting period, the Supervisory Committee had inspected the legal compliance of the Company's operations. The Supervisory Committee is of the view that, during the reporting period, the Company had standardized its operation, improved its governance framework as a legal person and ensured legal and effective decision-making procedures for significant events in compliance with relevant laws, regulations of the PRC and the requirements of the Articles of Association. The Company further revised and optimized its internal control regime and effectively averted investment, operating and financial risks. The Supervisory Committee is of the view that the Company's evaluation on its internal control was comprehensive, true and accurate and the report was in line with the actual condition of the Company's internal control. During the reporting period, the Directors and senior management of the Company were responsible and dedicated, and prudently performed their duties in strict compliance with relevant national laws and regulations and various rules and systems of the Company, and reached the set targets for the year by strengthening management, enhancing efficiency and reinforcing technological development. The Directors or senior management did not violate laws and regulations and the Articles of Association nor did they compromise against the interests of the shareholders of the Company.

3. ***Independent opinions on inspection of the financial status of the Company***

Members of the Supervisory Committee examined and monitored the financial operation of the Company by receiving special reports from the financial personnel of the Company, inspecting the financial statements of the Company, reviewing regular reports of the Company and the auditors' report of the audit firm and through on-site inspection on major investment and financing projects decided upon by the Directors. The Supervisory Committee is of the view that the 2010 financial report of the Company gave a true and fair view of the financial condition and operating results of the Company, with sound financial system and reasonable withdrawal of fees during the year. Ernst & Young Hua Ming and Ernst & Young had audited the financial report of the Company for 2010 and issued an audit report with unqualified opinions. The Supervisory Committee did not have any objection to the report.

4. ***Independent opinion on the latest use of raised proceeds***

The Supervisory Committee is of the view that the Company had been able to manage and use the raised proceeds in compliance with the Methods for the Management of Proceeds of China Railway Construction Corporation Limited during the reporting period, that the raised proceeds were used for the same purpose as stated in the prospectus and temporarily unused proceeds were deposited in the Company's special account for proceeds. The Company's utilization of H share proceeds of approximately HK$1.6855 billion (equivalent to RMB1.5151 billion) for replenishment of working capital and repayment of the foreign currency liquid capital borrowings, as well as the replenishment of working capital with part of the interests on A share proceeds would improve the utilization of funds and were in the interests of the Company and the shareholders as a whole, that the use of proceeds and the procedures thereof complied with relevant laws and regulations, regulatory documents and the requirements of the Articles of Association.

Report of Supervisory Committee (continued)

5. *Independent opinion on inspection of asset acquisitions and disposals of the Company*

The Supervisory Committee had monitored asset acquisitions and disposals of the Company, and is of the view that the acquisitions and disposals of assets by the Company were conducted at fair price under lawful process, and there were no insider transactions or any circumstances which would be detrimental to the interests of shareholders or cause loss of assets to the Company during the reporting period.

6. *Connected transactions*

The Company entered into connected transactions by diligently observing the requirements of laws and regulations such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》) and the Hong Kong Listing Rules as well as the requirements of the Articles of Association and the Decision-making Manual on Connected Transactions of CRCC (《中國鐵建股份有限公司關聯交易決策制度》). All connected transactions were entered into under fully justified and cautious decisions by the Board and management of the Company. The value of the connected transactions were determined in accordance with the principle of exchange of equal values with reference to fair market value and thus did not go against the principle of openness, fairness and justice. No acts were noted which may be detrimental to the interests of the Company and its minority shareholders.

The Company signed the Agreement on Arrangement of Matters in Relation to the Mecca Light Rail Project with CRCCG, its controlling shareholder on 21 January 2011, which allows the Company to cease bearing any risks from the subsequent implementation of the project. In addition, the arrangements on allocation of the income from claims may help further cut the losses from the project or even achieve a turnaround in respect of the project. Therefore, the interests of the Company's shareholders, especially the minority shareholders, could be protected. The consideration of the connected transaction under the arrangement was fair and reasonable, and the voting procedures of the Board for the relevant resolution were in compliance with the laws and regulations as well as the Articles of Association.

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

Beijing, PRC
30 March 2011

Independent Auditors' Report

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安 永

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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 consolidated financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 92 to 204, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, 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
30 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	6	**456,338,931**	344,976,225
Cost of sales		**(428,647,118)**	(322,427,811)
Gross profit		**27,691,813**	22,548,414
Other income and gains, net	6	**856,180**	1,114,168
Selling and distribution costs		**(1,530,989)**	(1,016,376)
Administrative expenses		**(19,599,242)**	(13,896,993)
Other expenses		**(765,447)**	(118,358)
PROFIT FROM OPERATIONS	7	**6,652,315**	8,630,855
Finance revenue	8	**777,031**	895,460
Finance costs	8	**(1,190,713)**	(1,219,712)
Share of profits and losses of:			
Jointly-controlled entities		**(7,856)**	(1,234)
Associates		**9,726**	2,030
PROFIT BEFORE TAX		**6,240,503**	8,307,399
Income tax	11	**(1,923,867)**	(1,575,694)
PROFIT FOR THE YEAR		**4,316,636**	6,731,705
Attributable to:			
Owners of the Company	12	**4,246,221**	6,599,072
Non-controlling interests		**70,415**	132,633
		4,316,636	6,731,705
Earnings per share attributable to Owners of the Company:			
Basic	14	**34.42 cents**	53.49 cents
Diluted	14	**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		4,316,636	6,731,705
OTHER COMPREHENSIVE (LOSS)/INCOME			
Available-for-sale investments:			
Changes in fair value	22	(115,192)	173,356
Income tax effect	23	25,119	(34,599)
Reclassification adjustment for gain on disposal included in the consolidated income statement		—	(5,374)
		(90,073)	133,383
Exchange differences on translation of foreign operations		16,368	(6,821)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(73,705)	126,562
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,242,931	6,858,267
Attributable to:			
Owners of the Company	12	4,172,507	6,725,714
Non-controlling interests		70,424	132,553
		4,242,931	6,858,267

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	37,364,342	30,440,748
Prepaid land lease payments	16	4,984,813	4,933,996
Intangible assets	17	1,272,098	743,265
Investments in jointly-controlled entities	19	1,433,236	1,193,175
Investments in associates	20	410,067	282,484
Held-to-maturity investments	21	1,295	6,684
Available-for-sale investments	22	2,622,211	2,053,113
Deferred tax assets	23	2,070,318	2,351,572
Trade and bills receivables	27	7,923,277	1,905,068
Prepayments, deposits and other receivables	28	71,874	60,923
Total non-current assets		58,153,531	43,971,028
CURRENT ASSETS			
Prepaid land lease payments	16	115,701	110,443
Inventories	24	26,615,284	19,138,399
Properties under development	25	31,318,139	13,490,171
Completed properties held for sale		1,665,073	847,891
Construction contracts	26	60,384,704	52,021,064
Trade and bills receivables	27	56,531,428	44,895,969
Prepayments, deposits and other receivables	28	50,128,073	43,465,710
Financial assets at fair value through profit or loss	29	75,490	97,339
Pledged deposits	30	3,863,313	2,582,055
Cash and cash equivalents	30	61,343,279	62,370,198
Total current assets		292,040,484	239,019,239
TOTAL ASSETS		350,194,015	282,990,267

Consolidated Statement of Financial Position (continued)

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	31	141,196,175	101,980,100
Construction contracts	26	17,463,347	19,913,886
Other payables and accruals	32	84,757,188	71,305,694
Interest-bearing bank and other borrowings	33	17,421,680	12,579,425
Provision for early retirement benefits	35	948,740	956,060
Tax payable		950,488	857,889
Provision	37	—	2,240
Total current liabilities		262,737,618	207,595,294
NET CURRENT ASSETS		29,302,866	31,423,945
TOTAL ASSETS LESS CURRENT LIABILITIES		87,456,397	75,394,973
NON-CURRENT LIABILITIES			
Trade and bills payables	31	1,425,048	1,242,870
Other payables and accruals	32	103,458	104,079
Interest-bearing bank and other borrowings	33	22,677,454	14,134,294
Provision for early retirement benefits	35	4,346,965	5,181,680
Deferred tax liabilities	23	269,754	302,404
Other long term liabilities		246,075	212,927
Deferred revenue	36	156,223	137,486
Total non-current liabilities		29,224,977	21,315,740
NET ASSETS		58,231,420	54,079,233

Consolidated Statement of Financial Position (continued)

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued share capital	38	12,337,542	12,337,542
Reserves	39(a)	44,448,895	38,953,936
Proposed final dividends	13	616,877	1,974,007
		57,403,314	53,265,485
NON-CONTROLLING INTERESTS		828,106	813,748
TOTAL EQUITY		58,231,420	54,079,233

Meng Fengchao
Director

Zhao Guangfa
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company									
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000 (note (b))	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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
Profit for the year	—	—	—	6,599,072	—	—	—	6,599,072	132,633	6,731,705
Other comprehensive income for the year:										
Changes in fair values of available-for-sale investments, net of tax	—	—	133,463	—	—	—	—	133,463	(80)	133,383
Exchange differences on translation of foreign operations	—	—	—	—	(6,821)	—	—	(6,821)	—	(6,821)
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 non-controlling shareholders	—	—	—	—	—	—	—	—	(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

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2010

	Attributable to owners of the Company									
	Issued share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000 (note (b))	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2010	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
Profit for the year	—	—	—	4,246,221	—	—	—	4,246,221	70,415	4,316,636
Other comprehensive income for the year:										
Changes in fair values of available-for-sale investments, net of tax	—	—	(90,073)	—	—	—	—	(90,073)	—	(90,073)
Exchange differences on translation of foreign operations	—	—	—	—	16,359	—	—	16,359	9	16,368
Total comprehensive income for the year	—	—	(90,073)	4,246,221	16,359	—	—	4,172,507	70,424	4,242,931
Capital contributions	—	—	—	—	—	—	—	—	176,827	176,827
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(194,282)	(194,282)
Final 2009 dividend declared	—	—	—	—	—	—	(1,974,007)	(1,974,007)	—	(1,974,007)
Transfer from retained earnings to reserve funds *(note 13)*	—	—	—	(238,262)	—	238,262	—	—	—	—
Consideration for the arrangement in relation to the Mecca Light Rail Project *(note (a))*	—	2,077,000	—	—	—	—	—	2,077,000	—	2,077,000
Reversal of provision for foreseeable losses of the Mecca Light Rail Project *(note (a))*	—	686,595	—	—	—	—	—	686,595	—	686,595
Acquisition of non-controlling interests	—	(207,389)	—	—	—	—	—	(207,389)	(38,611)	(246,000)
Interim 2010 dividend declared *(note 13)*	—	—	—	(616,877)	—	—	—	(616,877)	—	(616,877)
Proposed final 2010 dividend *(note 13)*	—	—	—	(616,877)	—	—	616,877	—	—	—
As at 31 December 2010	12,337,542	33,803,370*	182,864*	9,484,200*	122,925*	855,536*	616,877	57,403,314	828,106	58,231,420

* These reserve accounts comprise the consolidated reserves of RMB44,448,895,000 (2009: RMB38,953,936,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2010

Note:

(a) On 10 February 2009, China Railway Construction Corporation Limited (the "Company") entered into a construction contract with the Ministry of Municipality and Rural Affairs of the Kingdom of Saudi Arabia (the "Owner") pursuant to which the Company agreed to construct a metro light railway in Saudi Arabia (the "Mecca Light Rail Project") for the Owner. As at 31 October 2010, the Company incurred accumulated losses of RMB4.148 billion (including provision for foreseeable losses of RMB686 million as at 31 October 2010) on the Mecca Light Rail Project. Such accumulated losses of RMB4.148 billion (including provision for foreseeable losses of RMB686 million) has already been recognised in the Company's income statement for the relevant financial periods.

In order to ensure a smooth completion of the Mecca Light Rail Project and to properly deal with the claim issues thereunder, the Company has agreed with China Railway Construction Corporation ("CRCCG", a state-owned enterprise in the PRC) that from 31 October 2010, the rights and obligations of the Company under and arising from the Mecca Light Rail Project shall be exercised and performed by CRCCG. In consideration of such an agreement, CRCCG agreed to pay RMB2.077 billion to the Company and the Company shall cease to enjoy/bear the profit/loss earned/incurred by the Mecca Light Rail Project after 31 October 2010, except for income from claims obtained from the Owner (if any). Such profit/loss, excluding the claims obtained from the Owner (if any), shall be enjoyed/borne by CRCCG. The Company has also agreed with CRCCG regarding the method of allocation of the claims obtained from the Owner (if any).

CRCCG has entered into the above agreement with the Company in its capacity as a shareholder of the Company, hence the above consideration of RMB2.077 billion to be paid by CRCCG is treated as a shareholder's contribution and recognised in the capital reserve account of the Company. In addition, the provision for contract foreseeable loss of RMB686 million accrued by the Company for the Mecca Light Rail Project as at 31 October 2010 is required to be reversed because the profit/loss of the Mecca Light Rail Project incurred after 31 October 2010 shall be borne by CRCCG. The reversal of such provision for foreseeable loss of RMB686 million arose from the above agreement entered into by CRCCG in its capacity as a shareholder of the Company, hence such reversal of provision for foreseeable losses is treated as a shareholder's contribution which shall be recognised in the Company's capital reserve account.

(b) 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 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, "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 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,240,503	8,307,399
Adjustments for:			
Finance costs	8	1,190,713	1,219,712
Foreign exchange differences, net	7	(243,617)	(309,580)
Finance revenue	8	(777,031)	(895,460)
Share of profits and losses of jointly-controlled entities		7,856	1,234
Share of profits and losses of associates		(9,726)	(2,030)
Depreciation	15	7,607,978	6,202,413
Amortisation of prepaid land lease payments	16	148,142	129,906
Amortisation of intangible assets	17	49,796	42,417
Impairment of property, plant and equipment	15	132,912	6,308
Impairment of an investment in a jointly-controlled entity	19	10,578	—
Impairment of available-for-sale investments	22	540	1,325
Impairment/(reversal of impairment) of trade and bills receivables	27	14,102	(61,000)
Impairment/(reversal of impairment) of other receivables	28	67,933	(18,739)
(Reversal of write-down)/write-down of inventories to net realisable value	7	(4,501)	14,819
Reversal of provision for properties under development	25	(151,439)	(386,616)
Reversal of provision for properties held for sale	7	(350)	—
Provision for foreseeable losses on construction contracts	7	544,233	175,645
(Gain)/loss on disposal of property, plant and equipment, net	7	(2,381)	54,458
Gain on disposal of prepaid land lease payments, net	6	(5,308)	(10,090)
Fair value losses/(gains), net, on financial assets at fair value through profit or loss	7	20,410	(12,405)
Gain on disposal of available-for-sale investments	6	(63,963)	(30,118)
Gain on disposal of an associate	6	(1,908)	(10,943)
Gain on disposal of a jointly-controlled entity	6	(1,605)	(44,481)
Recognition of deferred revenue	6	(24,273)	(23,838)
		14,749,594	14,350,336
Increase in inventories		(7,469,435)	(6,103,680)
Increase in completed properties held for sale and properties under development		(18,093,762)	(1,820,379)
Increase in construction contracts		(11,358,412)	(12,695,820)
Increase in trade and bills receivables		(14,904,175)	(12,729,825)
Increase in prepayments, deposits and other receivables		(8,598,741)	(9,020,290)
Increase in trade and bills payables		39,528,272	38,935,457
Increase in other payables and accruals		14,767,901	8,175,027
Decrease in provision		(2,240)	(658)
Decrease in provision for early retirement benefits		(842,035)	(809,601)
Increase in other long term liabilities		33,148	114,705
Cash generated from operations		7,810,115	18,395,272
Income taxes paid		(1,557,545)	(920,820)
Net cash flows from operating activities		6,252,570	17,474,452

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(16,188,079)	(12,282,409)
Additions to prepaid land lease payments		(246,300)	(269,207)
Additions to intangible assets		(580,050)	(18,194)
Proceeds from disposal of property, plant and equipment		1,238,226	386,649
Proceeds from disposal of prepaid land lease payments		47,391	65,614
Proceeds from disposal of intangible assets		1,421	152
Proceeds from disposal of a non-current asset held for sale, net		—	1,331,306
Capital contributions to jointly-controlled entities		(207,000)	(1,172,192)
Capital contributions to associates		(224,506)	(20,150)
Purchase of a held-to-maturity investment		(48)	—
Purchases of available-for-sale investments		(687,891)	(232,665)
Purchases of financial assets at fair value through profit or loss		(2,904)	(59,265)
Acquisition of assets and liabilities	40(a)	(57,612)	(760,067)
Purchase of non-controlling interests		(246,000)	—
Proceeds from disposal of an associate		34,139	83,660
Proceeds from disposal of a jointly-controlled entity		9,692	75,488
Proceeds from disposal of held-to-maturity investments		5,228	10,604
Proceeds from disposal of available-for-sale investments		67,038	35,798
Proceeds from disposal of financial assets at fair value through profit or loss		2,904	6,686
Dividends received		80,853	58,373
Increase in pledged deposits		(1,281,258)	(117,956)
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		1,880,013	(1,749,508)
Interest received		829,693	998,091
Net cash flows used in investing activities		(15,525,050)	(13,629,192)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling shareholders		176,827	173,644
New bank and other borrowings		34,230,559	30,446,693
Repayment of bank and other borrowings		(20,300,710)	(26,465,731)
Dividends paid to shareholders		(1,974,007)	(1,233,754)
Dividends paid to non-controlling shareholders of subsidiaries		(140,324)	(20,187)
Interest paid		(1,633,545)	(1,493,256)
Net cash flows from financing activities		10,358,800	1,407,409
Effect of foreign exchange rate changes, net		(233,226)	362,056
NET INCREASE IN CASH AND CASH EQUIVALENTS		853,094	5,614,725
Cash and cash equivalents at beginning of the year		55,070,050	49,455,325
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30	55,923,144	55,070,050

Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	49,473	44,111
Investments in subsidiaries	18	33,722,567	32,377,559
Investments in jointly-controlled entities	19	1,269,736	1,069,736
Investments in associates	20	195,950	—
Available-for-sale investments	22	1,712,151	1,172,951
Deferred tax assets	23	8,413	9,195
Trade receivables	27	4,777,752	—
Total non-current assets		41,736,042	34,673,552
CURRENT ASSETS			
Inventories	24	1,418	35,965
Construction contracts	26	4,713,410	5,166,434
Trade receivables	27	848,701	8,306
Prepayments, deposits and other receivables	28	37,792,802	22,310,751
Financial assets at fair value through profit or loss	29	44,163	53,967
Cash and cash equivalents	30	4,497,264	15,015,898
Total current assets		47,897,758	42,591,321
TOTAL ASSETS		89,633,800	77,264,873
CURRENT LIABILITIES			
Trade payables	31	775,491	602,189
Other payables and accruals	32	12,488,862	10,049,447
Interest-bearing bank and other borrowings	33	3,300,343	2,216,104
Provision for early retirement benefits	35	5,640	5,560
Tax payable		7,117	55,951
Total current liabilities		16,577,453	12,929,251
NET CURRENT ASSETS		31,320,305	29,662,070
TOTAL ASSETS LESS CURRENT LIABILITIES		73,056,347	64,335,622

Statement of Financial Position (continued)

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	16,925,783	10,695,266
Provision for early retirement benefits	35	28,010	31,220
Deferred tax liabilities	23	3,087	23,972
Total non-current liabilities		16,956,880	10,750,458
NET ASSETS		56,099,467	53,585,164
EQUITY			
Issued share capital	38	12,337,542	12,337,542
Reserves	39(b)	43,145,048	39,273,615
Proposed final dividends	13	616,877	1,974,007
TOTAL EQUITY		56,099,467	53,585,164

Meng Fengchao
Director

Zhao Guangfa
Director

Notes to financial statements

31 December 2010

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 CRCCG.

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. 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 (Revised)	*First-time Adoption of IFRSs*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs - Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment-Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments *included in Improvements to IFRSs* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in May 2009

Notes to financial statements (continued)

31 December 2010

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a) IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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. Consequential amendments were made to various standards, including, but not limited 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 changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to IFRSs 2009 issued in May 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments, and determined that the classification of leases in Mainland China remained as operating leases.

Notes to financial statements (continued)

31 December 2010

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 Amendment	Amendment to IFRS 1 *First-time Adoption of IFRSs - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 1 Amendments	Amendments to IFRS 1 *First - time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters* [4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets* [4]
IFRS 9	*Financial Instruments* [6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* [5]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

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

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

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

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

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 these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative transaction differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balances were reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

3.3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

Notes to financial statements (continued)

31 December 2010

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 investments 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 investments 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 investments 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 investments 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 investments 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 investments 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.

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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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%

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, including prepaid land lease payment under 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 investments, 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.

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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

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 by 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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 do so significantly changes in the foreseeable future, 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. 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.

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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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.

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.

Notes to financial statements (continued)

31 December 2010

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.

Notes to financial statements (continued)

31 December 2010

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.

Notes to financial statements (continued)

31 December 2010

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.

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 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax *(continued)*

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 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.

Government grants

Government grants are recognised at their fair value 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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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" below;

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

(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)

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.

Notes to financial statements (continued)

31 December 2010

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

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.

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 benefit plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period 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.

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.

Notes to financial statements (continued)

31 December 2010

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits *(continued)*

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 the Group's property, plant and equipment as at 31 December 2010 was RMB37,364,342,000 (2009: RMB30,440,748,000).

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 the Group's tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2010 were RMB950,488,000 (2009: RMB857,889,000), RMB2,070,318,000 (2009: RMB2,351,572,000) and RMB269,754,000 (2009: RMB302,404,000) respectively.

Notes to financial statements (continued)

31 December 2010

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty *(continued)*

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 the Group's construction contracts as at 31 December 2010 was RMB42,921,357,000 (2009: RMB32,107,178,000).

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade 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 the Group's trade receivables including retention money receivables as at 31 December 2010 was RMB63,971,259,000 (2009: RMB46,594,641,000).

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 the Group's properties under development as at 31 December 2010 was RMB31,318,139,000 (2009: RMB13,490,171,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty *(continued)*

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 Group's provision for early retirement benefits as at 31 December 2010 was RMB5,295,705,000 (2009: RMB6,137,740,000).

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 the Group's 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.

Notes to financial statements (continued)

31 December 2010

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 2010 and 2009:

Year ended 31 December 2010

	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	413,104,989	8,019,685	8,055,743	27,158,514	—	456,338,931
Intersegment sales	2,328,188	6,793	1,102,283	4,985,222	(8,422,486)	—
Total	415,433,177	8,026,478	9,158,026	32,143,736	(8,422,486)	456,338,931
Segment results						
Profit before tax	3,446,396	879,559	364,767	1,549,781	—	6,240,503
Profit before tax included:						
Finance revenue	491,295	152,789	7,118	125,829	—	777,031
Finance costs	(1,060,263)	(732)	(93,969)	(35,749)	—	(1,190,713)
Share of profits and losses of:						
Jointly-controlled entities	(27,758)	—	—	19,902	—	(7,856)
Associates	11,933	106	(1,641)	(672)	—	9,726
Depreciation and amortisation	(7,191,770)	(133,300)	(300,705)	(180,141)	—	(7,805,916)
(Reversal of write-down)/write-down of inventories to net realisable value	(207)	—	—	4,708	—	4,501
Provision for foreseeable losses on construction contracts	(544,233)	—	—	—	—	(544,233)
Reversal of provision for properties under development	—	—	—	151,439	—	151,439
Reversal of provision for properties held for sale	350	—	—	—	—	350
Impairment losses recognised	(86,763)	(2,929)	(135,688)	(685)	—	(226,065)
Segment assets and liabilities						
Segment assets *(i)*	294,185,839	11,202,658	12,661,766	61,116,897	(28,973,145)	350,194,015
Segments assets included:						
Investments in jointly-controlled entities	1,366,662	—	7,000	59,574	—	1,433,236
Investments in associates	399,560	7,505	—	3,002	—	410,067
Segment liabilities *(ii)*	248,434,556	9,409,224	9,846,907	54,095,129	(29,823,221)	291,962,595
Other segment information						
Capital expenditure *(iii)*	15,045,510	513,893	871,688	295,588	—	16,726,679

Notes to financial statements (continued)

31 December 2010

5. OPERATING SEGMENT INFORMATION (continued)

(a) *Operating segments* (continued)

Year ended 31 December 2009

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	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:						
Investments in jointly-controlled entities	1,135,415	—	—	57,760	—	1,193,175
Investments 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

Notes to financial statements (continued)

31 December 2010

5. OPERATING SEGMENT INFORMATION (continued)

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

Notes:

(i) Segment assets do not include deferred tax assets of RMB2,070,318,000 (2009: RMB2,351,572,000) 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 RMB31,043,463,000 (2009: RMB13,734,158,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB269,754,000 (2009: RMB302,404,000) and tax payable of RMB950,488,000 (2009: RMB857,889,000) 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 RMB31,043,463,000 (2009: RMB13,734,158,000) 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 2010 and 2009:

Revenue from external customers (i)

	2010 **RMB'000**	2009 RMB'000
Mainland China	**433,869,474**	322,672,771
Outside Mainland China	**22,469,457**	22,303,454
	456,338,931	344,976,225

Non-current assets (ii)

	2010 **RMB'000**	2009 RMB'000
Mainland China	**42,164,416**	34,401,718
Outside Mainland China	**3,372,014**	3,252,873
	45,536,430	37,654,591

Notes:

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

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

5. OPERATING SEGMENT INFORMATION (continued)

(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 2010 and 2009.

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	
	2010	2009
	RMB'000	*RMB'000*
Revenue:		
Construction contracts	**413,104,989**	314,122,784
Provision of survey, design and consultancy services	**8,019,685**	7,306,462
Manufacture, sale, repair and maintenance of large track maintenance machinery	**8,055,743**	6,728,780
Others *(note (a))*	**27,158,514**	16,818,199
	456,338,931	344,976,225
Other income and gains, net:		
Government grants:		
— Recognition of deferred revenue *(note 36)*	**24,273**	23,838
— Others *(note (b))*	**78,760**	86,458
Gain on disposal of an associate	**1,908**	10,943
Gain on disposal of a jointly-controlled entity	**1,605**	44,481
Gain on disposal of available-for-sale investments	**63,963**	30,118
Fair value gains, net, on financial assets at fair value through profit or loss	**—**	12,405
Reversal of provision for properties under development	**151,439**	386,616
Foreign exchange differences, net	**243,617**	309,580
Gain on disposal of prepaid land lease payments, net	**5,308**	10,090
Gain on disposal of property, plant and equipment, net	**2,381**	—
Others *(note (c))*	**282,926**	199,639
	856,180	1,114,168

Notes to financial statements (continued)

31 December 2010

6. REVENUE AND OTHER INCOME AND GAINS, NET (continued)

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	**2010** *RMB'000*	2009 *RMB'000*
Cost of services rendered		**397,510,366**	302,120,638
Cost of goods sold		**31,136,752**	20,307,173
Total cost of sales		**428,647,118**	322,427,811
Depreciation of property, plant and equipment *(note (a))*	15	**7,607,978**	6,202,413
Amortisation of prepaid land lease payments	16	**148,142**	129,906
Amortisation of intangible assets	17	**49,796**	42,417
Total depreciation and amortisation		**7,805,916**	6,374,736
Impairment of property, plant and equipment	15	**132,912**	6,308
Impairment of an investment in a jointly-controlled entity	19	**10,578**	—
Impairment of available-for-sale investments	22	**540**	1,325
Impairment/(reversal of impairment) of trade and bills receivables	27	**14,102**	(61,000)
Impairment/(reversal of impairment) of other receivables	28	**67,933**	(18,739)
		226,065	(72,106)

Notes to financial statements (continued)

31 December 2010

7. PROFIT FROM OPERATIONS (continued)

		Group	
	Notes	2010 RMB'000	2009 RMB'000
Employee compensation costs (including Directors' and Supervisors' remuneration *(note 10)*)	9	22,239,079	18,839,360
Research and development expenditure		9,392,249	5,162,305
(Reversal of write-down)/write-down of inventories to net realisable value		(4,501)	14,819
Provision for foreseeable losses on construction contracts		544,233	175,645
Reversal of provision for properties under development	25	(151,439)	(386,616)
Reversal of provision for properties held for sale		(350)	—
Auditors' remuneration		36,558	37,054
Minimum lease payments under operating leases		137,681	132,024
Fair value losses/(gains), net, on financial assets at fair value through profit or loss		20,410	(12,405)
(Gain)/loss on disposal of property, plant and equipment, net		(2,381)	54,458
Foreign exchange differences, net		(243,617)	(309,580)

Note:

(a) Depreciation of RMB6,961,495,000 (2009: RMB5,665,598,000) is included in the "Cost of sales" on the face of the consolidated income statement for the year.

Notes to financial statements (continued)

31 December 2010

8. FINANCE REVENUE AND FINANCE COSTS

The Group's finance revenue totalling RMB777,031,000 (2009: RMB895,460,000) mainly represented bank interest income during the year.

The Group's finance costs are as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans and other loans wholly repayable within five years	**1,123,404**	1,386,838
Interest on bank loans repayable beyond five years	**83,745**	17,794
Interest on finance leases	**26,164**	21,163
Interest on discounted bills	**13,789**	10,129
Interest on corporate bonds	**370,737**	122,895
Total interest	**1,617,839**	1,558,819
Less: Interest capitalised in:		
— Construction in progress	**(27,527)**	(37,039)
— Construction contracts	**—**	(73,826)
— Properties under development	**(399,599)**	(147,594)
— Intangible assets	**—**	(80,648)
	1,190,713	1,219,712

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

	Group	
	2010	2009
Capitalisation rates	**5.3% - 5.7%**	5.3% - 6.6%

Notes to financial statements (continued)

31 December 2010

9. EMPLOYEE COMPENSATION COSTS

	Group	
	2010	2009
	RMB'000	*RMB'000*
Employee compensation costs (including Directors' and Supervisors' remuneration *(note 10))*:		
— Wages, salaries and allowances	**15,547,351**	12,946,052
— Housing benefits, medical and other expenses	**4,211,958**	3,728,466
— Retirement benefit costs:		
(i) Contributions to defined contribution retirement plans *(note (a))*	**2,332,820**	1,971,042
(ii) Interest cost and actuarial loss, net of actuarial gain *(note (b)) (note 35(b))*	**146,950**	193,800
Total retirement benefit costs	**2,479,770**	2,164,842
	22,239,079	18,839,360

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 2010, the Group's forfeited contributions available to reduce its contributions to the defined contribution retirement plans in future years were not material (2009: 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 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 exchange.

Notes to financial statements (continued)

31 December 2010

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	
	2010	2009
	RMB'000	*RMB'000*
Fees	**—**	—
Other emoluments:		
— Salaries, housing benefits, other allowances and benefits in kind	**2,344**	2,689
— Performance related bonuses	**3,170**	3,106
— Pension scheme contributions	**210**	229
	5,724	6,024

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

(i) Independent non-executive directors

	Group	
	2010	2009
	RMB'000	*RMB'000*
Salaries, housing benefits, other allowances and benefits in kind:		
Mr. LI Kecheng	**188**	271
Mr. ZHAO Guangjie	**209**	275
Mr. WU Taishi	**206**	259
Mr. NGAI Wai Fung	**182**	254
	785	1,059

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

Notes to financial statements (continued)

31 December 2010

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 2010					
Executive directors:					
Mr. MENG Fengchao	—	34	—	5	39
Mr. DING Yuanchen	—	85	552	16	653
Mr. ZHAO Guangfa	—	201	625	32	858
	—	320	1,177	53	1,550
Non-executive directors:					
Mr. LI Guorui	—	184	649	29	862
Mr. HUO Jingui	—	171	552	32	755
Mr. ZHU Mingxian	—	181	—	—	181
	—	536	1,201	61	1,798
Supervisors:					
Mr. PENG Shugui	—	171	552	32	755
Mr. HUANG Shaojun	—	266	120	32	418
Ms. YU Fengli	—	266	120	32	418
	—	703	792	96	1,591
	—	1,559	3,170	210	4,939

Notes to financial statements (continued)

31 December 2010

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

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

Notes to financial statements (continued)

31 December 2010

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	
	2010	2009
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	
	2010 RMB'000	2009 RMB'000
Salaries, housing benefits, other allowances and benefits in kind	931	397
Performance related bonuses	5,761	12,831
Pension scheme contributions	83	76
	6,775	13,304

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

	Group	
	2010	2009
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	4	—
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

Notes to financial statements (continued)

31 December 2010

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% (2009: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 countries/jurisdictions in which the relevant companies within the Group operate.

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
Current taxation:		
Enterprise income tax:		
— Mainland China	**1,465,383**	1,177,064
— Hong Kong	**709**	555
— Others	**32,308**	28,196
LAT in Mainland China	**151,744**	—
	1,650,144	1,205,815
Deferred income tax *(note 23)*	**273,723**	369,879
Income tax charge for the year	**1,923,867**	1,575,694

11. INCOME TAX (continued)

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	
	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**6,240,503**	8,307,399
Income tax charge at the statutory income tax rate of 25% (2009: 25%)	**1,560,126**	2,076,850
Lower income tax rates for specific provinces or locations	**(451,944)**	(355,463)
Tax effect of share of profits and losses of jointly-controlled entities and associates	**2,187**	876
Income not subject to tax	**(58,072)**	(99,914)
Expenses not deductible for tax purposes	**178,660**	108,621
Tax losses utilised from previous years	**(19,033)**	(18,837)
Income tax benefits on locally purchased machinery and research and development expenses	**(446,422)**	(277,425)
Tax losses not recognised	**111,036**	46,653
Losses not deductible for tax purpose at an overseas location	**963,472**	73,553
Adjustments in respect of current income tax of previous years	**(29,951)**	20,780
LAT	**151,744**	—
Tax effect of LAT	**(37,936)**	—
Tax expense for the year	**1,923,867**	1,575,694

The share of tax attributable to jointly-controlled entities and associates amounting to RMB7,847,000 (2009: RMB2,296,000) and RMB1,761,000 (2009: RMB1,058,000), 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 2010 includes a profit of RMB2,397,290,000 (2009: RMB3,979,146,000) which has been dealt with in the financial statements of the Company (note 39(b)).

Notes to financial statements (continued)

31 December 2010

13. DIVIDENDS

	Group	
	2010	2009
	RMB'000	*RMB'000*
Interim dividends - RMB 0.50 (2009: Nil) per 10 shares	**616,877**	—
Proposed final dividends - RMB 0.50 (2009: RMB1.60) per 10 shares	**616,877**	1,974,007
	1,233,754	1,974,007

At the shareholders' meeting held on 29 December 2010, the Company's shareholders approved the payment of the interim dividends for the six months ended 30 June 2010 of RMB0.50 per 10 shares which amounted to RMB616,877,000. The dividend declared has not been paid as at 31 December 2010.

The proposed final dividend for the year is 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 ultimate shareholder, CRCCG will be able to influence the Company's dividend policy.

Cash dividends to shareholders in Hong Kong are 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 applies to earnings generated after 1 January 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 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 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 to 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 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 2010, the Group transferred RMB4,217,900,000 (2009: RMB2,987,150,000) from retained earnings to the specific reserve for appropriation of the maintenance and production funds which was fully utilised as at 31 December 2010.

(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 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 RMB4,246,221,000 (2009: RMB6,599,072,000) and the weighted average number of ordinary shares of 12,337,542,000 (2009: 12,337,542,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

Notes to financial statements (continued)

31 December 2010

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 2010								
Cost:								
At 1 January 2010	7,063,825	20,977,944	7,741,882	4,081,259	1,575,678	6,161,640	2,571,812	50,174,040
Additions	806,532	4,899,410	2,545,350	1,304,893	713,293	3,077,354	2,553,497	15,900,329
Transfer from construction in progress	1,077,738	1,040,482	127,337	168,896	6,019	114,266	(2,535,288)	(550)
Disposals	(318,277)	(929,126)	(461,084)	(237,608)	(95,189)	(970,080)	(265,070)	(3,276,434)
At 31 December 2010	8,629,818	25,988,710	9,953,485	5,317,440	2,199,801	8,383,180	2,324,951	62,797,385
Accumulated depreciation and impairment:								
At 1 January 2010	(1,917,876)	(8,001,599)	(4,247,365)	(1,492,979)	(803,915)	(3,269,008)	(550)	(19,733,292)
Impairment for the year # *(note 7)*	—	—	—	—	—	—	(132,912)	(132,912)
Depreciation charge for the year *(note 7)*	(388,759)	(2,857,932)	(1,449,908)	(462,622)	(290,077)	(2,158,680)	—	(7,607,978)
Disposals	117,032	543,317	378,116	142,333	69,019	790,772	550	2,041,139
At 31 December 2010	(2,189,603)	(10,316,214)	(5,319,157)	(1,813,268)	(1,024,973)	(4,636,916)	(132,912)	(25,433,043)
Net carrying amount:								
At 31 December 2010	6,440,215	15,672,496	4,634,328	3,504,172	1,174,828	3,746,264	2,192,039	37,364,342
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

Notes to financial statements (continued)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group *(continued)*

	Buildings	Machinery	Vehicles	Production equipment	Measurement and experimental equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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(a))*	—	—	—	—	—	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

\# Impairment losses of RMB132,912,000 (2009: RMB6,308,000) 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.

Notes to financial statements (continued)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings *RMB'000*	Vehicles *RMB'000*	Production equipment *RMB'000*	Other equipment *RMB'000*	Total *RMB'000*
31 December 2010					
Cost:					
At 1 January 2010	2,435	36,832	3,217	45,702	88,186
Additions	—	19,172	—	37,321	56,493
Disposals	—	(12,655)	—	(28,230)	(40,885)
At 31 December 2010	2,435	43,349	3,217	54,793	103,794
Accumulated depreciation:					
At 1 January 2010	(174)	(19,754)	(2,075)	(22,072)	(44,075)
Depreciation charge for the year	(59)	(8,680)	(349)	(10,633)	(19,721)
Disposals	—	2,967	—	6,508	9,475
At 31 December 2010	(233)	(25,467)	(2,424)	(26,197)	(54,321)
Net carrying amount:					
At 31 December 2010	2,202	17,882	793	28,596	49,473
At 31 December 2009	2,261	17,078	1,142	23,630	44,111

Notes to financial statements (continued)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company *(continued)*

	Buildings *RMB'000*	Vehicles *RMB'000*	Production equipment *RMB'000*	Other equipment *RMB'000*	Total *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

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 RMB66,512,000 (2009: RMB616,445,000) as at 31 December 2010 (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 RMB665,271,000 (2009: RMB1,053,483,000) as at 31 December 2010 (note 34).

As at 31 December 2010, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of RMB57,742,000 (2009: RMB72,138,000). 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 2010.

Notes to financial statements (continued)

31 December 2010

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**5,044,439**	4,960,662
Additions	**246,300**	269,207
Disposals	**(42,083)**	(55,524)
Amortisation for the year *(note 7)*	**(148,142)**	(129,906)
Carrying amount at end of the year	**5,100,514**	5,044,439
Portion classified as current assets	**(115,701)**	(110,443)
Non-current portion	**4,984,813**	4,933,996

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	
	2010	2009
	RMB'000	*RMB'000*
Lease term, at carrying amount:		
Long term leases of not less than 50 years	**254,025**	64,759
Medium term leases of less than 50 years but not less than 10 years	**4,820,599**	4,927,941
Short term leases of less than 10 years	**25,890**	51,739
	5,100,514	5,044,439

As at 31 December 2010, 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 RMB86,001,000 (2009: RMB23,867,000). 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 2010.

Notes to financial statements (continued)

31 December 2010

17. INTANGIBLE ASSETS

Group

	Concession assets RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
31 December 2010					
Cost:					
At 1 January 2010	571,678	51,789	170,689	46,652	840,808
Additions	556,527	19,413	—	4,110	580,050
Disposals	—	(5,089)	—	(602)	(5,691)
At 31 December 2010	1,128,205	66,113	170,689	50,160	1,415,167
Accumulated amortisation and impairment:					
At 1 January 2010	(58,045)	(18,307)	(3,636)	(17,555)	(97,543)
Amortisation for the year *(note 7)*	(27,945)	(10,023)	(4,132)	(7,696)	(49,796)
Disposals	—	4,029	—	241	4,270
At 31 December 2010	(85,990)	(24,301)	(7,768)	(25,010)	(143,069)
Net carrying amount:					
At 31 December 2010	1,042,215	41,812	162,921	25,150	1,272,098
At 31 December 2009	513,633	33,482	167,053	29,097	743,265

Notes to financial statements (continued)

31 December 2010

17. INTANGIBLE ASSETS (continued)

Group *(continued)*

	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

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 RMB458,256,000 (2009: RMB408,926,000) as at 31 December 2010 (note 33).

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 *RMB'000*	2009 *RMB'000*
Unlisted investments, at cost	**33,722,567**	32,377,559

Notes to financial statements (continued)

31 December 2010

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
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

Notes to financial statements (continued)

31 December 2010

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
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

Notes to financial statements (continued)

31 December 2010

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 Broker (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	RMB853,500/ RMB1,767,500	65	—	Construction and operation of highway
中鐵建(北京)商務管理有限公司 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
中國鐵建中非建設有限公司 CRCC China-Africa Construction Limited	The PRC 24 February 2010	RMB1,000,000	100	—	Construction
中國鐵建美國有限公司 China Railway Construction USA Co., Ltd.	State of California, USA 9 June 2010	USD3,000	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 2010. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to financial statements (continued)

31 December 2010

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	—	—	1,269,736	1,069,736
Share of net assets	1,443,814	1,193,175	—	—
	1,443,814	1,193,175	1,269,736	1,069,736
Provision for impairment *(note 7)*	(10,578)	—	—	—
	1,433,236	1,193,175	1,269,736	1,069,736

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

Company name	Place and date of incorporation/ registration and operations	Issued and fully paid-up/ registered capital '000	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
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
HK ACE Joint Venture	Hong Kong 2 June 1999	—	25	—	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
中非萊基投資有限公司 China - Africa Lekkil Investment Co., Ltd.	The PRC 2 March 2006	RMB200,000	35	30	Investment holding
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	RMB150,000	—	51.33	Construction and mining
中石油鐵建油品銷售有限公司 Petrochina & CRCC Petroleum Marketing Co., Ltd.	The PRC 19 November 2009	RMB100,000	—	50	Petroleum marketing

Notes to financial statements (continued)

31 December 2010

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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 2010. To give details of other jointly-controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

As at 31 December 2010 and 2009, the Group directly and indirectly held 65% equity interests in China - Africa Lekkil Investment Co., Ltd. ("China - Africa Lekkil"). In accordance with the articles of association of China - Africa Lekkil, 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 China - Africa Lekkil. As a result, the interests in China - Africa Lekkil have been accounted for as a jointly-controlled entity using the equity accounting method in these financial statements.

As at 31 December 2009, the Group indirectly held 38.5% equity interests in China Railway Communications International Engineering and Technology Co., Ltd. ("CRCI"). During the year, the other shareholders partially reduced interests in CRCI which resulted in the Group holding 51.33% equity interests in CRCI as at 31 December 2010. In accordance with the revised articles of association of CRCI, the voting rights attached to the 51.33% equity interests did not provide the Group with the power to govern the financial and operating activities of CRCI. As a result, the interests in CRCI have been accounted for as a jointly-controlled entity using the equity accounting method in these financial statements.

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

	Group	
	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	2,838,528	1,298,978
Non-current assets	785,578	277,943
Current liabilities	(422,212)	(367,990)
Non-current liabilities	(1,758,080)	(15,756)
Net assets	1,443,814	1,193,175
Share of the jointly-controlled entities' results:		
Revenue	618,368	39,354
Other income	1,523	1,955
	619,891	41,309
Total expenses	(619,900)	(40,247)
Income tax	(7,847)	(2,296)
Loss after tax	(7,856)	(1,234)

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20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	—	—	195,950	—
Share of net assets	411,638	284,102	—	—
Provision for impairment	(1,571)	(1,618)	—	—
	410,067	282,484	195,950	—

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
重慶渝蓉高速公路有限公司 Chong Qing Yurong thruway Co., Ltd.	The PRC 25 May 2010	RMB489,875/ RMB975,750	40	—	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.

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 2010. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes to Financial Statements (continued)

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20. INVESTMENTS IN ASSOCIATES (continued)

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

	Group	
	2010	2009
	RMB'000	RMB'000
Aggregate of associates' financial position:		
Assets	2,955,595	1,498,644
Liabilities	1,676,432	586,114
Aggregate of associates' results:		
Revenue	797,280	664,736
Profit/(loss)	9,602	(3,628)

21. HELD-TO-MATURITY INVESTMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Debt investments:		
— Listed in Mainland China	1,229	6,229
— Unlisted	66	455
	1,295	6,684
Portion classified as current assets	—	—
Non-current portion	1,295	6,684
Held-to-maturity investments are analysed, by issuer, as follows:		
— Central government and central bank	26	415
— Corporate entities	1,269	6,269
	1,295	6,684

During the year, the effective interest rate of the held-to-maturity investments is 4.1% (2009: 4.1% to 4.8%) per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

Notes to Financial Statements (continued)

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22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investments in Mainland China, at fair value	**273,760**	367,914	**125,707**	186,507
Unlisted equity investments, at cost	**2,362,246**	1,698,433	**1,586,444**	986,444
Provision for impairment	**(13,808)**	(13,268)	**—**	—
	2,348,438	1,685,165	**1,586,444**	986,444
Listed bond investments in Mainland China, at fair value	**13**	34	**—**	—
	2,622,211	2,053,113	**1,712,151**	1,172,951
Available-for-sale investments are analysed, by issuer, as follows:				
— Banks and other financial institutions	**226,379**	594,707	**134,360**	195,159
— Corporate entities	**2,395,832**	1,458,406	**1,577,791**	977,792
	2,622,211	2,053,113	**1,712,151**	1,172,951

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**13,268**	11,943
Impairment for the year *(note 7)*	**540**	1,325
At end of the year	**13,808**	13,268

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB115,192,000 (2009: gross gain of RMB173,356,000).

During the year, the gross loss in respect of the Company's available-for-sale investments recognised in other comprehensive income amounted to RMB74,264,000 (2009: gross gain of RMB91,957,000).

Notes to Financial Statements (continued)

31 December 2010

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At beginning of the year, net	2,049,168	2,453,646	(14,777)	15,759
Deferred tax (charged)/credited to the income statements during the year *(note 11)*	(273,723)	(369,879)	1,537	(7,547)
Deferred tax recognised in other comprehensive income during the year:				
Deferred tax liabilities arising from changes in fair values of available-for-sale investments	25,119	(34,599)	18,566	(22,989)
At end of the year, net	1,800,564	2,049,168	5,326	(14,777)

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Deferred tax assets:				
Provision for early retirement benefits	1,144,229	1,350,106	8,413	9,195
Provision for impairment of assets	133,857	129,468	—	—
Provision for foreseeable losses on construction contracts	20,189	23,262	—	—
Tax losses available for offsetting against future taxable income	46,232	39,926	—	—
Accruals and provisions	4,193	19,304	—	—
Additional tax deduction on revaluation surplus arising from a prior restructuring	661,275	771,585	—	—
Others	60,343	17,921	—	—
	2,070,318	2,351,572	8,413	9,195
Deferred tax liabilities:				
Recognition of revenue on construction contracts	(85,434)	(90,913)	—	—
Others	(184,320)	(211,491)	(3,087)	(23,972)
	(269,754)	(302,404)	(3,087)	(23,972)
	1,800,564	2,049,168	5,326	(14,777)

Notes to Financial Statements (continued)

31 December 2010

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

As at 31 December 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group arising in the PRC were RMB161,165,000 (2009: RMB146,948,000), 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 2010, 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 (2009: Nil).

24. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**16,409,696**	11,450,286	**1,418**	35,965
Work in progress	**1,718,270**	1,413,763	**—**	—
Finished goods	**3,312,709**	2,466,981	**—**	—
Spare parts	**5,174,609**	3,807,369	**—**	—
	26,615,284	19,138,399	**1,418**	35,965

25. PROPERTIES UNDER DEVELOPMENT

	Group	
	2010	2009
	RMB'000	*RMB'000*
Properties under development	**31,318,139**	13,641,610
Provision for properties under development	**—**	(151,439)
	31,318,139	13,490,171

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**151,439**	538,055
Reversal of provision for the year *(note 7)*	**(151,439)**	(386,616)
At end of the year	**—**	151,439

As at 31 December 2010, 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 RMB6,804,044,000 (2009: RMB1,618,275,000) (note 33).

Notes to Financial Statements (continued)

31 December 2010

26. CONSTRUCTION CONTRACTS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Gross amount due from contract customers	60,384,704	52,021,064	4,713,410	5,166,434
Gross amount due to contract customers	(17,463,347)	(19,913,886)	—	—
	42,921,357	32,107,178	4,713,410	5,166,434
Contract costs incurred plus recognised profits less recognised losses to date	1,272,736,152	926,396,970	26,375,817	20,283,064
Less: Progress billings	(1,229,814,795)	(894,289,792)	(21,662,407)	(15,116,630)
	42,921,357	32,107,178	4,713,410	5,166,434

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	
	2010 RMB'000	2009 RMB'000
Ultimate holding company	61,671	22,996
Fellow subsidiaries	—	28,824
Associate	18,806	22,153
Jointly-controlled entity	218,270	14,678
	298,747	88,651

The amounts due to the ultimate holding company included in the gross amount due to contract customers are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Ultimate holding company	2,398	3,813

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

Notes to Financial Statements (continued)

31 December 2010

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	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	483,446	206,396	—	—
Trade receivables	56,487,677	40,913,148	5,620,458	1,411
Retention money receivables	7,916,181	6,131,065	5,995	6,895
Provision for impairment	(432,599)	(449,572)	—	—
	64,454,705	46,801,037	5,626,453	8,306
Portion classified as current assets	(56,531,428)	(44,895,969)	(848,701)	(8,306)
Non-current portion	7,923,277	1,905,068	4,777,752	—

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	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	53,586,386	39,018,091	5,619,047	—
6 months to 1 year	5,985,034	4,072,781	—	—
1 to 2 years	3,568,441	2,251,480	—	1,211
2 to 3 years	914,904	1,067,308	1,211	1,889
More than 3 years	399,940	391,377	6,195	5,206
	64,454,705	46,801,037	5,626,453	8,306

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	59,292,451	42,140,218	5,626,453	8,306
Past due but not impaired:				
Less than 3 months past due	613,145	665,770	—	—
3 to 6 months past due	825,614	314,828	—	—
Over 6 months past due	441,472	344,380	—	—
	61,172,682	43,465,196	5,626,453	8,306

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	
	2010 RMB'000	2009 RMB'000
At beginning of the year	449,572	537,250
Impairment/(reversal of impairment) for the year (net) *(note 7)*	14,102	(61,000)
Written off	(31,075)	(26,678)
At end of the year	432,599	449,572

The above provision for impairment of trade receivables is a provision for individually and collectively impaired trade receivables of RMB432,599,000 (2009: RMB449,572,000) with a carrying amount before provision for impairment of RMB3,714,622,000 (2009: RMB3,785,413,000). The individually and collectively 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.

Notes to Financial Statements (continued)

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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	
	2010	2009
	RMB'000	RMB'000
Ultimate holding company	2,156,905	26,358
Fellow subsidiaries	15,981	65,933
Associates	37,741	16,089
Jointly-controlled entity	1,400	26
	2,212,027	108,406

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	
	2010	2009
Effective interest rate	6.1%	5.4%

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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advances to suppliers	**28,132,730**	23,627,766	**1,351,365**	2,678,178
Prepayments	**71,874**	60,923	**—**	—
Deposits and other receivables, net of provision for impairment*	**21,995,343**	19,837,944	**36,441,437**	19,632,573
	50,199,947	43,526,633	**37,792,802**	22,310,751
Portion classified as current assets	**(50,128,073)**	(43,465,710)	**(37,792,802)**	(22,310,751)
Non-current portion	**71,874**	60,923	**—**	—

* Deposits and other receivables mainly represent bidding bonds, performance bonds and various deposits required for the Group's business operations.

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**21,574,954**	19,368,018	**36,441,437**	19,632,573

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	
	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**228,324**	249,988
Impairment/(reversal of impairment) for the year (net) *(note 7)*	**67,933**	(18,739)
Written off	**(19,645)**	(2,925)
At end of the year	**276,612**	228,324

The above provision for impairment of deposits and other receivables is a provision for individually impaired deposits and other receivables of RMB276,612,000 (2009: RMB228,324,000) with a carrying amount before provision for impairment of RMB697,001,000 (2009: RMB698,250,000). 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.

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The amounts due from jointly-controlled entities, associates and subsidiaries included in the above are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Jointly-controlled entities	412,027	274,287	195,318	258,107
Associates	136,250	39,831	169	—
Subsidiaries	—	—	36,944,174	20,768,136
	548,277	314,118	37,139,661	21,026,243

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	
	2010	2009
Effective interest rate	6.1%	5.4%

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Listed equity investments in Mainland China, at market value	75,490	97,339	44,163	53,967
Financial assets at fair value through profit or loss are analysed, by issuer, as follows:				
— Corporate entities	75,490	97,339	44,163	53,967
	75,490	97,339	44,163	53,967

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30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	57,923,004	49,006,623	2,839,013	4,135,490
Time deposits	7,283,588	15,945,630	1,658,251	10,880,408
	65,206,592	64,952,253	4,497,264	15,015,898
Less: Pledged bank balances for				
— Bills payable *(note 31)*	(2,726,843)	(1,887,370)	—	—
— Projects bidding	(1,136,470)	(694,685)	—	—
	(3,863,313)	(2,582,055)	—	—
Cash and cash equivalents in the statements of financial position	61,343,279	62,370,198	4,497,264	15,015,898
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(5,420,135)	(7,300,148)		
Cash and cash equivalents in the consolidated statement of cash flows	55,923,144	55,070,050		
Cash and bank balances and time deposits denominated in:				
— RMB	60,393,041	55,850,961	3,332,782	9,865,467
— United States dollars	1,035,122	3,440,970	263,327	2,397,477
— Hong Kong dollars	122,329	1,419,931	60,878	1,329,508
— Other currencies	3,656,100	4,240,391	840,277	1,423,446
	65,206,592	64,952,253	4,497,264	15,015,898

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.

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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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade and bills payables	142,621,223	103,222,970	775,491	602,189
Portion classified as current liabilities	(141,196,175)	(101,980,100)	(775,491)	(602,189)
Non-current portion	1,425,048	1,242,870	—	—

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	124,273,229	88,402,660	708,302	547,382
6 months to 1 year	13,950,266	11,701,720	7,111	24,533
1 to 2 years	3,547,448	2,338,794	43,530	21,998
2 to 3 years	607,484	430,251	16,548	8,276
More than 3 years	242,796	349,545	—	—
	142,621,223	103,222,970	775,491	602,189

The amounts due to a jointly-controlled entity, associates and subsidiaries included in trade and bills payables are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Jointly-controlled entity	301	—	—	—
Associates	131	4,863	—	—
Subsidiaries	—	—	415,053	183,035
	432	4,863	415,053	183,035

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered by the jointly-controlled entity, associates and subsidiaries to their major customers.

Notes to Financial Statements (continued)

31 December 2010

31. TRADE AND BILLS PAYABLES (continued)

The weighted average effective interest rate on non-current trade and bills payables is as follows:

	Group	
	2010	2009
Effective interest rate	6.1%	5.4%

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 Group's bills payable were secured by pledged bank balances of RMB2,726,843,000 (2009: RMB1,887,370,000) as at 31 December 2010 (note 30).

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Advances from customers	42,724,119	37,443,418	220,668	1,462,349
Accrued salaries, wages and benefits	6,882,289	6,471,076	38,453	33,733
Other taxes payable	4,717,665	2,836,834	—	—
Current portion of deferred revenue *(note 36)*	22,710	18,210	—	—
Others *	30,513,863	24,640,235	12,229,741	8,553,365
	84,860,646	71,409,773	12,488,862	10,049,447
Portion classified as current liabilities	(84,757,188)	(71,305,694)	(12,488,862)	(10,049,447)
Non-current portion	103,458	104,079	—	—

* Others mainly represent payables to sub-contractors for payments made on behalf of the Group, deposits received from sub-contractors, payables for the purchase of machinery and equipment and payables for repair and maintenance expenses.

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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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Ultimate holding company *(note (a))*	576,682	196,692	576,682	196,692
Fellow subsidiaries	2,638	109,333	—	—
Jointly-controlled entities	2,152,801	2,045,791	2,075,674	1,996,971
Associates	31,272	62,681	2,000	—
Subsidiaries	—	—	7,544,879	5,734,707
	2,763,393	2,414,497	10,199,235	7,928,370

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 translations 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 2010 and 2009.

The weighted average effective interest rate on non-current other payables is as follows:

	Group	
	2010	2009
Effective interest rate	6.1%	5.4%

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.

Notes to Financial Statements (continued)

31 December 2010

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Current						
Finance lease payables *(note 34)*	5.0 - 8.0	2011	223,496	320,337	—	—
Short term bank loans:						
— unsecured	1.8 - 6.8	2011	15,413,133	10,413,349	3,202,587	1,993,396
— secured	4.9 - 5.4	2011	304,922	61,100	—	—
Short term other loans:						
— unsecured	4.0 - 5.5	2011	524,616	66,018	—	—
Short term corporate bonds:						
— unsecured	3.5	2010	—	402,370	—	—
Current portion of long term bank loans:						
— unsecured	0.8 - 7.4	2011	823,563	901,354	97,756	222,708
— secured	5.9 - 6.8	2011	131,950	414,897	—	—
			17,421,680	12,579,425	3,300,343	2,216,104
Non-current						
Finance lease payables *(note 34)*	5.0 - 8.0	2012 - 2016	262,291	569,093	—	—
Long term bank loans:						
— unsecured	0.8 - 8.0	2012 - 2043	4,145,124	2,431,931	1,995,424	695,266
— secured	0.8 - 6.8	2012 - 2017	3,333,630	1,127,220	—	—
Long term other loans:						
— unsecured	2.6	2021	6,050	6,050	—	—
Long term corporate bonds:						
— unsecured	3.4 - 3.8	2012-2015	14,930,359	10,000,000	14,930,359	10,000,000
			22,677,454	14,134,294	16,925,783	10,695,266
			40,099,134	26,713,719	20,226,126	12,911,370
Interest-bearing bank and other borrowings denominated in:						
— RMB			34,064,746	22,875,029	14,930,359	10,100,000
— Euro			1,401,298	1,750,980	662,677	817,974
— Hong Kong dollars			—	8,926	—	—
— United States dollars			4,633,090	2,078,784	4,633,090	1,993,396
			40,099,134	26,713,719	20,226,126	12,911,370

Notes to Financial Statements (continued)

31 December 2010

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	16,673,568	11,790,700	3,300,343	2,216,104
In the second year	3,727,250	982,961	1,515,715	108,753
In the third to fifth years, inclusive	2,983,304	1,550,469	255,634	284,389
Beyond five years	768,200	1,025,721	224,075	302,124
	24,152,322	15,349,851	5,295,767	2,911,370
Other borrowings (including finance lease payables) repayable:				
Within one year	748,112	386,355	—	—
In the second year	119,468	337,062	—	—
In the third to fifth years, inclusive	132,806	199,159	—	—
Beyond five years	16,067	38,922	—	—
	1,016,453	961,498	—	—
Corporate bonds repayable:				
Within one year	—	402,370	—	—
In the second year	9,966,057	—	9,966,057	—
In the third to fifth years, inclusive	4,964,302	10,000,000	4,964,302	10,000,000
	14,930,359	10,402,370	14,930,359	10,000,000
	40,099,134	26,713,719	20,226,126	12,911,370

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	
	2010 *RMB'000*	2009 *RMB'000*
Property, plant and equipment *(note 15)*	66,512	616,445
Prepaid land lease payments	—	30,920
Intangible assets *(note 17)*	458,256	408,926
Properties under development *(note 25)*	6,804,044	1,618,275
Completed properties held for sale	2,622	2,622

Certain interest-bearing bank and other borrowings of the Company of approximately RMB82 million (2009: RMB127 million) were guaranteed by the subsidiaries of the Company as at 31 December 2010 (note 41(c)).

Other interest rate information:

Group

	2010		2009	
	Fixed rate *RMB'000*	Floating rate *RMB'000*	Fixed rate *RMB'000*	Floating rate *RMB'000*
Bank loans - unsecured	13,224,479	7,157,341	8,487,430	5,259,204
Bank loans - secured	125,900	3,644,602	649,205	954,012
Other borrowings - unsecured	485,787	—	7,050	65,018
Other borrowings - secured	65,648	465,018	889,430	—
Corporate bonds - unsecured	14,930,359	—	10,402,370	—

Company

	2010		2009	
	Fixed rate *RMB'000*	Floating rate *RMB'000*	Fixed rate *RMB'000*	Floating rate *RMB'000*
Bank loans - unsecured	3,433,349	1,862,418	2,220,211	691,159
Corporate bonds - unsecured	14,930,359	—	10,000,000	—

Notes to Financial Statements (continued)

31 December 2010

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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable:				
Within one year	**243,926**	364,332	**223,496**	320,337
In the second year	**156,738**	353,879	**146,845**	331,012
In the third to fifth years, inclusive	**113,335**	213,133	**105,444**	199,159
Beyond five years	**10,002**	39,831	**10,002**	38,922
Total minimum finance lease payments	**524,001**	971,175	**485,787**	889,430
Future finance charges	**(38,214)**	(81,745)		
Total net finance lease payables	**485,787**	889,430		
Portion classified as current liabilities *(note 33)*	**(223,496)**	(320,337)		
Non-current portion *(note 33)*	**262,291**	569,093		

The effective interest rates of the finance lease payables range from 5.0% to 8.0% (2009: 5.0% to 9.3%) 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 RMB665,271,000 (2009: RMB1,053,483,000) as at 31 December 2010 (note 15).

Notes to Financial Statements (continued)

31 December 2010

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 Waston Management Consulting (Shenzhen) Co., Ltd., 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Present value of defined benefit obligations	**5,429,470**	6,211,950	**38,470**	43,250
Unrecognised net actuarial loss	**(133,765)**	(74,210)	**(4,820)**	(6,470)
Defined benefit liabilities on the statements of financial position	**5,295,705**	6,137,740	**33,650**	36,780
Portion classified as current liabilities	**(948,740)**	(956,060)	**(5,640)**	(5,560)
Non-current portion	**4,346,965**	5,181,680	**28,010**	31,220

(b) The movements in the provision for early retirement benefits recognised in the statements of financial position are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net liabilities at beginning of the year	**6,137,740**	6,947,341	**36,780**	39,160
Benefits paid during the year	**(988,985)**	(1,003,401)	**(6,400)**	(6,020)
Net expense recognised in the consolidated income statement (note 9)	**146,950**	193,800	**—**	—
Net expense recognised in the Company's income statement	**—**	—	**3,270**	3,640
Net liabilities at end of the year	**5,295,705**	6,137,740	**33,650**	36,780

Notes to Financial Statements (continued)

31 December 2010

35. PROVISION FOR EARLY RETIREMENT BENEFITS (continued)

(c) The net expense recognised in the consolidated income statement of the Group is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Interest cost	**157,680**	135,400
Actuarial (gains)/losses	**(10,730)**	58,400
	146,950	193,800

(d) The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:

	Group	
	2010	2009
Discount rate	**3.5%**	2.8%
Medical cost trend rate	**8.0%**	8.0%
Early-retirees' salary inflation rate	**2.5%**	2.5%

(e) A one percentage point change in the assumed rate of increase in medical cost would have the following effects:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Increase in effect on the interest cost	**20**	10
Decrease in effect on the interest cost	**(20)**	(10)
Increase in effect on the defined benefit obligations	**660**	490
Decrease in effect on the defined benefit obligations	**(620)**	(460)

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	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**155,696**	175,514
Received during the year	**47,510**	4,020
Released to the consolidated income statement during the year *(note 6)*	**(24,273)**	(23,838)
Carrying amount at end of the year	**178,933**	155,696
Current portion included in other payables and accruals *(note 32)*	**(22,710)**	(18,210)
Non-current portion	**156,223**	137,486

37. PROVISION

The movements in the provision for pending litigation are as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**2,240**	2,898
Utilised during the year	**(2,240)**	(658)
At end of the year	**—**	2,240

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.

Notes to Financial Statements (continued)

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38. ISSUED SHARE CAPITAL

	2010 Number of shares '000	2010 Nominal value RMB'000	2009 Number of shares '000	2009 Nominal value RMB'000
Registered, issued and fully paid:				
— State legal person shares of RMB1.00 each	7,566,245	7,566,245	7,566,245	7,566,245
— A Shares of RMB1.00 each	2,695,000	2,695,000	2,695,000	2,695,000
— 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

A summary of the movements in the Company's issued share capital is as follows:

	2010 Number of shares '000	2010 Nominal value RMB'000	2009 Number of shares '000	2009 Nominal value RMB'000
At beginning of the year	12,337,542	12,337,542	12,337,542	12,337,542
State legal person shares converted into A Shares *(note (a))*	—	—	—	—
At end of the year	12,337,542	12,337,542	12,337,542	12,337,542

Notes:

(a) 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.

(b) On 2 March 2010, the 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 to be issued by the transfer of certain of its assets and by cash.

At the 2009 annual general meeting held on 18 June 2010, the Company's shareholders approved the aforesaid non-public issuance and placing of the new A Shares. The Company had filed its application for non-public issuance and placing and listing of A Shares to China Securities Regulatory Commission ("CSRC") upon conclusion of the annual general meeting. The application documents are currently under review by CSRC.

Notes to Financial Statements (continued)

31 December 2010

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 97 to 99 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*
As at 1 January 2009	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)
As at 31 December 2009	36,245,455	58,575	2,352,311	617,274	39,273,615
Total comprehensive income for the year	—	(55,698)	2,397,290	—	2,341,592
Transfer from retained earnings to reserve funds *(note 13)*	—	—	(238,262)	238,262	—
Consideration for the arrangement in relation to the Mecca Light Rail Project	2,077,000	—	—	—	2,077,000
Reversal of provision for provision for foreseeable losses of the Mecca Light Rail Project	686,595	—	—	—	686,595
Interim 2010 dividend declared *(note 13)*	—	—	(616,877)	—	(616,877)
Proposed final 2010 dividend *(note 13)*	—	—	(616,877)	—	(616,877)
As at 31 December 2010	39,009,050	2,877	3,277,585	855,536	43,145,048

Notes to Financial Statements (continued)

31 December 2010

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Acquisition of assets and liabilities*

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 the Sixth Continent for the primary purpose of acquiring certain assets and liabilities held by the 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 the Sixth Continent, thereby obtaining the effective control over the 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 the Six Continent.

The assets and liabilities of the Sixth Continent acquired by the Group as at the date of acquisition, on 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

Notes to Financial Statements (continued)

31 December 2010

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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jointly-controlled entities	**1,067,204**	1,137	**1,067,204**	1,137
Subsidiaries	**—**	—	**4,213,576**	7,989,661
An investee of the Company *(note (i))*	**117,600**	117,600	**117,600**	117,600
	1,184,804	118,737	**5,398,380**	8,108,398

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 RMB82 million (2009: RMB127 million) were guaranteed by the subsidiaries of the Company as at 31 December 2010 (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	
	2010	2009
	RMB'000	*RMB'000*
Within one year	**67,119**	112,065
In the second to fifth years, inclusive	**88,176**	161,267
Beyond five years	**—**	978
	155,295	274,310

Notes to Financial Statements (continued)

31 December 2010

42. COMMITMENTS (continued)

(b) Capital commitments

In addition to the operating lease commitments detailed above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Contracted, but not provided for:				
Property, plant and equipment	429,377	1,329,301	6,111	48,457
Intangible assets	7,581	—	—	—
Properties under development	320,644	—	—	—
Capital contribution payable to a subsidiary	—	—	594,100	919,100
Acquisition of a non-controlling interest in a subsidiary	—	242,000	—	—
Investment in an associate	195,950	—	195,950	—
	953,552	1,571,301	796,161	967,557
Authorised, but not contracted for:				
Property, plant and equipment	—	7,641,065	—	6,410,058
Properties under development	320,846	351,218	—	—
Capital contribution payable to a subsidiary	—	—	200,000	—
Available-for-sale investments	1,000,000	1,600,000	1,000,000	1,600,000
	1,320,846	9,592,283	1,200,000	8,010,058

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	
	2010	2009
	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 would 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 would 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.

On 28 May 2010, upon all of the terms and conditions of the offer having been satisfied, CRCC-Tongguan acquired 76,478,495 common shares, representing approximately 96.9% of the common shares of Corriente on a fully-diluted basis, at a price of Canadian dollars 8.60 in cash per common share, and CRCC-Tongguan paid the purchase consideration in the form of cash. As at 4 August 2010, CRCC-Tongguan completed the acquisition of the remaining 2,443,898 common shares of Corriente, representing approximately 3.1% of the common shares in issue, and fully paid the purchase consideration and has obtained the 100% equity interest of Corriente.

Notes to Financial Statements (continued)

31 December 2010

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	
	Notes	2010 RMB'000	2009 RMB'000
Construction operations revenue			
Fellow subsidiaries	(iv)	433,898	679,741
Associates		465,534	45,394
Jointly-controlled entity		1,365,885	2,270,048
Ultimate holding company	(iv)	203,571	53,196
		2,468,888	3,048,379
Survey, design and consultancy operations revenue			
Fellow subsidiary	(iv)	237	4,840
Ultimate holding company	(iv)	5,830	515
		6,067	5,355
Other income	(i)		
Jointly-controlled entities		76,074	166,516
		76,074	166,516
Finance revenue			
Jointly-controlled entity		—	5,578
		—	5,578
Operating expenses	(ii)		
Ultimate holding company	(iv)	29,821	29,821
Fellow subsidiaries	(iv)	69,876	54,324
Associate		100	668
Jointly-controlled entities		517,401	1,968,019
		617,198	2,052,832
Finance costs			
Jointly-controlled entity		5,222	—
		5,222	—

Notes to Financial Statements (continued)

31 December 2010

43. RELATED PARTY TRANSACTIONS (continued)

(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: *(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	
	2010	2009
	RMB'000	*RMB'000*
Jointly-controlled entities	**1,067,204**	1,137

(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.

(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	
	2010	2009
	RMB'000	*RMB'000*
Short term employee benefits	**11,298**	10,647
Post-employment benefits	**453**	452
	11,751	11,099

Notes to Financial Statements (continued)

31 December 2010

44. 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:

2010

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	—	1,295	—	—	1,295
Available-for-sale investments	—	—	—	2,622,211	2,622,211
Trade and bills receivables	—	—	64,454,705	—	64,454,705
Financial assets included in prepayments, deposits and other receivables	—	—	21,995,343	—	21,995,343
Financial assets at fair value through profit or loss	75,490	—	—	—	75,490
Pledged deposits	—	—	3,863,313	—	3,863,313
Cash and cash equivalents	—	—	61,343,279	—	61,343,279
	75,490	1,295	151,656,640	2,622,211	154,355,636

Financial liabilities	
Trade and bills payables	142,621,223
Financial liabilities included in other payables and accruals	30,513,863
Interest-bearing bank and other borrowings	40,099,134
	213,234,220

Notes to Financial Statements (continued)

31 December 2010

44. 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	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

Notes to Financial Statements (continued)

31 December 2010

44. 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)

2010

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	—	—	1,712,151	1,712,151
Trade receivables	—	5,626,453	—	5,626,453
Financial assets included in prepayments, deposits and other receivables	—	36,441,436	—	36,441,436
Financial assets at fair value through profit or loss	44,163	—	—	44,163
Cash and cash equivalents	—	4,497,264	—	4,497,264
	44,163	46,565,153	1,712,151	48,321,467

Financial liabilities	
Trade payables	775,491
Financial liabilities included in other payables and accruals	12,229,741
Interest-bearing bank and other borrowings	20,226,126
	33,231,358

Notes to Financial Statements (continued)

31 December 2010

44. 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	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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

Notes to Financial Statements (continued)

31 December 2010

45. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Held-to-maturity investments	**1,295**	6,684	**1,295**	6,684
Cash and cash equivalents	**61,343,279**	62,370,198	**61,343,279**	62,370,198
Pledged deposits, current portion	**3,863,313**	2,582,055	**3,863,313**	2,582,055
Trade and bills receivables	**64,454,705**	46,801,037	**64,266,647**	46,650,247
Financial assets included in prepayments, deposits and other receivables	**21,995,343**	19,837,944	**21,995,343**	19,837,944
Available-for-sale investments	**2,622,211**	2,053,113	**2,622,211**	2,053,113
Financial assets at fair value through profit or loss	**75,490**	97,339	**75,490**	97,339
	154,355,636	133,748,370	**154,167,578**	133,597,580
Financial liabilities				
Trade and bills payables	**142,621,223**	103,222,970	**142,475,742**	103,113,333
Financial liabilities included in other payables and accruals	**30,513,863**	24,640,235	**30,513,863**	24,640,235
Interest-bearing bank and other borrowings	**40,099,134**	26,713,719	**39,992,009**	26,465,089
	213,234,220	154,576,924	**212,981,614**	154,218,657

45. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(continued)*

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Cash and cash equivalents	**4,497,264**	15,015,898	**4,497,264**	15,015,898
Trade receivables	**5,626,453**	8,306	**5,626,453**	8,306
Financial assets included in prepayments, deposits and other receivables	**36,441,436**	19,632,573	**36,441,436**	19,632,573
Available-for-sale investments	**1,712,151**	1,172,951	**1,712,151**	1,172,951
Financial assets at fair value through profit or loss	**44,163**	53,967	**44,163**	53,967
	48,321,467	35,883,695	**48,321,467**	35,883,695
Financial liabilities				
Trade payables	**775,491**	602,189	**773,903**	601,322
Financial liabilities included in other payables and accruals	**12,229,741**	8,553,365	**12,229,741**	8,553,365
Interest-bearing bank and other borrowings	**20,226,126**	12,911,370	**20,152,544**	12,846,055
	33,231,358	22,066,924	**33,156,188**	22,000,742

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

Notes to Financial Statements (continued)

31 December 2010

45. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value:

Group

As at 31 December 2010

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments:				
Equity investments	273,760	—	—	273,760
Bond investments	13	—	—	13
Financial assets at fair value through profit or loss:				
Equity investments	75,490	—	—	75,490
	349,263	—	—	349,263

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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Assets measured at fair value: *(continued)*

Company

As at 31 December 2010

	Company Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	125,707	—	—	125,707
Financial assets at fair value through profit or loss:				
Equity investments	44,163	—	—	44,163
	169,870	—	—	169,870

As at 31 December 2009

	Company Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. The senior management of the Company meets at least four times a year to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Board of Directors of the Company holds meetings at least two times a year to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group did not use any derivatives and other instruments for hedging purposes and the Group did not hold or issue derivative financial instruments for trading purposes for the years ended 31 December 2010 and 2009. The Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 2010 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 RMB80 million (2009: RMB63 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 2010 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.

(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 2010 and 2009 in order to reduce the Group's exposure to foreign currency risk in this regard.

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk* (continued)

Details of the Group's cash and cash equivalents, pledged deposits, and interest-bearing bank and other borrowings as at 31 December 2010 are disclosed in notes 30 and 33 to the financial statements.

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 after tax (due to changes in the fair value of monetary assets and liabilities):

Effect on profit after tax

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit after tax 2010 RMB'000	2009 RMB'000
Increase in the United States dollar rate	2%	(51,900)	22,000
Decrease in the United States dollar rate	(2%)	51,900	(22,000)
Increase in the Euro rate	6%	(38,700)	(62,600)
Decrease in the Euro rate	(6%)	38,700	62,600
Increase in the Nigerian Naira rate	5%	2,200	39,800
Decrease in the Nigerian Naira rate	(5%)	(2,200)	(39,800)
Increase in the Algerian Dinar rate	4%	9,700	18,800
Decrease in the Algerian Dinar rate	(4%)	(9,700)	(18,800)
Increase in the Saudi Riyal rate	3%	10,800	25,300
Decrease in the Saudi Riyal rate	(3%)	(10,800)	(25,300)
Increase in the Hong Kong dollar rate	2%	1,700	22,900
Decrease in the Hong Kong dollar rate	(2%)	(1,700)	(22,900)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2010 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.

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) *Credit risk*

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. In addition, the Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41(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.

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 RMB466,284 million as at 31 December 2010, of which an amount of approximately RMB173,779 million has been utilised.

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Liquidity risk* (continued)

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted payments, was as follows:

Group

	2010					
	On demand *RMB'000*	**Within 1 year** *RMB'000*	**1 to 2 years** *RMB'000*	**3 to 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*
Finance lease payables *(note 34)*	—	243,926	129,361	140,698	10,016	524,001
Interest-bearing bank and other borrowings (excluding finance lease payables)	—	17,198,184	3,727,250	17,913,663	774,250	39,613,347
Trade and bills payables	—	141,196,175	1,030,172	381,198	13,678	142,621,223
Other payables	—	30,410,405	70,053	12,255	21,150	30,513,863
Interest payments on financial liabilities	—	1,142,215	582,314	790,393	70,475	2,585,397
Guarantees given to banks in connection with facilities granted to jointly-controlled entities and an investee	1,184,804	—	—	—	—	1,184,804
	1,184,804	190,190,905	5,539,150	19,238,207	889,569	217,042,635

	2009					
	On demand *RMB'000*	**Within 1 year** *RMB'000*	**1 to 2 years** *RMB'000*	**3 to 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*
Finance lease payables *(note 34)*	—	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

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) *Liquidity risk* (continued)

Company

	2010					
	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	—	3,300,343	1,515,715	15,185,993	224,075	20,226,126
Trade payables	—	775,491	—	—	—	775,491
Other payables	—	12,229,741	—	—	—	12,229,741
Interest payments on financial liabilities	—	605,924	411,417	693,473	473	1,711,287
Guarantees given to banks in connection with facilities granted to jointly-controlled entities, subsidiaries and an investee	5,398,380	—	—	—	—	5,398,380
	5,398,380	16,911,499	1,927,132	15,879,466	224,548	40,341,025

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 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

46. 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 2010, 43.4% of the Group's borrowings would mature in less than one year (2009: 47.1%) based on the carrying value of the borrowings reflected in the financial statements.

(e) *Capital management*

The Group's primary objectives for 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 2010 and 2009.

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 non-controlling interests stated in the consolidated statement of financial position.

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 periods were as follows:

Notes to Financial Statements (continued)

31 December 2010

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) *Capital management*

	Group	
	2010	2009
	RMB'000	*RMB'000*
Trade and bills payables *(note 31)*	**142,621,223**	103,222,970
Other payables and accruals *(note 32)*	**37,396,152**	31,111,311
Interest-bearing bank and other borrowings *(note 33)*	**40,099,134**	26,713,719
Less: Cash and cash equivalents *(note 30)*	**(61,343,279)**	(62,370,198)
Less: Pledged deposits *(note 30)*	**(3,863,313)**	(2,582,055)
Net debt	**154,909,917**	96,095,747
Total equity	**58,231,420**	54,079,233
Total equity and net debt	**213,141,337**	150,174,980
Gearing ratio	**73%**	64%

47. EVENTS AFTER THE REPORTING PERIOD

(a) Since February 2011, political turbulence and violence broke out in Libya, which was then followed by internal wars. Consequently the Group's three construction projects located in Libya performed for the Libya government have been suspended. The Group's employees in Libya have all been evacuated safely from Libya. However, the Group is uncertain of the protection and preservation of the on-site completed project portion, property, plant and equipment, and inventories, and the damages or losses that may happen to such assets.

In the opinion of the Group, the events mentioned above occurred after 31 December 2010, and hence were events after the balance sheet date. Accordingly, in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010, no provision has been made for any losses or damages that may arise from such events. The Group will timely assess the potential losses of such projects that may arise based on the latest situation in Libya.

(b) Save as aforesaid, no other significant events took place subsequent to 31 December 2010.

48. COMPARATIVE AMOUNTS

As further explained in note 3.1 to the financial statements, due to the adoption of the 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.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2011.

Other Financial Information

1. FINANCIAL HIGHLIGHTS PREPARED UNDER IFRSs

Consolidated Income Statement	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Revenue	**456,338,931**	344,976,225	219,410,188	171,997,410	153,608,974
Cost of sales	**(428,647,118)**	(322,427,811)	(203,607,081)	(160,598,330)	(144,012,964)
Gross profit	**27,691,813**	22,548,414	15,803,107	11,399,080	9,596,010
Other income and gains, net	**856,180**	1,114,168	413,110	612,945	185,868
Selling and distribution costs	**(1,530,989)**	(1,016,376)	(848,886)	(696,113)	(893,106)
Administrative expenses	**(19,599,242)**	(13,896,993)	(9,384,169)	(6,736,186)	(6,002,090)
Other expenses	**(765,447)**	(118,358)	(1,459,610)	(210,599)	(448,343)
	6,652,315	8,630,855	4,523,552	4,369,127	2,438,339
Profit from operations and finance revenue	**777,031**	895,460	1,324,847	652,160	546,587
Finance costs	**(1,190,713)**	(1,219,712)	(1,269,715)	(1,272,223)	(909,326)
Share of profits and losses of:					
Jointly-controlled entities	**(7,856)**	(1,234)	15,656	14,624	25,535
Associates	**9,726**	2,030	(25,495)	24,010	(2,888)
Profit before tax	**6,240,503**	8,307,399	4,568,845	3,787,698	2,098,247
Tax	**(1,923,867)**	(1,575,694)	(862,554)	(1,481,766)	(596,289)
Profit for the year	**4,316,636**	6,731,705	3,706,291	2,305,932	1,501,958
Attributable to:					
Owners of the Company	**4,246,221**	6,599,072	3,643,843	2,300,770	1,212,950
Minority interests	**70,415**	132,633	62,448	5,162	289,008
	4,316,636	6,731,705	3,706,291	2,305,932	1,501,958
Distributions/dividend distributions	**—**	—	—	4,684,989	305,142
Proposed final dividends	**616,877**	1,974,007	1,233,754	—	—
	616,877	1,974,007	1,233,754	4,684,989	305,142
Earnings per share attributable to owners of the Company:					
Basic	**34.42 cents**	53.49 cents	32.42 cents	28.76 cents	15.16 cents
Diluted	**N/A**	N/A	N/A	N/A	N/A

Other Financial Information (continued)

1. FINANCIAL HIGHLIGHTS PREPARED UNDER IFRSs (continued)

The consolidated total assets and the total liabilities of the Group as at 31 December 2006, 2007, 2008, 2009 and 2010 are summarised as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2006 RMB'000
Total assets	**350,194,015**	282,990,267	220,101,535	156,877,781	124,549,726
Total liabilities	**291,962,595**	228,911,034	171,800,272	151,603,943	120,861,957
Net assets	**58,231,420**	54,079,233	48,301,263	5,273,838	3,687,769

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	2010 RMB'000	2009 RMB'000
Profit from operations	**5,839,623**	8,193,531
Total profit	**6,088,759**	8,307,399
Net profit attributable to owners of the Company	**4,246,221**	6,599,072
Net profit excluding non-recurring gains or losses items attributable to owners of the Company	**3,929,571**	6,195,112
Net cash flows from operating activities	**6,252,570**	17,474,452

Other Financial Information (continued)

2. FINANCIAL HIGHLIGHTS PREPARED UNDER CHINA ACCOUNTING STANDARDS (continued)

Non-recurring gains or losses items

	Increase/ (decrease) in net profit for 2010 *RMB'000*	Increase/ (decrease) in net profit for 2009 *RMB'000*
Gains/(Losses) from disposal of fixed assets, intangible assets and other non-current assets	**7,689**	(44,368)
Disposal of gains from long-term equity investments	**56,796**	122,060
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)	**82,733**	90,018
Gains or losses from debt restructuring	**11,853**	2,358
Gains/(Losses) from changes in the fair value generated from the holding of transactional financial assets	**(20,410)**	11,907
Investment gains from disposal of transactional financial assets and available-for-sale financial assets	**25,380**	19,728
Reversal of the provision for the impairment of receivables subject to separate impairment tests	**118,299**	281,876
Other non-operating income/expense, excluding the aforesaid items	**146,861**	65,860
	429,201	549,439
Impact of income tax on non-recurring gains or losses	**(107,300)**	(137,360)
Impact of non-recurring gains or losses attributable to minority interests	**(5,251)**	(8,119)
Net effect of non-recurring gains or losses	**316,650**	403,960

Other Financial Information (continued)

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 2010

Major accounting information and financial indicators	2010 *RMB'000*	2009 *RMB'000*	Year-on-year increase/ (decrease) *%*
Revenue from operations	470,158,793	355,520,769	32.25
Total profit	6,088,759	8,307,399	(26.71)
Net profit attributable to owners of the Company	4,246,221	6,599,072	(35.65)
Net profit excluding non-recurring gains or losses attributable to owners of the Company	3,929,571	6,195,112	(36.57)
Basic earnings per share *(RMB)*	0.34	0.53	(35.85)
Diluted earnings per share *(RMB)*	N/A	N/A	N/A
Basic earnings per share after deduction of non-recurring gains or losses *(RMB)*	0.32	0.50	(36.00)
Return on net assets, weighted average *(%)*	7.85	13.12	(40.17)
Return on net assets after deduction of non-recurring gains or losses, weighted average *(%)*	7.26	12.31	(41.02)
Net cash flows from operating activities	6,252,570	17,474,452	(64.22)
Net cash flows per share from operating activities *(RMB)*	0.51	1.42	(64.08)
Total assets	350,194,015	282,990,267	23.75
Equity attributable to owners of the Company	57,403,314	53,265,485	7.77
Net assets per share attributable to the owners of the Company *(RMB)*	4.65	4.32	7.64

3. ANALYSIS OF THE DIFFERENCE BETWEEN THE FINANCIAL INFORMATION PREPARED UNDER IFRSS AND CHINA ACCOUNTING STANDARDS

Item	Net profit for the year ended 31 December		Net assets at 31 December	
	2010 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*
Prepared in accordance with China Accounting Standards	4,316,636	6,731,705	58,231,420	54,079,233
Prepared in accordance with IFRSs	4,316,636	6,731,705	58,231,420	54,079,233

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中國鐵建股份有限公司
China Railway Construction Corporation Limited