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

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

(Stock Code: 390)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors of China Railway Group Limited (the “**Company**” or “China Railway”) is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2008.

1 CORPORATE INFORMATION

Basic Information

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

Contact Details

Name: YU Tengqun

Address: No. 26 Lianhuachi Nanli, Fengtai District, Beijing, China

Postal Code: 100055

Telephone: 86-10-5184 5717

Facsimile: 86-10-5184 2057

E-mail: ir@crec.cn

2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

2.1 Key Accounting Data and Financial Indicators Prepared under International Financial Reporting Standard (“IFRS”)

2.1.1 Income Statement Summary

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

2.1.2 Balance Sheet Summary

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

2.2 Differences between Chinese Accounting Standard (“CAS”) and IFRS

	Net assets as at 31 December 2008 <i>RMB million</i>	Net profit for 2008 <i>RMB million</i>
Amount stated in the financial statements prepared in accordance with CAS	61,095	1,434
Adjustments as required by IFRS:		
— Recognition of loss on shares conversion scheme of a subsidiary	(171)	—
— Disposal of partial shareholdings in subsidiary	—	237
— Others	—	(2)
Amount stated in the financial statements prepared in accordance with IFRS	60,924	1,669

3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 Changes in Share Capital

Unit: Shares

	Before movement		Increase/decrease (+/-)					After movement	
	Number of Shares	Percentage (%)	New Issue	Bonus Issue	Conversion	Others	Sub-total	Number of Shares	Percentage (%)
					from Reserves				
(1) Shares with selling restrictions									
1. State-owned shares	12,417,510,000	58.30	0	0	0	0	0	12,417,510,000	58.30
2. Shares held by state-owned legal persons				0					
3. Shares held by other domestic investors	1,402,550,000	6.58	0	0	0	-1,402,550,000	-1,402,550,000	0	0
Of which:									
Shares held by domestic non-state-owned legal persons	1,402,550,000	6.58	0	0	0	-1,402,550,000	-1,402,550,000	0	0
Shares held by domestic natural persons									
4. Shares held by foreign investors	550,172,000	2.58	0	0	0	-550,172,000	-550,172,000	0	0
Of which:									
Shares held by foreign legal persons	550,172,000	2.58	0	0	0	-550,172,000	-550,172,000	0	0
Shares held by foreign natural persons									
Total number of shares with selling restrictions	14,370,232,000	67.46	0	0	0	-1,952,722,000	-1,952,722,000	12,417,510,000	58.30
(2) Tradable shares without selling restrictions									
1. RMB-denominated ordinary shares	3,272,450,000	15.37	0	0	0	+1,402,550,000	+1,402,550,000	4,675,000,000	21.95
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	3,657,218,000	17.17	0	0	0	+550,172,000	+550,172,000	4,207,390,000	19.75
4. Others									
Total number of tradable shares without selling restrictions	6,929,668,000	32.54	0	0	0	+1,952,722,000	+1,952,722,000	8,882,390,000	41.70
(3) Total	21,299,900,000	100.00						21,299,900,000	100.00

3.2 Number of Shareholders and Their Shareholdings

As at 31 December 2008, the Company had a total of 1,137,922 shareholders, of which 1,103,690 were holders of A Shares (including China Railway Engineering Corporation (“CRECG”)) and 34,302 were holders of H Shares.

3.2.1 Top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shares with selling restrictions	Number of pledged or frozen shares
1 CRECG	State-owned	58.30	12,417,510,000	0	12,417,510,000	0
2 HKSCC Nominees Limited (<i>Note 1</i>)	Other	19.44	4,139,935,043	+35,766,043	0	0
3 Bank of Communications — Yi Fang Da 50 Index Security Investment Fund	Other	0.29	61,800,740	+61,800,740	0	0
4 Industrial and Commercial Bank of China — Exchange-traded Open-ended SSE 50 Index Security Investment Fund	Other	0.22	47,127,592	+47,127,592	0	0
5 China Life Insurance Company Limited — Bonus — Individual Bonus — 005L — FH002 Hu	Other	0.22	46,740,639	+30,471,639	0	0
6 Bank of China — Invesco Great Wall Top Revenue Open-ended Security Investment Fund	Other	0.18	37,417,156	+19,617,156	0	0
7 China Construction Bank — ABN AMRO TEDA Fair Value Excellent Pick Security Investment Fund	Other	0.17	35,184,483	+23,579,483	0	0
8 Industrial and Commercial Bank of China — Boseru Elaborate Pick Security Investment Fund	Other	0.16	33,999,866	+33,999,866	0	0
9 Bank of China — Jia Shi SSE-SZSE Index Security Investment Fund	Other	0.15	32,360,885	+32,360,885	0	0
10 Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Fund	Other	0.14	30,689,015	+8,069,278	0	0

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

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

Note 1: H Shares held by HKSCC Nominees Limited are held on behalf of various clients.

Note 2: The number shown in the table are based on the register of members of the Company as at 31 December 2008.

3.2.2 Top ten shareholders without selling restrictions

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

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

3.2.3 Top ten shareholders with selling restrictions

Unit: Shares

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

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

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

As at 31 December 2008, the substantial shareholders and other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) are as follow:

Holder of A Shares

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

Holders of H Shares

Name of Substantial Shareholders	Capacity	Number of H Shares held	Nature of Interest	Approximate Percentage of Issued H Shares (%)	Approximate Percentage of Total Issued Shares (%)
National Council for Social Security Fund of the PRC	Beneficial owner	382,490,000	Long position	9.09	1.80
Lehman Brothers Holdings Inc. (Note 1)	Interest of controlled corporations	210,186,560	Long position	5.00	0.99
	Interest of controlled corporations	94,560,550	Short position	2.25	0.44
Barclays PLC (Note 2)	Interest of controlled corporations	310,888,000	Long position	7.39	1.46
	Interest of controlled corporations	6,613,000	Short position	0.16	0.03
Deutsche Bank Aktiengesellschaft (Note 3)	Beneficial owner	151,776,880	Long position		
	Investment manager	19,513,000	Long position		
	Person having a security interest in shares	70,566,587	Long position		
	Total	<u>241,856,467</u>		<u>5.75</u>	<u>1.14</u>
	Beneficial owner	86,994,473	Short position		
	Investment manager	100,000	Short position		
	Person having a security interest in shares	51,972,000	Short position		
	Total	<u>139,066,473</u>		<u>3.31</u>	<u>0.65</u>

Notes :

- According to the Corporate Substantial Shareholder Notice filed by Lehman Brothers Holdings Inc. with the Hong Kong Stock Exchange dated 18 September 2008, Lehman Brothers Holdings Inc. wholly owns Lehman Brother Holdings Plc. which in turn wholly owns Lehman Brothers International (Europe) (which held 59,870,550 H Shares of the Company and 67,870,550 short position in H Shares of the Company); Lehman Brothers Holdings Inc. wholly owns Lehman Brothers Inc. (which held 26,551,000 H Shares of the Company and 26,551,000 short position in H Shares of the Company) and Lehman Brothers Finance S.A. (which held 123,652,010 H-shares of the Company and 60,000 short position in H-shares of the Company) as well. Lehman Brother Holdings Inc. also controls LBCCA Holdings I LLC. and LBCCA Holdings II LLC., both of which in turn jointly wholly-own Lehman Brothers Commercial Corporation Asia Limited (which held 113,000 H Shares of the Company and 79,000 short position in H Shares of the Company). Accordingly, Lehman Brothers Holdings Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.

2. According to the Corporate Substantial Shareholder Notice filed by Barclays PLC with the Hong Kong Stock Exchange dated 29 December 2008, Barclays Global Investors UK Holdings Limited, an indirect subsidiary of Barclays PLC, indirectly wholly owns Barclays Global Investors (Deutschland) AG (which held 379,000 H Shares of the Company), Barclays Global Investors Ltd (which held 28,103,000 H Shares of the Company) and Barclays Global Investors, N.A. (which held 12,249,000 H Shares of the Company and 6,613,000 short position in H Shares of the Company). Barclays Global Investors, N.A. in turn wholly owns Barclays Fund Advisors (which held 270,157,000 H Shares of the Company). Accordingly, Barclays PLC is deemed interested in the long positions and short positions held by each of the entities as set out above.
3. According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 16 December 2008, Deutsche Bank Aktiengesellschaft exercises 100% control over the following entities and accordingly is deemed interested in the long positions and short positions held by each of such entities: DB Valoren S.a.r.l., Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Asset Management (Asia) Limited, DB Capital Markets (Deutschland) GmbH, Deutsche Asset Management International GmbH, Deutsche Asset Management Investmentgesellschaft GmbH, DWS Holding & Service GmbH, DWS Investment GmbH, Deutsche Bank Luxembourg S.A. and DWS Investment S.A., Luxembourg.

Save as disclosed above, as of 31 December 2008, no person or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited under Divisions 2 and 3 of Part XV of the SFO.

3.4 Information on Ultimate Controlling Shareholder

3.4.1 Change in the ultimate controller during the year

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

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

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

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

4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Brief Particulars of Directors, Supervisors and Senior Management

4.1.1 Directors of the Company

Name	Position	Gender	Age	Term	Shares held		Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB'000) <i>(Note)</i>	Whether received remuneration from the shareholder entities or other connected entities
					at the beginning of year	Shares held at year end			
SHI Dahua	Chairman, Executive Director	Male	57	12 September 2007– 12 September 2010	0	100,000 (A Shares)	Secondary market acquisition	786	No
LI Changjin	President, Executive Director	Male	50	12 September 2007– 12 September 2010	0	105,700 (A Shares)	Secondary market acquisition	548	No
BAI Zhongren	Vice President, Chief Economist, Executive Director	Male	48	12 September 2007– 12 September 2010	0	100,000 (A Shares)	Secondary market acquisition	509	No
WANG Qiuming	Non-executive Director	Male	56	12 September 2007– 12 September 2010	0	0	—	497	No
HE Gong	Independent Non-executive Director	Male	65	12 September 2007– 12 September 2010	0	0	—	267	No
ZHANG Qinglin	Independent Non-executive Director	Male	66	12 September 2007– 12 September 2010	0	0	—	267	Yes
WANG Taiwen	Independent Non-executive Director	Male	62	12 September 2007– 12 September 2010	0	0	—	267	Yes
GONG Huazhang	Independent Non-executive Director	Male	63	12 September 2007– 12 September 2010	0	0	—	267	Yes
SUN Patrick	Independent Non-executive Director	Male	50	12 September 2007– 12 September 2010	0	0	—	267	Yes

4.1.2 Supervisors of the Company

Name	Position	Gender	Age	Term	Shares held at the beginning of year	Shares held at year end	Reasons for changes	Total remuneration received from the Company during the year (before tax, in RMB'000) (Note)	Whether received remuneration from the shareholder entities or other connected entities
GAO Shutang	Chairman	Male	60	12 September 2007– 12 September 2010	0	100,000 (A Shares)	Secondary market acquisition	512	Yes
JI Zhihua	Supervisor	Male	47	12 September 2007– 12 September 2010	0	0	—	320	No
ZHANG Xixue	Supervisor	Male	56	12 September 2007– 12 September 2010	0	0	—	313	No
ZHOU Yuqing	Supervisor	Male	58	12 September 2007– 12 September 2010	0	0	—	313	No
LIN Longbiao	Supervisor	Male	51	12 September 2007– 12 September 2010	0	0	—	306	No

1. During the reporting period, the remuneration of Directors, Supervisors, senior management (excluding independent directors) received from the Company included the contribution to their pension scheme made by the Company;
2. During the reporting period, the total remuneration of the five independent directors of the Company received from the Company included the remuneration for 2008 of RMB200,000 and the additional remuneration for the period between September 2007 and December 2007 of RMB66,700 paid in 2008.

4.2 Remuneration Policy for Directors, Supervisors and Senior Management

The cash portion of the remuneration of the directors currently consists of a fixed monthly salary and a performance-linked annual bonus. The award of the performance-linked annual bonus is tied to the attainment of key performance indicators or targets. Remuneration of the directors is determined with reference to the prevailing market conditions.

5 MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Review and Prospects

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

Financial Results

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

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

Business Development

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

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

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

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

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

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

Corporate Governance

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

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

Prospective Outlook

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

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

leading position in the survey, design and consulting services industry. In addition, the Group will endeavor to enhance the overall utilization efficiency of industrial resources and further accelerate the development of industrial and manufacturing business, with an aim to boost and further expand our market share.

In the coming year, with the financial support from capital markets, the Group will optimize its internal control system and quality management, earnestly build up the “China Railway” brand, reduce operating cost, increase efficiency and create favorable returns for our domestic and overseas shareholders.

5.2 Overview

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

A comparison of the financial results for 2008 and 2007 is set forth below.

5.3 Consolidated Results of Operations

Revenue

The Group is mainly engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. The Group’s total revenue increased by 26.9% from RMB177.391 billion for 2007 to RMB225.029 billion for 2008. The increase in the Group’s revenue was primarily attributable to the increase in the volume of infrastructure construction projects benefiting from the increased investment in infrastructure construction in the PRC. In 2008, the value of new contracts increased by 72.4% year-on-year to RMB428.45 billion. As compared with 2007, contract backlog increased by 12.6% to RMB243.641 billion in 2008.

Cost of Sales and Gross Profit

The Group’s cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2008, the

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

Other Income

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

Other Gains and Losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables and available-for-sale financial assets, foreign exchange losses, increase/decrease in the fair value of held-for-trading financial assets, gains on disposal of interests in subsidiaries and gains and losses on disposal of fixed assets. The other losses of RMB4.232 billion in 2008 was primarily due to the exchange loss of the proceeds from the H share offering of RMB4.137 billion (2007: RMB247 million), decrease in the fair value of held-for-trading financial assets of RMB282 million (2007: increase by RMB166 million) and the gains from the partial disposal of the shares of two mining companies of RMB316 million (2007: RMB518 million).

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2008, the Group's selling and marketing expenses amounted to RMB933 million, roughly the same as the RMB932 million of 2007. With the marketing expenses as a percentage of the total revenue dropping from 0.5% for 2007 to 0.4% for 2008, the Group's efforts on cost control have obtained noticeable results.

Administrative Expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2008, the Group's administrative expenses increased by 6.6% to RMB9.499 billion from RMB8.913 billion of last year. Administrative expenses as a percentage of revenue dropped from 5.0% for 2007 to 4.2% for 2008, which reflects noticeable results of the Group's administrative expenses

control and management efficiency. In the future, the Group will further optimize the administrative cost through various measures such as streamlining the levels of management and enhancing project management capabilities.

Interest Income

In 2008, the interest income increased by 61.0% to RMB1.581 billion from RMB982 million for 2007. The increase in the interest income was primarily due to that: 1) the retention receivables increased to RMB14.521 billion for 2008 from RMB10.395 billion for 2007, and the accrued interest income correspondingly increased to RMB330 million for 2008 from RMB191 million for 2007 as a result of the expansion of the Group's business scale; 2) the interest income increased to RMB1.174 billion for 2008 from RMB556 million for 2007 as a result of the completion of the initial public offering of the Company in the fourth quarter of 2007.

Interest Expenses

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

Profit before Taxation

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

Income Tax Expense

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

Minority Interests

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

Profit Attributable to the Equity Holders of the Company

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

5.4 Segment Results

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

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

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

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

³ Inter-segment transactions are eliminated.

Infrastructure Construction Business

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

Survey, Design and Consulting Services Business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated “one-stop” solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. In 2008, segment revenue of survey, design and consulting services increased by 28.3% to RMB4.354 billion from RMB3.394 billion for last year, primarily due to the government’s vast investment in infrastructure construction and the commencement of a number of projects, which provided excellent opportunities for the development of the Group’s survey, design and consulting services business. The operating profit for 2008 increased to RMB494 million from RMB234 million for 2007 and the operating profit margin for the segment increased to 11.3% as compared with 6.9% for 2007, mainly attributable to lowered management expenses as a result of satisfactory project management.

Engineering Equipment and Component Manufacturing Business

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

Property Development Business

Revenue from the Group’s property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2008, revenue from property development business increased by 15.9% to RMB3.805 billion from RMB3.282 billion for 2007. Operating profit increased by 12.7% to RMB566 million from RMB502 million for 2007, while operating profit margin decreased from 15.3% for 2007 to 14.9% for 2008. The slight decrease in operating profit margin for 2008 is primarily due to the slow down of the property market’s growth as dragged down by the change in macro economic situation. Nevertheless, such impact was partly offset by the sales of projects with relatively low land costs and high selling prices, such as the southern square of the Beijing West Railway Station and the Noble Garden in Shenzhen, in the first half of 2008.

Other businesses

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

5.5 Cash Flow

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

Capital Expenditure

The capital expenditure of the Group primarily comprises of expenditure on purchases of equipment and upgrading of the Group's production facilities. In order to cope with the further expansion of the Group's businesses, the Group increased its capital expenditure in 2008, particularly purchase of advanced equipment such as tunnel boring machines and investment in BOT projects, which will benefit the Group's continued efforts to expand its business and improve its competitiveness.

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

For the year ended 31 December 2008	Infrastructure construction <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
Fixed assets, plant and equipment	5,174	274	634	174	1,316	7,572
Investment property	10	—	—	61	31	102
Intangible assets	133	24	—	19	6,535	6,711
Mining assets	—	—	—	—	146	146
Acquisition of subsidiaries	—	—	—	397	89	486
Total	<u>5,317</u>	<u>298</u>	<u>634</u>	<u>651</u>	<u>8,117</u>	<u>15,017</u>

Working Capital

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

The Group's inventories and property under development for sale increased by 76.9% and 60.0% respectively from RMB10.448 billion and RMB11.246 billion as at the end of 2007 to RMB18.482 billion and RMB17.996 billion as at the end of 2008. The increase was primarily due to: 1) the increase in the purchase of raw materials and consumables in response to the growth of the infrastructure construction business and the engineering equipment and component manufacturing business; and 2) the increase in inventory levels as a result of the increase in properties under development with the growth of the Group's property development business. The Group's inventory turnover days of 25 days in 2008 remained at the similar level as in 2007. At the end of 2008, the Group's trade and bills receivables increased by 25.2% from RMB40.484 billion as at the end of 2007 to RMB50.685 billion as at the end of 2008, among which, the balance of retention receivables as at the end of 2008 significantly increased by 39.7% from RMB10.395 billion as at the end of 2007 to RMB14.521 billion due to the rapid business expansion. According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of

less than 6 months and the trade and bills receivables of more than one year accounted for 19.0% (2007: 17.4%) of the total receivables, which reflected the sound receivables management capability of the Group.

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

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. As the Group's business scale expanded, the Group's trade and bills payables increased by 23.9% from RMB54.132 billion as at the end of 2007 to RMB67.075 billion. The number of turnover days of 105 days in 2008 remained at the similar level as in 2007. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 12.5% (2007: 11.6%) of the total payables.

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

5.6 Borrowings

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

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

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

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

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

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

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

	Borrowings in US dollars	Borrowings in Euros	Borrowings in other currencies
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
As at 31 December 2008	<u>1,015</u>	<u>632</u>	<u>20</u>
As at 31 December 2007	<u>645</u>	<u>750</u>	<u>68</u>

As at 31 December 2008, approximately RMB11.165 billion (as at 31 December 2007: RMB6.600 billion) of total bank loans were pledged by assets of the Group with an aggregate value of RMB17.384 billion (as at 31 December 2007: RMB3.150 billion). As at 31 December 2008, the Group had unutilized credit facilities with an aggregate amount of approximately RMB75.562 billion (as at 31 December 2007: RMB70.221 billion).

In 2008, the Group's gearing ratio (total liabilities/total assets) was 75.8%, an increase of 3.4 percentage points as compared with 2007; the Group's total borrowings/(total borrowings and total equity) ratio was 46.7%, an increase of 7.4 percentage points as compared with 2007. Such increase was primarily attributable to the fact that the Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and through borrowings in case of any deficiencies. As a result of the changes in the financial market during 2008, the efficiency and return rate of the funds can be increased through the utilization of bank loans with a lower funding cost as the Group's working capital. During the past financial reporting periods, apart from applying the proceeds arising from the A-share offering and the global offering of the Company's shares to working capital, the Group primarily relied on operating income, bank loans and the issuance of debentures to finance the Group's working capital requirements. The Group will continue to rely on internally generated funds, and intends to utilize the financial instruments currently available to the Group (for example, issuing debentures, short-term bonds, bills and other convertible securities) and the Group's credit history with banks to secure financing for business development. The Group will continue to adjust its financing policies and centralize cash management to minimize financing costs and shorten liquidity turnover period, thereby utilizing operating capital more efficiently. The Group's cash and cash equivalents were primarily denominated in Renminbi, with foreign currencies denominated in US dollars and Hong Kong dollars.

5.7 Contingent Liabilities

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

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

Notes:

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

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

- (b) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

In addition to the above, the Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. These financial guarantees have been stated at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the unamortised fair value of these financial guarantees. The maximum exposure of these financial guarantees to the Group is as follows.

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

5.8 Business Risks

The Group is exposed to a variety of business risks, including market risk, operational risk, management risk, policy risk, financial risk, investment risk, interest rate risk and foreign exchange risk arising in the ordinary course of business.

Market Risk

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

Operational Risk

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

Management Risk

The Group's complicated organizational structure and incapability to completely control all the actions of its non-wholly-owned subsidiaries could result in management risks.

Policy Risk

Changes in the administration system of foreign exchange and PRC government policies of preferential taxation, and real estate industry could adversely impact on the Group.

Financial Risk

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

Investment Risk

Investment risk is mainly associated with advance payments for projects, decrease of non-governmental investment in infrastructure construction projects resulting from changes in policies, and significant outlay of our working capital over extended periods.

Interest Rate Risk

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

Foreign Exchange Risk

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

6 SIGNIFICANT EVENTS

6.1 Material litigation and arbitration

During the reporting period, the progress of the material litigation, which had previously been disclosed by the Company, in respect of the guarantee provided by China Railway Construction Group Co., Ltd. (“China Railway Construction”) for the loan of RMB220 million of Shenzhen Wanghai Yikang Industry Development Co., Ltd. (“Wanghai Yikang”) lent by Shenzhen Development Bank Co., Ltd., Shenzhen Bao’an Sub-branch is as follows:

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

On 19 January 2009, China Railway Construction entered into a written agreement with Shenzhen Lvgem Co., Ltd. (“Lvgem Group”), Shenzhen Lvgem Estate Development Co., Ltd. (“Lvgem Estate Development”), Shenzhen Jinshunlai Investment Co., Ltd. (“Shenzhen Jinshunlai”), Wanghai Yikang and Wanghai Yikang Restructuring Office relating to the release of China Railway Construction from its guarantee responsibility or the replacement of the guarantor, and the counter-guarantee. The parties to the agreement agreed to replace the guarantee provided by China Railway Construction for the loan of RMB220 million of Wanghai Yikang lent by Shenzhen Development Bank, by pre-selling the properties of the Zhong Cheng Tian Yi project owned by Lvgem Estate Development to Shenzhen Development Bank or by other manner, and Shenzhen Bao’an Sub-branch shall issue the letter of release from the guarantee responsibility to China Railway Construction. Shenzhen Lvgem Group, Lvgem Estate Development and Shenzhen Jinshunlai had undertaken joint liabilities to provide counter-guarantee to China Railway Construction until the guarantee responsibility of China Railway Construction has been released. If China Railway Construction discharges its guarantee responsibility to Shenzhen Bao’an Sub-branch, China Railway Construction shall be entitled to claim for the full amount so discharged from any of the three counterparties to the aforementioned agreement.

On 20 February 2009, Shenzhen Bao'an Sub-branch has delivered the Letter of Release of Guarantee to China Railway Construction regarding such guarantee and the main contents are as follows: Shenzhen Bao'an Sub-branch has released China Railway Construction from its joint and several liabilities in respect of its guarantee for the aforementioned loan and China Railway Construction shall cease to undertake the guarantee responsibility affirmed in the Civil Written Order (2004) Yue Gao Fa Min Er Chu Zi No. 35 issued by Guangdong Provincial High People's Court and the Written Order (2008) Min Yi Zhong Zi No. 89 issued by the Supreme People's Court, with effect from 20 February 2009. And such release is unconditional and irrevocable.

As a result, the responsibility of China Railway Construction under the guarantee provided for the loan of RMB220 million of Wanghai Yikang to Shenzhen Bao'an Sub-branch had been released and the litigation was concluded.

Save as disclosed above, the Group has no material litigation and arbitration during the reporting period.

6.2 Events regarding Bankruptcy and Restructuring

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

6.3 Shares issued by other listed companies and financial institutions held by the Company

6.3.1 Securities investments

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

6.3.2 Shares issued by other listed companies held by the Company

Unit: RMB

Stock code	Simplified stock name	Amount of initial investment	Percentage of interests in the investee company (%)	Carrying value as at the end of the year	Gain/loss in the reporting period	Changes in equity of owners in the reporting period	Accounting item	Source of shares
601328	Bank of Communications	62,783,015.40	0.07	170,337,602.22	8,984,050.75	(390,985,888.64)	Available-for-sale financial assets	Purchase from market
000518	Sihuan Bioengineering	5,000,000.00	0.83	18,606,393.75	—	(70,322,950.05)	Available-for-sale financial assets	Purchase from market
600978	Yihua Timber	72,600,000.00	1.30	37,323,000.00	174,000.00	(125,976,000.00)	Available-for-sale financial assets	Purchase from market
000050	Shenzhen Tianma (A)	178,164,315.00	4.74	83,633,707.50	(174,634.00)	(176,759,989.60)	Available-for-sale financial assets	Purchase from market
600100	Tsinghua Tongfang	185,600,000.00	1.06	103,272,000.00	(212,404,989.60)	(51,763,010.40)	Available-for-sale financial assets	Purchase from market
601601	CPIC	7,644,000.00	0.7792	66,720,000.00	1,800,000.00	(229,980,000.00)	Available-for-sale financial assets	Purchase from market
Total		511,791,330.40		479,892,703.47	(201,621,572.85)	(1,045,787,838.69)		

6.3.3 Shares issued by non-listed financial institutions held by the Company

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

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

6.3.4 Details of dealings in shares of other listed companies

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

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

6.4 Asset transactions

6.4.1 Acquisition of assets

Unit: Hundred million Currency: Renminbi

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

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

6.4.2 Disposal of assets

Unit: Ten thousand Currency: Renminbi

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

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

6.5 Implementation of share incentive scheme of the Company and its effects

During the reporting period, the Company has not implemented any share incentive scheme.

6.6 Significant related party transactions of the Company during the reporting period

6.6.1 Related parties having a controlling interest in the Company:

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

CRECG is the ultimate controlling shareholder of the Group.

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

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

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

Name of related party	Relationship with the related party
Zhitie Mechanical Engineering Co., Ltd.	Associate of controlling shareholder
Zhuhai Puhua Real Estate Co., Ltd.	Minority shareholder of subsidiaries
Suining Hedong Investment and Development Co., Ltd.	Minority shareholder of subsidiaries
Fujian Zhongtong Investment Co., Ltd.	Minority shareholder of subsidiaries

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

6.6.3 Substantial transactions between the Group and the above related parties during the year are as follows:

1. *Related party transactions in the ordinary course of business*

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

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

2. *Related party transactions regarding acquisition and disposal of assets*

Refer to the first item of significant disposal and acquisition of assets by the Company under the paragraph named “6.4 Asset Transactions” within this section for related party transactions regarding acquisition and disposal of assets.

3. *Liabilities due from/due to related parties*

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

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

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

Occupation of Funds and Progress of Refund in 2008

Balance of non-operating fund occupation of the Company by controlling shareholder and its subsidiaries		Total amount of refund during the reporting period
In the beginning of the period	In the end of the period	
(RMB'0000)	(RMB'0000)	(RMB'0000)
7,439.4	—	7,439.4
	Amount of refund	Time of refund
	(RMB'000)	(month)
Way of refund		
By cash	7,439.4	20 May 2008
Explanation of non-operating fund occupation of the Company by controlling shareholder and its subsidiaries and progress of refund	As of 31 December 2007, among the balances of the Company's "other receivables", the amount due from China Railway Hongda Asset Management Center amounted to RMB74.394 million; in May 2008, the fund occupied by controlling shareholder and related parties by the end of 2007 was settled. As of 20 May, the amount of RMB74.394 million due from China Railway Hongda Asset Management Center was fully recovered. By the end of 2008, there was no non-operating fund occupation of the Company by the controlling shareholder and related parties.	
Solution proposed by responsible person in charge of the non-operating fund occupation and the Board	—	

4. Other Significant Related Party Transactions

(1) Guarantee

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

(2) Remuneration of key management personnel

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

6.7 Material contracts and their performance

6.7.1 Trusteeship, contracting and leasing

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

6.7.2 Guarantee

Unit: Ten thousands Currency: Renminbi

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

Unit: Ten thousands Currency: Renminbi

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

Unit: Ten thousands Currency: Renminbi

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

Unit: Ten thousands Currency: Renminbi

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

Unit: Ten thousands Currency: Renminbi

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

Unit: Ten thousands Currency: Renminbi

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

Foreign currency has been translated into RMB at the exchange rate prevailing at the end of December. All such amounts are stated in ten thousands.

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

6.7.3 Financial Trust Management

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

6.7.3 Other material contracts

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

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	The consortium comprising China Railway No. 3 Engineering/China Railway No. 5 Engineering/China Railway Tunnel/China Railway No. 5 Engineering No. 6	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	Civil Construction Phase XXTJIV of the New Wuhan-Guangzhou Passenger Railway Line	2006-1	923,313	2006-2-1~ 2009-2-28
2	China Railway	Harbin-Dalian Passenger Railway Line Co., Ltd.	Master Construction Contract of Civil Works of Section TJ-1 of the New Harbin-Dalian Passenger Railway Line	2007-9-3	2,187,104	1,979 days
Highway						
1	China Railway No. 6 Engineering	Longyan Yongwu Expressway Co., Ltd.	Fujian Yong'an-Wuping Expressway	2007-8-28	77,894.00	2007-8-1~ 2009-7-31
2	China Railway	Shanghai Highway Construction Company	New Construction Works of Phase A15-9 of A15 Highway	2007-12-1	66,646.82	2008-1-1~ 2009-8-15
Municipal Works						
1	China Railway Electrification Engineering	Nanjing Metro Co., Ltd.	PPP Investment Projects of Nanjing Subway South Extended Line	2007-4-29	142,000.00	2007-7-1~ 2009-12-31
2	China Railway Major Bridge Engineering	Fuzhou Municipal Construction Development Co., Ltd.	Fuzhou Gushan Bridge and Connection Works	2007-7-1	81,081.00	2007-7-1~ 2009-12-30
3	China Railway Major Bridge Engineering	Shanghai Highway Investment and Construction Development Co., Ltd.	New Construction Works of the Second Minpu Bridge	2007-12	92,432.00	2007-9-30~ 2009-9-30

(2) Survey and Design Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Shenzhen Metro Co., Ltd.	Master Construction Survey and Design Contract of Shenzhen Metro Line 3	2005-1-27	21,988.20	2004-5-
2	China Railway Eryuan Engineering	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	Agreement on Construction Works (Survey and Design) between Shaoguan (not inclusive) and Huadu (not inclusive) for the Wuhua Section of the New Wuhan-Guangzhou Passenger Railway (with supplemental agreement)	2005-12-28	33,805.00	2003-9- 2009-12
3	China Railway Eryuan Engineering	Preparatory Team of Zhengzhou — Xi'an Passenger Railway Line Co., Ltd.	Construction Works (Survey and Design) of the New Zhengzhou-Xi'an Passenger Railway Line	2005-12-30	22,068.00	2005-12- 2009-12
4	CRECG	Southeast Coast Railway Fujian Co., Ltd.	Construction Works (Survey and Design) of the New Fuzhou-Xiamen Railway Line	2006-11-18	25,003.00	2005-9- 2009-12
5	China Railway Eryuan Engineering	Hainan Donghuan Railway Co., Ltd.	Construction Works of the New Hainan Donghuan Railway and Supporting Facilities	2007-07-28	24,521.00	2007-9- 2011-9

(3) Engineering Equipment and Component Manufacturing Business

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

(4) Property Development Business

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

(5) Other Business

No.	Signatory	Owner	Name of contract	Date of Contract	Contract sum (RMB'0,000)	Construction period (month)	Operation (repurchase) term (year)
BOT							
1	China Railway	Guangxi Department of Communications	Contract of Build-Operate-Transfer Project of the Guangxi Cenxi-Xingye Expressway Project	2005-8-26	516,361.00	36	28
2	China Railway No. 2 Engineering	Yunan Department of Communications	BOT Project of Funing (Yunan)-Guangnan, Guangnan-Yanshan Expressway	2005-12-29	644,000.00	36	27
3	China Railway No. 2 Engineering	Yulin Bureau of Communications	BOT Project of Yulin (Shanxi)-Shenmu Expressway	2007-10-29	517,000.00	36	30
BT							
1	China Railway No. 10 Engineering	People's Government of Yunlong District of Xuzhou City	Contract of East Extending Project (BT) of Heping Road of Xuzhou City	2005-3-24	25,000.00	25	2
2	China Overseas Engineering	Chizhou City Education Investment and Property Co., Ltd.	Investment, Construction and Repurchase Contract of Education Zone Phase I (Colleges and Universities) of Chizhou	2007-4	30,000.00	20	3
3	China Railway No. 6 Engineering	Tianjin Urban Infrastructure Construction Investment Group Co., Ltd.	Contract of Investment and Construction of BT Project of Nancangdao Tiedong Road Interchange over Nancang Marshalling Yard of Kuaisu Road of Tianjin City	2007-10-26	53,956.00	24	5

2. *Material contracts signed during the reporting period:*

(1) Infrastructure Construction Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway NO. 3 Engineering	Preparation Team of Beijing-Shanghai Passenger Railway Line Company	Construction Contract of Civil Works of Phase TJ5 of the New Beijing-Shanghai Express Railway	2008-1-31	1,131,577.00	60 months
2	China Railway NO. 1 Engineering	Preparation Team of Beijing-Shanghai Passenger Railway Line Company	Construction Contract of Civil Works of Phase TJ2 of the New Beijing-Shanghai Express Railway	2008-1-31	1,064,927.00	60 months
Highway						
1	China Railway Erju Co., Ltd.	Sichuan Suining City Mianyang-Suining Expressway Co., Ltd.	Master Construction Contract of Civil Works of Phase A of Suining Section Project of Mianyang-Suining Express Highway in Sichuan Province	2008-6-12	277,952.00	2008-6-12-2010-4-12
2	China Railway Erju Co., Ltd.	Shaanxi Yulin City Yulin-Shenmu Expressway Co., Ltd.	Construction Contract of Phase A2 of Yulin-Shenmu Section of Yulin-Shangzhou Provincial Expressway	2008-8-16	224,009.00	2008-8-16-2011-2-16

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Municipal Works						
1	China Railway Tunnel	Hangzhou Qingchun Road Guojiang Tunnel Co., Ltd.	Master Design and Construction Contract of Guojiang Tunnel Works of Qingchun Road, Hangzhou	2008-1-16	101,000.00	2008-5-1~ 2010-11-28
2	China Railway Tunnel	Shenzhen Metro Line 3 Investments Ltd.	Master Construction Contract of Phase 3153 of West Extension of Line 3 of Shenzhen Urban Rail Phase 2	2008-4-18	89,037.00	2008-4-11~ 2011-6-30
3	China Railway No. 8 Engineering	Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Contract of Phase I of Housing Projects for Disaster-afflicted Staff of Dongfang Turbine Co., Ltd. in Deyang	2008-9-6	95,500.00	2008-10-31~ 2010-4-29
4	China Railway Construction	Shenzhen Heungkong Real Estate Co., Ltd.	Master Contract of Nanshan Business & Culture Center	2008-12-28	87,334.00	2008-12-1~ 2011-11-30
5	China Railway No. 4 Engineering	Government of Angola	Contract of Social Housing Projects in Cacuaco-Dande District of Luanda in Angola	2008-3	70,427.00.00	Till 2010-5

(2) Survey and Design Business

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

(3) Engineering Equipment and Component Manufacturing Business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structures						
1	China Railway Shanhaiguan Bridge	Ningbo Tongtu Investment and Development Co., Ltd.	Processing and Manufacturing Contract of Steel Structure for Ningbo Mingzhou Bridge	2008-5-21	49,677.00	Till 2010-9
2	China Railway Shanhaiguan Bridge	Shandong High-Speed Qingdao Expressway Co., Ltd	Contract of Processing and Manufacturing of Phase I of Steel Box Girder for Qingdao Bay Bridge	2008-7-03	32,951.00	Till 2010-11
Turnout						
1	China Railway Turnout & Bridge	Shijiazhuang-Taiyuan Railway Passenger Line Co., Ltd.	Shijiazhuang-Taiyuan Railway Line	2008-4-1	6,299.81	Till 2008-11-1
2	China Railway Shanhaiguan Bridge	Nanchang-Jiujiang Inter-city Railway Co., Ltd.	Turnout Purchase Contract of Nanchang-Jiujiang Inter-city Railway	2008-4-30	6,116.00	2009-12-31
Construction (Track) Machinery						
1	China Railway Shanhaiguan Bridge	China Railway United International Containers Co., Ltd	Rail-mounted Gantry Crane for 40-ton Container	2008-6-6	13,535.00	Till 2010-2
2	China Railway Heavy Machinery	China Railway Container Transport Co., Ltd	Crane Solely for 36-ton Container	2008-7-1	1,508.00	2008-8-31

(4) Property Business

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

(5) Other Businesses

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

On 22 April 2008, the Company, Sinohydro Corporation Limited ("Sinohydro") and the Government of Democratic Republic of Congo entered into the Cooperation Agreement in Relation to the Cooperation Project in Mining Development and Facilities Construction in Democratic Republic of Congo (the "Cooperation Agreement"). Subsequent to the entering into of the Cooperation Agreement on 22 April 2008 and the Supplemental Agreement I to the Cooperation Agreement in Relation to the Cooperation Project in Mining Development and Facilities Construction in Democratic Republic of Congo ("Supplemental Cooperation Agreement I") by the Company, Sinohydro, China Metallurgical Group Corp. ("MCC") and the Government of Congo on 28 June 2008, the Company, Sinohydro, MCC, Zhejiang Huayou Cobalt Co., Ltd. ("Zhejiang Huayou") and the Government of Congo entered into the Supplemental Agreement II to the Cooperation Agreement in Relation to the Cooperation Project in Mining

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

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

6.8 Undertakings by the Company or shareholders with more than 5% of the Company's Shares given or subsisting in the reporting period

Undertaking	Details of Undertaking	Performance
Undertaking made by CRECG upon the issue	<ol style="list-style-type: none"> <li data-bbox="459 314 1114 804">1. CRECG will not transfer or engage others to manage the A Shares of the Company held by it within 36 months since the listing of A shares of the Company on the Shanghai Stock Exchange. Once the period of undertaking expires, the aforesaid shares may be traded and transferred in the market. However, if the H Shares of the Company are successfully issued, the conversion of the Company's shares held by CRECG into H Shares for placing or for trading in the market after undergoing the relevant procedures is not subject to the lock-up period mentioned above. <li data-bbox="459 836 1114 1940">2. Upon the establishment of the Company in accordance with the law, CRECG and its subsidiaries (other than the Company) do not in any form, directly or indirectly, engage in or participate in or procure the engagement or participation in any businesses that compete, or are likely to compete with the core businesses of the Company and its subsidiaries. If CRECG or its subsidiaries (other than the Company) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of the Company, it shall notify the Company in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a pre-emptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of the Company, CRECG warrants that such business opportunity, assets or interests will first be offered to the Company or its subsidiaries. 	CRECG has strictly complied with the above undertaking

6.9 Penalty and rectification order against listed companies and its directors, supervisors, senior management, the Company's shareholders and ultimate controller

During the reporting period, the Company and its Directors, Supervisors, senior management, the Company's controlling shareholders and ultimate controller were not subject to any investigation, administrative penalty, criticisms by CSRC or public reprimand by any stock exchange.

6.10 Other significant events

During the reporting period, the Company had no other significant events.

7 FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>RMB million</i>	2007 <i>RMB million</i> (Restated, <i>Note 2C</i>)
Revenue	3 & 4	225,029	177,391
Cost of sales		<u>(208,534)</u>	<u>(164,659)</u>
Gross profit		16,495	12,732
Other income		1,168	841
Other gains and losses		(4,232)	516
Selling and marketing expenses		(933)	(932)
Administrative expenses		(9,499)	(8,913)
Interest income		1,581	982
Interest expenses		(2,372)	(1,850)
Share of profits (losses) of jointly controlled entities		44	(3)
Share of profits of associates		<u>48</u>	<u>11</u>
Profit before taxation		2,300	3,384
Income tax expense	5	<u>(631)</u>	<u>(549)</u>
Profit for the year		<u>1,669</u>	<u>2,835</u>
Attributable to:			
Equity holders of the Company		1,350	2,488
Minority interests		<u>319</u>	<u>347</u>
		<u>1,669</u>	<u>2,835</u>
Dividend	6	<u><u>—</u></u>	<u><u>—</u></u>
Earnings per share (Basic)	7	<u>RMB0.063</u>	<u>RMB0.186</u>

Consolidated Balance Sheet

At 31 December 2008

	<i>Notes</i>	2008 <i>RMB million</i>	2007 <i>RMB million</i> (Restated, <i>Note 2C</i>)
ASSETS			
Non-current assets			
Property, plant and equipment		22,685	18,307
Deposit for acquisition of property, plant and equipment		1,328	683
Lease prepayments		6,314	6,091
Deposit for land use rights		66	14
Deposit for investment		130	—
Investment properties		1,372	794
Intangible assets		13,669	7,154
Mining assets		1,333	1,104
Interests in jointly controlled entities		741	651
Interests in associates		3,539	2,591
Goodwill		836	779
Available-for-sale financial assets		3,929	2,908
Other loans and receivables		914	989
Deferred income tax assets		2,554	1,925
Other prepayments		26	14
Other receivables	8	79	79
		<u>59,515</u>	<u>44,083</u>
Current assets			
Lease prepayments		108	106
Properties held for sale		1,952	665
Properties under development for sale		17,996	11,246
Inventories		18,482	10,448
Trade and other receivables	8	78,260	63,375
Amounts due from customers for contract work		25,197	27,021
Other loans and receivables		892	272
Held-for-trading financial assets		141	166
Restricted cash		2,530	2,171
Cash and cash equivalents		46,846	56,772
		<u>192,404</u>	<u>172,242</u>
Total assets		<u><u>251,919</u></u>	<u><u>216,325</u></u>
EQUITY			
Equity attributable to the equity holders of the Company		55,995	55,791
Minority interests		4,929	3,950
Total equity		<u>60,924</u>	<u>59,741</u>

	<i>Notes</i>	2008 <i>RMB million</i>	2007 <i>RMB million</i> (Restated, <i>Note 2C</i>)
LIABILITIES			
Non-current liabilities			
Other payables	9	366	232
Borrowings		16,829	10,239
Obligations under finance lease		266	69
Financial guarantee contracts		35	77
Retirement and other supplemental benefit obligations		7,368	8,650
Provisions		47	—
Deferred income government grant		138	209
Deferred income tax liabilities		398	588
		<u>25,447</u>	<u>20,064</u>
Current liabilities			
Trade and other payables	9	111,270	95,869
Amounts due to customers for contract work		15,509	11,144
Current income tax liabilities		870	541
Borrowings		36,594	28,527
Obligations under finance lease		220	44
Financial guarantee contracts		2	10
Retirement and other supplemental benefit obligations		1,003	385
Held-for-trading financial liabilities		80	—
		<u>165,548</u>	<u>136,520</u>
Total liabilities		<u>190,995</u>	<u>156,584</u>
Total equity and liabilities		<u>251,919</u>	<u>216,325</u>
Net current assets		<u>26,856</u>	<u>35,722</u>
Total assets less current liabilities		<u>86,371</u>	<u>79,805</u>

Notes:

1. GENERAL INFORMATION AND GROUP REORGANISATION

The Company was established in PRC on 12 September 2007 as a joint stock company with limited liability. The Company's A Shares were listed on Shanghai Stock Exchange on 3 December 2007 and the Company's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 7 December 2007. The address of the Company's registered office is No. 1 Xinghuo Road, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is China Railway Engineering Corporation ("CRECG"), incorporated in the PRC.

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

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

2A. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, in accordance with the Equity Transfer agreements entered into between China Railway Resources Co., Ltd. ("CRRL"), a wholly-owned subsidiary of the Company, and CRECG on 16 November 2008 which were finally approved by the State-owned Assets Supervision and Administration Commission, CRRL acquired 52% equity interest of Inner Mongolia Huaxin Mining Co., Ltd. ("Huaxin") for a consideration of RMB26 million, 51% equity interest in Sunite-ZuoQi Manglai Mining Co., Ltd. ("Manglai") for a consideration of RMB393 million and 51% equity interest in Sunite-ZuoQi Xiaobaiyang Mining Co., Ltd. ("Xiaobaiyang") for a consideration of RMB50 million (collectively as the "Mining Business").

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

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

2B. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL STANDARDS

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

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

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

Service concession arrangements

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

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

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

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

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

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

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

International Financial Reporting Standard (“IFRS”)

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

International Accounting Standard (“IAS”)

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

IFRIC

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

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

The application of IFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the Group’s accounting treatment for changes in the Group’s ownership interest in a subsidiary.

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

2C. RESTATEMENTS

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

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

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

	2008
	<i>RMB million</i>
Increase in revenue on construction	4,796
Increase in construction cost	4,723
Increase in income tax expense	<u>19</u>
Increase in profit for the year	<u><u>54</u></u>

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

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

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

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

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

Impact on basic earnings per share

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

3. REVENUE

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

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

4. SEGMENT INFORMATION

(a) Business segments (primary segment)

The Group is organised into the following business segments:

- (i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works (“Infrastructure construction”);
- (ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects (“Survey, design and consulting services”);
- (iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery (“Engineering equipment and component manufacturing”);
- (iv) Development, sale and management of residential and commercial properties (“Property development”); and

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

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

The segment information about these business segments is presented below.

Consolidated results

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Consolidated RMB million
Year ended 31 December 2008							
External revenue	201,466	4,265	6,195	3,805	9,298	—	225,029
Inter-segment revenue	1,833	89	749	—	1,398	(4,069)	—
Segment revenue	<u>203,299</u>	<u>4,354</u>	<u>6,944</u>	<u>3,805</u>	<u>10,696</u>	<u>(4,069)</u>	<u>225,029</u>
Segment results	<u>4,399</u>	<u>494</u>	<u>779</u>	<u>566</u>	<u>477</u>	<u>(1)</u>	<u>6,7144</u>
Unallocated corporate income							602
Unallocated corporate expenses							(4,494)
Unallocated interest income							1,251
Unallocated interest expenses							(2,232)
Share of profits (losses) of jointly controlled entities	49	—	(3)	—	(2)	—	44
Share of profits (losses) of associates	(1)	16	5	29	(1)	—	48
Gain on disposal of interests in subsidiaries	—	—	—	51	316	—	<u>367</u>
Profit before taxation							<u>2,300</u>
Income tax expense							<u>(631)</u>
Profit for the year							<u><u>1,669</u></u>
Year ended 31 December 2007							
External revenue	160,133	3,388	3,954	2,880	7,036	—	177,391
Inter-segment revenue	8,429	6	1,239	402	1,086	(11,162)	—
Segment revenue	<u>168,562</u>	<u>3,394</u>	<u>5,193</u>	<u>3,282</u>	<u>8,122</u>	<u>(11,162)</u>	<u>177,391</u>
Segment results	<u>1,945</u>	<u>234</u>	<u>168</u>	<u>502</u>	<u>637</u>	<u>(306)</u>	<u>3,180</u>
Unallocated corporate income							964
Unallocated corporate expenses							(497)
Unallocated interest income							791
Unallocated interest expenses							(1,678)
Share of (losses) profits of jointly controlled entities	(9)	—	4	1	1	—	(3)
Share of profits (losses) of associates	—	17	7	(11)	(2)	—	11
Gain on disposal of interests in subsidiaries	518	—	—	98	—	—	<u>616</u>
Profit before taxation							<u>3,384</u>
Income tax expense							<u>(549)</u>
Profit for the year							<u><u>2,835</u></u>

Consolidated assets and liabilities

	Infrastructure construction <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Elimination <i>RMB million</i>	Consolidated <i>RMB million</i>
At 31 December 2008							
ASSETS							
Segment assets	<u>130,162</u>	<u>3,681</u>	<u>11,648</u>	<u>26,132</u>	<u>24,022</u>	<u>(5,812)</u>	189,833
Interests in jointly controlled entities	358	—	127	53	203	—	741
Interests in associates	2,876	138	43	412	70	—	3,539
Other assets	49,972	1,158	525	1,013	2,584	—	55,252
Other unallocated corporate assets							<u>2,554</u>
Consolidated total assets							<u><u>251,919</u></u>
LIABILITIES							
Segment liabilities	<u>111,152</u>	<u>1,933</u>	<u>8,521</u>	<u>10,700</u>	<u>13,088</u>	<u>(9,693)</u>	135,701
Other liabilities	47,234	1,411	284	3,819	2,148	—	54,896
Other unallocated corporate liabilities							<u>398</u>
Consolidated total liabilities							<u><u>190,995</u></u>
At 31 December 2007							
ASSETS							
Segment assets	<u>148,462</u>	<u>2,720</u>	<u>6,953</u>	<u>15,300</u>	<u>25,938</u>	<u>(51,493)</u>	147,880
Interests in jointly controlled entities	238	—	102	94	217	—	651
Interests in associates	1,980	123	43	376	69	—	2,591
Other assets	58,885	1,222	434	1,174	1,563	—	63,278
Other unallocated corporate assets							<u>1,925</u>
Consolidated total assets							<u><u>216,325</u></u>
LIABILITIES							
Segment liabilities	<u>104,079</u>	<u>1,574</u>	<u>5,146</u>	<u>12,924</u>	<u>15,158</u>	<u>(22,392)</u>	116,489
Other liabilities	32,266	1,042	518	721	5,126	(166)	39,507
Other unallocated corporate liabilities							<u>588</u>
Consolidated total liabilities							<u><u>156,584</u></u>

Other information

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2008						
Capital expenditure:						
Property, plant and equipment	5,174	274	634	174	1,316	7,572
Investment properties	10	—	—	61	31	102
Intangible assets	133	24	—	19	6,535	6,711
Mining assets	—	—	—	—	146	146
Acquisition of subsidiaries	—	—	—	397	89	486
Total	5,317	298	634	651	8,117	15,017
Depreciation and amortisation:						
Property, plant and equipment	2,306	105	272	25	248	2,956
Investment properties	—	—	—	—	22	22
Intangible assets	13	—	—	1	57	71
Mining assets	—	—	—	—	4	4
Total	2,319	105	272	26	331	3,053
Loss (profit) on disposal and write-off of						
property, plant and equipment	4	(15)	1	—	(12)	(22)
Impairment loss on property, plant and equipment	7	—	—	—	(6)	1
Allowance for foreseeable loss on						
construction contracts	168	—	—	—	—	168
Impairment loss on trade and other receivables	43	2	16	(1)	10	70
Lease prepayments released to income statement	102	3	7	16	15	143
Year ended 31 December 2007						
Capital expenditure:						
Property, plant and equipment	5,035	186	441	122	498	6,282
Investment properties	—	—	—	—	63	63
Intangible assets	404	93	12	—	3,168	3,677
Acquisition of subsidiaries	1	—	—	5	2,343	2,349
Total	5,440	279	453	127	6,072	12,371
Depreciation and amortisation:						
Property, plant and equipment	2,411	104	138	16	163	2,832
Investment properties	—	—	—	—	13	13
Intangible assets	15	—	—	—	19	34
Mining assets	—	—	—	—	3	3
Total	2,426	104	138	16	198	2,882
Loss (profit) on disposal and write-off of						
property, plant and equipment	19	5	8	—	(1)	31
Impairment loss on property, plant and equipment	9	—	5	—	—	14
Allowance for foreseeable loss on construction						
contracts	301	—	—	—	—	301
Impairment loss on trade and other receivables	140	—	14	6	3	163
Lease prepayments released to income statement	65	2	10	—	—	77

(b) Geographical segments

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

5. INCOME TAX EXPENSE

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

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

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the Company's subsidiaries incorporated in Hong Kong as these subsidiaries had no assessable profits subject to Hong Kong Profits Tax during both years.

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

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

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

6. DIVIDEND

No dividend was paid or proposed since the date of incorporation of the Company nor has any dividend been proposed up to the date of this report.

7. EARNINGS PER SHARE

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

The Directors consider that there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of individually impaired trade and bills receivables and other receivables during the year are as follows:

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

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

8. AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2008.

9 DIVIDENDS

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

10 REPURCHASE, SALE OR REDEMPTION OF SECURITIES

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

11 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2008, the Company complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

12 PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2008 Annual Report prepared in accordance with the IFRS will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2008 Annual Report and its abstract prepared in accordance with CAS will be released on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.crec.cn).

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

28 April 2009

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