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

ANNUAL REPORT
2012

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of **4,896** kilometers in 2012

MUNICIPAL WORKS

Completed a total length of light railways and subway lines construction of **191** kilometers in 2012

CONTENTS

HIGHWAY CONSTRUCTION

Completed a total length of highway construction of **1,028** kilometers in 2012

NEW CONTRACTS

New contracts entered into in 2012 reached **RMB7,310** billion

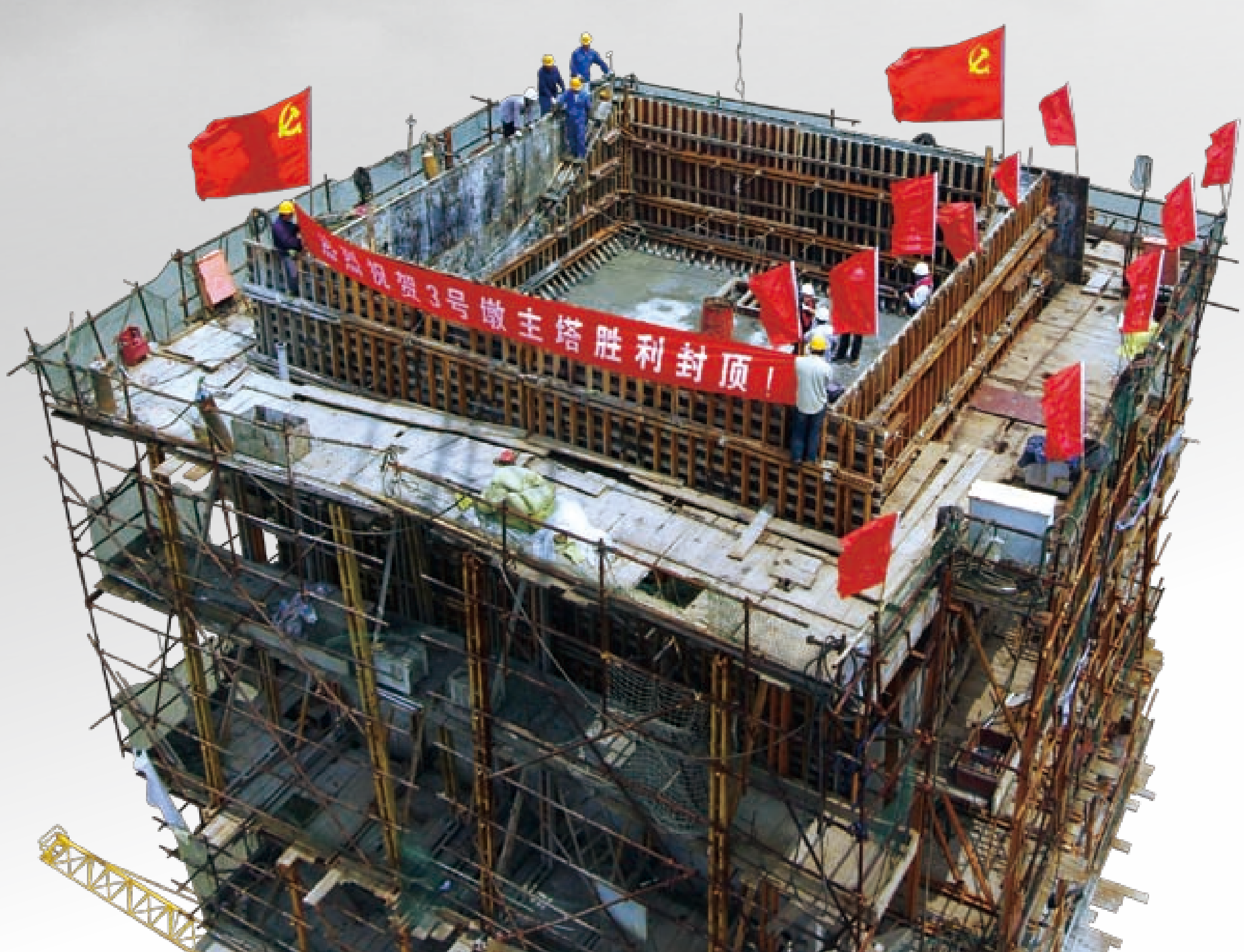
COMPANY PROFILE

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") under the Company Law of the PRC on 12 September 2007. The A shares and H shares issued by the Company were listed on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited on 3 December 2007 and 7 December 2007 respectively.

We are the one of the largest multi-functional integrated construction groups in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 112 in Fortune Global 500. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining development.

We have outstanding advantages in the construction of infrastructure facilities such as railways, highways, municipal works and urban rails. In particular, we hold leading positions in the design and construction of bridges, tunnels and electrified railways, and the design and manufacturing of bridge steel structures and turnouts in the PRC, which has achieved advanced international standards. While we operate in every province across the PRC, we have also explored extensive global markets.

Adhering to the motto of "strive to challenge limits and achieve excellence", the Company is committed to continuous development of the Company to create a brighter and better future.



FINANCIAL SUMMARY

Summary Of Consolidated Statement Of Comprehensive Income

	For the year ended 31 December					Change
	2012	2011	2010	2009	2008	2012 vs 2011
			RMB million			(%)
Revenue						
Infrastructure Construction	**396,906**	392,540	416,513	314,136	211,406	1.1
Survey, Design and Consulting Services	**9,069**	8,926	9,279	7,007	4,745	1.6
Engineering Equipment and Component Manufacturing	**11,464**	11,147	12,210	9,236	7,169	2.8
Property Development	**20,175**	17,135	11,945	5,535	3,966	17.7
Other Businesses	**56,432**	42,211	32,535	17,676	11,429	33.7
Inter-segment Eliminations and Adjustments	**(28,421)**	(29,743)	(26,320)	(19,515)	(13,686)	
Total	**465,625**	442,216	456,162	334,075	225,029	5.3
Gross Profit	**35,561**	32,253	27,143	20,446	16,495	10.3
Profit before Tax	**11,085**	9,998	10,548	8,608	2,300	10.9
Profit for the Year	**8,033**	7,240	8,211	7,322	1,669	11.0
Profit for the Year attributable to Owners of the Company	**7,354**	6,690	7,398	6,809	1,350	9.9
Basic Earnings per Share (RMB)	**0.345**	0.314	0.347	0.320	0.063	9.9

Summary Of Consolidated Statement Of Financial Position

	As at 31 December					Change
	2012	2011	2010	2009	2008	2012 vs 2011
			RMB million			(%)
Assets						
Current Assets	**434,855**	360,099	298,732	238,066	193,137	20.8
Non-current Assets	**115,701**	108,461	92,867	76,768	59,604	6.7
Total Assets	**550,556**	468,560	391,599	314,834	252,741	17.5
Liabilities						
Current Liabilities	**366,119**	305,572	264,980	211,469	166,302	19.8
Non-current Liabilities	**96,044**	81,809	52,501	36,400	25,447	17.4
Total Liabilities	**462,163**	387,381	317,481	247,869	191,749	19.3
Total Equity	**88,393**	81,179	74,118	66,965	60,992	8.9
Total Equity and Liabilities	**550,556**	468,560	391,599	314,834	252,741	17.5

STRIVE to CHALLENGE LIMITS and ACHIEVE EXCELLENCE

As one of the largest integrated construction groups in China and Asia, we are committed to improving construction technique, strengthening quality controls and enhancing the standard of project management to create a brighter prospect for shareholders and a better living environment for the general public.

CHAIRMAN'S REPORT

LI Changjin · *Chairman and Executive Director*

Success is often borne out of difficulties and hardship. We look back on 2012 as a year filled with delight and struggles. That year, keen market competition and the complex and volatile situation in the domestic and global economies exerted unprecedented pressure on the Group, posing challenges to its production and operations. The Group tackled these challenges decisively and forcefully, making headway in many areas. With the support of shareholders and the collective efforts of the management and staff, the Group achieved remarkable production and operation results. The Group achieved targets for main economic indicators such as the value of new contracts, revenue and profit. These prominent results have written a new chapter in the Group's development history.

Over the year, the Group responded to shifts in the domestic infrastructure market by focusing on its core mission to "Safeguard Growth, Adjust Structure, Enhance Management and Promote Stability". Amid the volatilities in the railway construction market, the Group stayed calm and adjusted its growth strategy by developing the highway, urban rail, municipal and overseas markets. It continued to consolidate its traditional businesses such as survey, design and consulting services, engineering equipment and component manufacturing, and picked up pace in nurturing and developing emerging businesses such as property development, mining development, merchandise trading and financial trust. Meanwhile, the Group improved its management caliber and undertook comprehensive budget management, continuously strengthening areas in project management, investment and financing management and technology innovation. It also focused on economic operational management and internal control to further raise the level of management and core competitiveness to promote stable growth. Over the year, the Group successfully completed a number of key projects including Harbin - Dalian passenger dedicated line, Beijing - Zhengzhou passenger dedicated line, Zhengzhou - Wuhan passenger dedicated line, and metros in Beijing, Tianjin, and Chongqing; and a number of projects newly contracted by the Group are progressing smoothly and steadily, including Tianjin - Qinhuangdao passenger dedicated line, Xi'an - Baoji passenger dedicated line, Ningbo - Hangzhou passenger dedicated line, Lanzhou - Xinjiang railway, Nanning - Guangzhou railway, Guiyang - Guangzhou railway, Shenzhen metro line 11, Chengdu metro, Shijiazhuang metro, Hong Kong-Zhuhai-Macao Bridge, Guizhou Eco-city and the fourth ring road of Shenyang. The Group also developed its property development, mining development and financial trust businesses in an orderly manner to further strengthen its operation structure.

Over the year, the Group continued to comply strictly with relevant laws and regulations, such as the Company Law, the Securities Law as well as relevant regulations governing its operations in Hong Kong and the PRC. Shareholders' general meetings, board of directors meetings and supervisory committee meetings of the Company were conducted in line with relevant laws and regulations. In addition, the Group met its information disclosure obligations by actively developing a communication mechanism with investors to uphold the integrity of the Group's corporate image. It received affirmation and recognition from relevant authorities, the capital market and investors. During the year, the Company was honored with various prestigious awards and accolades such as the "Board of Directors of Listed Company Award 2012" by the Shanghai Stock Exchange, "The Most Innovative Enterprise in China", the "Top 100 Listed Company with Consolidated Power in China" and the "Top 100 Listed Companies of Corporate Integrity in China".

2013 will be the first year where the Group will fully exemplify the ideals espoused by the Eighteenth Congress of the Communist Party of China, and will also be an important year for the implementation of the Twelfth Five-Year Plan. Looking ahead, we are excited about what 2013 will bring. To extend economic stability, the Central Government has expedited a series of measures such as macro adjustment, the fine-tuning of industry structure, active and stable urbanization, active fiscal policies and stable monetary policies, to promote strong domestic economic growth in the long run. These policies and measures, coupled with renewed stability in railway construction and stepped up construction in urban rail transportation, present new opportunities to the Group for stable and healthy development. Although the global economy has undergone drastic changes, there is still tremendous growth potential for the Group. The Group will seize the opportunities and meet its challenges head on, as well as follow the maxim of "changing the mode of development, raising the quality of development and economic efficiency". To achieve its targets while raising quality and efficiency, it will focus on improving management caliber, leverage technological innovation and buffer itself with risk prevention and control. The Group will expedite its transformation by fully implementing the various reforms, becoming a stronger market leader and laying a foundation for its strategy to "promote two significant changes, realize a second start up and build a top-class enterprise".

We aim to be at the top of our game without fearing any challenge. The management of the Company believes that the Group's future development remains sound by virtue of its accumulated experience and capabilities in responding to various complex scenarios, as it is driven by sustained and healthy growth in our economy and society. As such, we are confident on this front. Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and the general public for their concerns and support, and thank all of our employees for their selfless devotion and hard work in the past year.

Li Changjin
Chairman

Beijing, China
28 March 2013

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1. Changes In Share Capital

1 Statement of Changes in Shares

(1) Statement of changes in Shares

Unit: Shares

	Before movement		Increase/decrease (+/–)					After movement	
	Number of Shares	Percentage (%)	New Issue	Bonus Issue	Conversion from Reserves	Others	Sub-total	Number of Shares	Percentage (%)
1 Shares with selling restrictions	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Of which:									
Shares held by domestic non-state-owned legal persons	467,500,000	2.20	0	0	0	0	0	467,500,000	2.20
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Shares held by foreign investors	0	0	0	0	0	0	0	0	0
Of which:									
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
2 Tradable shares without selling restrictions	20,832,400,000	97.80						20,832,400,000	97.80
1. RMB-denominated ordinary shares	16,625,010,000	78.05	0	0	0	0	0	16,625,010,000	78.05
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	4,207,390,000	19.75	0	0	0	0	0	4,207,390,000	19.75
4. Others	0	0	0	0	0	0	0	0	0
3 Total	21,299,900,000	100	0	0	0	0	0	21,299,900,000	100

(2) Descriptions of changes in Shares

During 2012, there was no changes in Shares in the Company.

(3) Impact on the latest financial indicators such as earnings per share and net assets per share and that of the last year from changes in shares

Not applicable

(4) Other information that the Company deems necessary or the securities regulators require to disclose

Not applicable

2 Details of Changes in Shares with Selling Restrictions

Unit: shares

No.	Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Number of shares with selling restrictions expired in the year	Number of additional shares with selling restrictions in the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Expiry date of selling restrictions
1	No.3 Transfer Account of National Council for Social Security Fund	467,500,000	0	0	467,500,000	Extended the period lock-up for a further three years from the expiry of the statutory and voluntarily promised lock-up periods of the previous state-owned shareholder that it takes over	3 December,2013
	Total	467,500,000	0	0	467,500,000	/	/

2. Issue Of Securities And Listing

1 Issue of Securities over the Past Three Years ended at the end of the Reporting Period

Currency: RMB

Category of stock and its derivative securities	Issue date	Offer price (RMB/unit)	Number of units issued (convertible corporate bonds, warrant bonds, corporate bonds)	Date of listing	Number of approved tradable units	Termination date
Corporate bonds	27 January, 2010	100	10,000,000	3 March, 2010	10,000,000	27 January, 2015
	27 January, 2010	100	50,000,000	3 March, 2010	50,000,000	27 January, 2020
	19 October, 2010	100	35,000,000	3 November, 2010	35,000,000	19 October, 2025
	19 October, 2010	100	25,000,000	3 November, 2010	25,000,000	19 October, 2020

Statement to the issue of securities over the past three years at the end of the reporting period

On 9 September 2009, the Company received an approval from the China Securities Regulatory Commission of issuing RMB12 billion of corporate bonds by tranches. The issuance of 1st tranche of corporate bonds in the amount of RMB6 billion was completed on 29 January 2010, and the listing and trading thereof on the Shanghai Stock Exchange commenced since 3 March 2010. The issuance of 2nd tranche of corporate bonds in the amount of RMB6 billion was completed on 21 October 2010, and the listing and trading thereof on the Shanghai Stock Exchange commenced since 3 November 2010.

2 Changes in the Total Issued Share Capital and Shareholding Structure of the Company and Changes in the Structure of Assets and Liabilities of the Company

Not applicable

3 Details of Shares Held by Company's Employees

None of the Company's employees held any share of the Company during the reporting period.

3. Information Of Shareholders

1 The Number of Shareholders and Their Shareholdings

Unit: Shares

Total number of shareholders at the end of the reporting period	**717,645**	**Total number of shareholders at the close of business of the 5th trading day preceding the issue date of the annual report**	**709,037**

Shareholdings of the top ten shareholders								
							Number of pledged or frozen shares	
No.	Number 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	Condition of shares	Quantity
1.	CRECG	State-owned	56.1	11,950,010,000	0	0	Nil	0
2.	HKSCC Nominees Limited *(Note 1)*	Other	19.44	4,140,378,556	+4,415,339	0	Unknown	0
3.	No.3 Transfer Account of National Council for Social Security Fund	Other	2.19	467,500,000	0	467,500,000	Nil	0
4.	Taikang Life Insurance Co. – Dividend - Individual Dividend-019L-FH002 Shanghai	Other	0.27	57,494,803	+57,494,803	0	Nil	0
5.	Bank of China - Harvest SSE-SZSE 300 Index Securities Investment Fund	Other	0.19	40,640,500	+12,581,849	0	pledged frozen	85,100
6.	Credit suisse (Hong Kong) co., LTD	Other	0.17	36,977,306	+36,977,306	0	Nil	0
7.	China Construction Bank co., LTD.,Boshi Yufu CSI 300 Index Securities Investment Fund	Other	0.17	36,922,255	+26,331,134	0	Nil	0
8.	Merrill Lynch International	Other	0.14	30,797,538	+27,362,610	0	Nil	0
9.	Bill & Melinda Gates Foundation Trust	Other	0.12	25,000,090	0	0	Nil	0
10.	ICBC-China AMC SSE-SZSE 300 Index Securities Investment Fund	Other	0.11	23,502,057	+23,502,057	0	Nil	0
Statement on the connected relations and concerted actions between the shareholders above			CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. The Company is not aware of any connected relationships or concerted action relationships between the above shareholders.					

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 31 December 2012.

2 Shareholdings of the top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares held without selling restrictions	Type and quantity of shares Type	Quantity
1	CRECG	11,950,010,000	RMB-denominated ordinary shares	11,950,010,000
2	HKSCC Nominees Limited *(Note 1)*	4,140,378,556	Overseas listed foreign shares	4,140,378,556
3	Taikang Life Insurance Co. - Dividend - Individual Dividend-019L-FH002 Shanghai	57,494,803	RMB-denominated ordinary shares	57,494,803
4	Bank of China - Harvest SSE-SZSE 300 Index Securities Investment Fund	40,640,500	RMB-denominated ordinary shares	40,640,500
5	Credit suisse (Hong Kong) Co., LTD	36,977,306	RMB-denominated ordinary shares	36,977,306
6	China Construction Bank Co., LTD. – Boshi Yufu CSI 300 Index Securities Investment Fund	36,922,255	RMB-denominated ordinary shares	36,922,255
7	Merrill Lynch International	30,797,538	RMB-denominated ordinary shares	30,797,538
8	Bill & Melinda Gates Foundation Trust	25,000,090	RMB-denominated ordinary shares	25,000,090
9	ICBC - China AMC SSE-SZSE 300 Index Securities Investment Fund	23,502,057	RMB-denominated ordinary shares	23,502,057
10	UBS AG	21,284,082	RMB-denominated ordinary shares	21,284,082
Statement on the connected relations and concerted actions between the shareholders above			CRECG, the controlling shareholder, does not have connected relations or perform concerted actions with the above other 9 shareholders. The Company is not aware of any connected relationships or concerted action relationships between the above shareholders.	

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

Note 2: The numbers shown in the table are based on the register of members of the Company as at 31 December 2012.

3 Number of shares held by the top ten shareholders with selling restrictions and the selling restrictions

Unit: Shares

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions: Trading commencement date	Details of approved tradable shares with selling restrictions: Additional number of approved tradable shares	Selling restrictions
1	No.3 Transfer Account of National Council for Social Security Fund	467,500,000	3 December 2013	0	Extend the lock-up period for a further three years from the expiry of the statutory and voluntarily promised lockup periods of the previous state-owned shareholder that it takes over

4 Strategic investors or general legal persons becoming the top ten shareholders by placing of new shares

No strategic investor or general legal person becomes the top ten shareholders by placing of new shares during the reporting period.

4. The Controlling Shareholder And The Ultimate Controller

1 Details of the controlling shareholder

(1) The Legal Person

Name of controlling shareholder:	China Railway Engineering Corporation
Legal representative:	LI Changjin
Date of establishment:	7 March 1990
Organization Code:	10201654-8
Registered capital:	RMB10,814,925,000
Registered office:	No. 1, Xinghuo Road, Fengtai District, Beijing
Principal business:	Construction works, related engineering technological research, survey, design, services, manufacturing of specialized equipment and development and operation of real estate.
Operating results:	In 2011, CRECG realized an operating revenue and consolidated profit of RMB461,322,038,000 and RMB9,574,812,000, respectively.
Financial position:	As at 31 December 2011, the total assets, total liabilities and net assets of CRECG amounted to RMB473,893,268,000, RMB387,851,175,000 and RMB86,042,093,000, respectively.
Cash flow and future development strategy:	In 2011, net cash outflow from operating activities of CRECG was RMB13,433,395,000, net cash outflow from investing activities was RMB11,379,237,000, and net cash inflow from financing activities was RMB31,305,458,000. CRECG will conscientiously perform its obligations as an investor, and complete various tasks including equity management and asset management.
Details of controlling interests and investments in other domestic and foreign-listed companies during the reporting period:	Nil

(2) Details of the index and the date of changes of the controlling shareholder during the reporting period

During the reporting period, there is no change in the controlling shareholder of the Company.

2 Details of ultimate controller

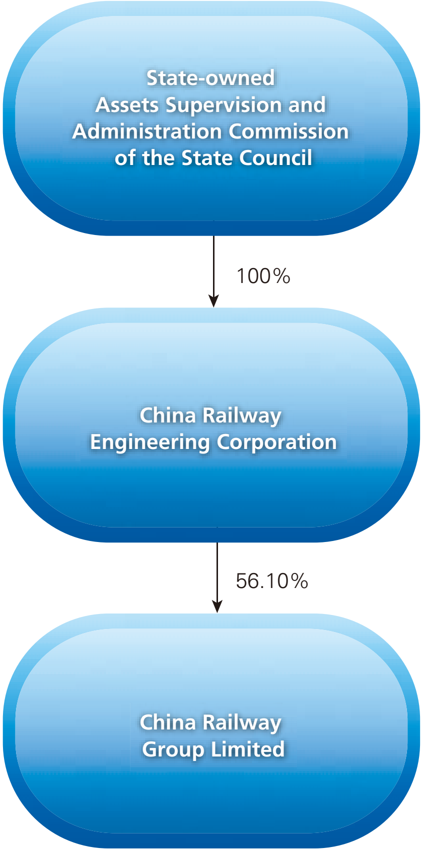
(1) Ultimate controller

Ultimate controller - State-owned Assets Supervision and Administration Commission of the State Council, which is the ministry level organization directly under the State Council, which in turn was set up in accordance with the Institutional Reform Plan of the State Council and the Notice of the State Council on Establishment of Institutions passed at the First Session of the 10th National People's Congress. State-owned Assets Supervision and Administration Commission of the State Council performs its duties as an investor on behalf of the State. The scope of supervision of State-owned Assets Supervision and Administration Commission of the State Council extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, State-owned Assets Supervision and Administration Commission of the State Council is holding 100% of the shareholding of CRECG.

(2) Details of the index and the date of changes of the ultimate controller during the reporting period

During the reporting period there is no change in the ultimate controller of the Company.

(3) The block diagram of the interests and controlling relationships between the Company and the ultimate controller



(4) The ultimate controller controlled the Company through a trust or other asset management company

Not applicable

3 Other information of the controlling shareholder and the ultimate controller

Not applicable

5. Other Legal Person Shareholders With Shareholding Of Over 10%

As at the end of the reporting period, save for HKSCC Nominees Limited, there were no other legal person shareholders of the Company with shareholding of over 10%.

BUSINESS OVERVIEW

BAI Zhongren • *Executive Director and President*

The Group is one of the largest multi-functional integrated construction groups both in the PRC and in Asia, which enables us to offer a full range of construction, design and industrial products related services to our customers. The Group holds a leading position in fields such as infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing both in the PRC and in Asia. Leveraging on our traditional platform in infrastructure construction, the Group further integrated and expanded into other businesses such as property development and mining development in order to increase our profitability.

For the year of 2012, the Group recorded revenue of RMB465.625 billion, representing a year-on-year increase of 5.3%; the value of new contracts amounted to RMB731.0 billion, representing a year-on-year increase of 28.1%. As of 31 December 2012, the Group's contract backlog reached RMB1,301.026 billion, representing a year-on-year increase of 23.0%.

1. Industry Development Overview

1 Infrastructure Construction Business

In 2012, the State's fixed asset investment amounted to RMB36,483.5 billion, representing a year-on-year increase of 20.6%. The State's fixed asset investment on railway amounted to RMB630.98 billion, with a year-on-year growth of 7.0%, among which, infrastructure construction investment amounted to RMB518.51 billion, with a year-on-year growth of 12.5%.

2 Survey, Design and Consulting Services Business

The increase of infrastructure construction investment of PRC in 2012 also promoted the development of survey, design and consulting services business industry and kept its developing momentum.

3 Engineering Equipment and Component Manufacturing Business

Affected by the State's macroeconomic policies and railway construction, the growth rate of transportation equipment manufacturing industry in 2012 was lower than that in 2011. The growth rate of industrial value-added output related to the State's transportation equipment manufacturing industry was 8.9% (2011: 12%).

4 Property Development Business

Investment in the State's property development in 2012 was RMB7,180.4 billion, an increase of 16.4% over the previous year, among which, investment in residential building accounted for RMB4,937.4 billion, an increase of 11.4%; investment in office building accounted for RMB336.7 billion, an increase of 32.2%; investment in commercial business space accounted for RMB931.2 billion, an increase of 26.3%. 7.81 million units of national urban social welfare housing commenced construction in the year, with 6.01 million urban social welfare housing units were basically completed.

2. Business Development Overview

In 2012, with the sluggish investment in the State's railway infrastructure in the first 8 months, the Group further enhance its marketing strategy and co-ordination to accelerate its development of highway, urban rails, municipal and overseas market. It also promoted the development of emerging businesses such as property development, mining development, merchandise trading and financial trust businesses. Through launching comprehensive budget management, project management, investment and financing management, technology innovation as well as management innovation, the Group's management standard and core competitiveness is further enhanced, successfully realizing various operation targets for the year.

1 Infrastructure construction

In 2012, revenue from the Group's infrastructure construction business was RMB396.906 billion, representing a year-on-year increase of 1.1%; the Group's value of new contracts hit RMB536.7 billion, representing a year-on-year increase of 30.1%. As at 31 December 2012, the Group's contract backlog of the infrastructure construction business was RMB1,053.23 billion, representing a year-on-year increase of 17.2%.

(1) Railway Construction

In 2012, the Group achieved value of new contracts in railway construction of RMB125.65 billion, representing a year-on-year increase of 28.8%, which accounted for approximately 45% of the large-and mid-scale railway infrastructure construction market share. The Group completed track laying of 4,896 kilometers of main railway line (new tracks and double-track) and 6,005 kilometers of the main line of the electrified railway network in total. The following railways with which the Company is engaged have started operation in succession, namely Beijing - Guangzhou high speed railway (which is the high speed railway with the longest mileage in the world), Harbin - Dalian dedicated high speed passenger railway (which is the first ever high speed railway in alpine region around the world) and such 17 railway projects as Hefei - Bengbu railway, Longyan - Xiamen railway, Wuhan - Yichang railway and Hami - Luozhong railway and such 14 railway electrification projects as Yuxi - Mengzi railway and Hongshankou - Urumqi railway.

(2) Highway Construction

In 2012, the Group achieved value of new contracts in highway construction of RMB76.24 billion, representing a year-on-year decrease of 18.8% and accounting for approximately 10% of the market share in the State's highway market. The Group had completed highway construction totaling 1,028 kilometers, of which 680 kilometers were expressways. Construction of Ningde - Wuyi Mountain highway, Xiamen - Zhangzhou highway, Liuzhai - Yizhou highway, Zhengzhou - Lushi, Shantou - Kunming highway and Ghana N1 highway constructed by the Group operated successfully in 2012. The world's biggest cross canyon steel box girders suspension bridge - Hunan Aizhai Major Bridge was officially operated.

(3) Municipal Works and Other Construction

In 2012, the value of new contracts for municipal works and other construction projects completed by the Group amounted to RMB334.81 billion, representing a year-on-year growth of 51.4%, of which the value of new contracts for urban rail construction amounted to RMB100.2 billion, representing a year-on-year growth of 79.8% and a market share of approximately 50%. In 2012, the Group completed the land construction of 171.5 kilometers of city light rails and metros and laid 191 kilometers of tracks in total. The metro projects, such as Beijing, Tianjin, Chongqing, Hangzhou, Xian, Suzhou constructed by the Group were officially launched while the world's first large suspend coping steel box combined girder and cable-stayed bridge - Wusu Major Bridge constructed by the Group was put into official operation.

2 Survey, Design and Consulting Services Business

In 2012, the Group's revenue on survey, design and consulting services business was RMB9.069 billion, representing a year-on-year increase of 1.6%; the value of new contracts amounted to RMB10.61 billion, representing a year-on-year growth of 2.5%. As at 31 December 2012, the Group's contract backlog of the survey, design and consulting services business was RMB16.74 billion, representing a growth of 15.8% compared to 31 December 2011. In 2012, the Group mainly participated in the completion of high speed railway, passenger railway and complex mountainous areas railway projects such as Guiyang - Guangzhou, Dali - Ruili, Lanzhou - Chongqing, Chengdu - Chongqing, Mengxi - Huazhong; urban rail transportation projects in cities such as Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu; the material bridge construction projects of Hong Kong-Zhuhai-Macao Bridge, Tongling highway and railway Yangtze major bridge, Wuhan Yingwuzhou Yangtze River Bridge; international construction projects of Kunming-Vientiane railway and Georgia Tbilisi ring railway.

3 Engineering Equipment and Component Manufacturing Business

In 2012, revenue from the Group's engineering equipment and component manufacturing business was RMB11.464 billion, representing a year-on-year increase of 2.8%; the value of new contracts amounted to RMB16.94 billion, representing a year-on-year growth of 3.2%. As at 31 December 2012, the Group's contract backlog of the engineering equipment and component manufacturing business was RMB15.62 billion, representing a growth of 38.8% as compared to that as at 31 December 2011. In 2012, the respective market share of large bridge steel structures and passenger railway and high-speed turnouts was more than 65% with operations mainly in domestic regions. The production capacity and sales of shields grew substantially with an annual production capacity of 40 units of shields. 36 units of shields were produced in 2012, representing a growth of 140% as compared to 2011, mainly operated in metro construction market. The Group also realized the breakthrough of overseas sales of shields.

4 Property Development Business

In 2012, the Group responded to the tightening measures in the macro-adjustment in real estate market proactively. By adjusting its pace of development and enhancing sales and marketing efforts, the Group achieved positive results. Revenue from the Group's property development business was RMB20.175 billion, representing a year-on-year increase of 17.7%. Property projects such as Beijing Nobel Center, Guiyang China Railway Yidu International, Chengdu China Railway West City, Xi'an Binfen South County, Wuhan Bairuijing Central Business District etc., achieved satisfactory sales results. As at 31 December 2012, the project area under development of the Group amounted to 19.62 million square meters with a gross floor area of 39.00 million square meters.

5 Other Businesses

In 2012, the Group fully exerted its advantage of traditional businesses by synchronizing the mining development and infrastructure construction businesses. The exploitation of mining construction experienced smooth development with further enhancement of integrated production capability. The overall operation of BOT expressway projects remained good with continuous increase in revenue. The merchandise trading business grew continuously following the increasing scale of the bulk materials procurement business. Issuance of various types and scales of trust-related products increased continuously in view of rapid development in financial business and increasing market demands. The annual revenue from other businesses reached RMB56.432 billion, representing a year-on-year growth of 33.7%.

3. Technology Research Development And Technological Achievements

In 2012, the Group firmly complies with the technology development planning stated in "Twelfth Five-Year Plan". Coupled with the its actual development, the Group carried out technology research focusing on key technologies such as high speed railway, long-span bridges, deep water foundation, long tunnel and energy-saving and environment protection. In 2012, 1,364 new technological research projects were newly developed by the Group, with technological investment amount of approximately RMB11.7 billion. The Ministry of Railway contracted 7 technological research projects to the Group and project fund of RMB11.40 million was received. Currently, 19 national key technological research projects are contracted and project fund of RMB77.37 million is received.

In 2012, a total of 555 technological achievements of the Group passed the identification, assessment or inspection, among which 84 technological achievements passed at province (city) level and 125 technological achievements passed at stock company technological assessment. The Group's "National Engineering Laboratory of High Speed Railway Construction" and "National Key Laboratory of Shield Tunneling and Drilling Technology" passed the examination successfully. The Group was rewarded 3 National Advanced Science and Technology Prizes, 334 technological advancement awards at the provincial level l (including awards established by state-accredited social power), 56 awards of engineering, survey and design at the provincial and ministerial level, 16 awards of engineering consulting at the provincial and ministerial level. 1 newly established state level accredited enterprise technology centers (7 in total), and was granted 632 valid patent rights (151 of which were invention patents). The Group is the first among the construction enterprises with the most total number of National Advanced Science and Technology Prize first prizes and National Advanced Science and Technology Prize.

4. Development Strategies

According to domestic and overseas marco-economic trend, the changes in the industry and the analysis of development trend, the Group is clear of the three-year development direction following the "Twelfth Five-Year Plan". The Group adheres to its development strategy of "promote two major changes and build the top world class enterprise". The Group would be fueled by reform, commence management enhancement initiatives with an aim to fully promote the optimization and upgrade of industry, products, organization, and staff structure. The way of promoting growth will change from factor input and scale expansion to advanced technology, raise of labor quality and innovative change of management. The Group will increase efforts on technology innovation, deepen comprehensive budget management so as to enhance competitiveness and realise continuous development.

1 Infrastructure Construction Business Segment

Infrastructure construction segment is the traditional core business of the Group as well as the foundation of the Group's subsistence and development. The Group will continue to solidify the pillar status of the infrastructure construction segment, endeavor to maintain its traditional advantages and market shares of areas such as railways, highways and urban rail transportation, strengthen the competitiveness in areas such as harbor ports, airports, water and electricity, firmly establish its leading position in the PRC's construction industry, and take lead in the development of the industry.

2 Survey, Design and Consulting Services Business Segment

Survey and design enterprises have to expand business realms, raise design quality, and strengthen the overall capability of design construction to gain a bigger market share through quality services. Capitalizing on the capability of railway survey and design, the Group will actively expand into other areas and develop the general construction contract and project management by using its profound consulting services. The Group will devote to become a design conglomerate with world-class design theory and design technology, implement the strategy of "Go Global" and provide technical support and security for the Group's internationalization strategy.

3 Engineering Equipment and Component Manufacturing Business Segment

The Group will give full play of its overall advantage and realise a professional and systematic operation. The Group will also expedite research and development of product, change product generation and form key technological gears. The engineering equipment and component manufacturing business segment will basically establish a platform where major technological equipments, the high and new technological equipments in the industry, basic equipments and general mechanical equipments will exert professional and reasonable division of labour, cooperative advancement and coordinative development. The Group will have innovative operation mode of providing good services for development and increasing product quality for better efficiency.

4 Property Development Business Segment

The Group will strengthen its forecast on policy and the market, have innovative development mode, moderately adjust pace of land development, improve sales of inventory, activate existing lands, expedite money return and realize rollover development. The Group will also strengthen resources integration, optimize regional planning, innovate operating model, streamline decision-making procedures and build a scientific investment and financing system. In order to further establish the brand of "China Railway Real Estate", the Group will improve the internal control and risk management and promote the professionalism, scale and branding of the Group's property development business.

5 Other Businesses Segment

The Group will expedite the operation pace of existing mining development projects, speed up the conversion cycle from investment phase and construction phase to production phase and return phase. The Group will further expand the types and ranges of merchandise trading business and complete the cooperation list with manufacturers and suppliers. The Group will also increase the proportion of direct procurement and strategic procurement and promote electronic business platform construction.

5. Operation Plan

In 2013, the Group plans to achieve revenue of approximately RMB455.3 billion, costs of sales of approximately RMB406.8 billion selling and marketing expenses, administrative expenses and interest expenses are in aggregate of approximately RMB25.2 billion. It is estimated that the amount of new contracts to be entered into will be approximately RMB655.8 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

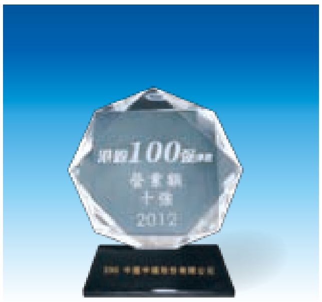
In 2013, the Group will basically stabilize the investment on capital expenditure and moderately increase the investment in property, mining development and BT investment projects. It is expected that the total fund for investment of the year will be RMB100.0 billion, of which approximately RMB12.0 billion for capital expenditure on fixed assets and intangible assets and approximately RMB88.0 billion for existing and new investment projects. After deducting available operating funds and the return of existing investment projects, it is expected that the amount of new fund required for the year will be approximately RMB35.0 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

In the year of 2012, the Group achieved revenue of RMB465.625 billion, representing a year-on-year increase of 5.3%. Net profit for the year increased by 11.0% year-on-year to RMB8.033 billion while profit for the year attributable to owners of the Company increased by 9.9% year-on-year to RMB7.354 billion.

A comparison of the financial results for 2012 and 2011 is set forth below.



2. 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 5.3% from RMB442.216 billion for 2011 to RMB465.625 billion for 2012. In 2012, due to the active and sound implementation of urbanization policy by the State, there was an increase of investment in urban rail construction as well as a recovery of railway construction to steady development stage and a significant investment in municipal and water conservation construction. In addition, the continuous development of the Group's property development, mining development, merchandise trading and financial trust businesses was also attributable to the increase in the revenue of the Group.

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 2012, the Group's cost of sales increased by 4.9% to RMB430.064 billion from RMB409.963 billion for 2011. In 2012, gross profit of the Group increased by RMB3.308 billion or 10.3% to RMB35.561 billion from RMB32.253 billion for 2011. The overall gross profit margin for 2012 was 7.6%, an increase of 0.3 percentage point from 7.3% for 2011. It was mainly due to (1) the increase in gross profit margin of infrastructure construction business as a result of strengthened control on project costs through the Group's strengthened management and (2) the increase in gross profit margin of property development business as a result of increase in proportion of sale of office buildings and high-end residential properties and lower land costs obtained for second-tier and third tier-cities.

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government, and other income. In 2012, the Group's other income increased by 21.8% year-on-year from RMB2.413 billion to RMB2.938 billion. The increase of other income was primarily due to the increase of revenue from subsidies and relocation compensation from government as well as sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2012, other expenses increased by 20.1% from RMB5.345 billion of last year to RMB6.418 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capabilities and enhanced energy saving and emission reduction efforts.

Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal of fixed assets and subsidiaries. The other losses of RMB0.128 billion in 2012 (2011: Other losses of RMB0.388 billion) primarily included gain on disposal of subsidiaries of RMB0.637 billion, impairment loss on trade and other receivables of RMB0.493 billion and net exchange loss of RMB0.126 billion.

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 2012, the Group's selling and marketing expenses amounted to RMB2.031 billion, representing an increase of 12.0% from RMB1.813 billion of 2011. The selling and marketing expenses as a percentage of the total revenue for 2012 was 0.4%, same as that for 2011.

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 2012, the Group's administrative expenses increased by 6.6% to RMB15.271 billion from RMB14.325 billion of last year. Administrative expenses as a percentage of revenue for 2012 was 3.3%, basically remained the same as compared to 3.2% for 2011.

Interest income

In 2012, the interest income increased by 85.9% to RMB2.718 billion from RMB1.462 billion for 2011. The increase in interest income was primarily due to the increase in balance of bank deposits and retention receivables.

Interest expenses

In 2012, the interest expenses was RMB6.360 billion, representing an increase of 53.3% from RMB4.148 billion for 2011. The increase in interest expenses was primarily due to the increase in scale of borrowings and financing costs.

Profit before tax

As a result of the foregoing factors, the profit before tax for 2012 increased by RMB1.087 billion, or 10.9% to RMB11.085 billion from RMB9.998 billion for 2011.

Income tax expense

In 2012, the income tax expense increased by 10.7% to RMB3.052 billion from RMB2.758 billion for 2011. The effective tax rate of the Group for 2012 was 27.5%, basically remained the same as compared to 27.6% for 2011.

Minority interests

As a result of the increase in profitability of subsidiaries, minority interests increased by 23.5% from RMB0.550 million for 2011 to RMB0.679 million for 2012.

Profit for the year attributable to owners of the Company

As a result of the foregoing factors, profit for the year attributable to owners of the Company for 2012 increased by 9.9% to RMB7.354 billion from RMB6.690 billion for 2011.

3. Segment Results

The revenue and results of each segment of the Group's business for 2012 are set forth in the table below.

Business Segment	Segment Revenue RMB million	Growth Rate (%)	Profit Before Tax RMB million	Growth Rate (%)	Profit Before Tax Margin[1] (%)	Segment Revenue as a Percentage of Total (%)	Profit Before Tax as a Percentage of Total (%)
Infrastructure Construction	396,906	1.1	5,383	8.3	1.4	80.3	43.4
Survey, Design and Consulting	9,069	1.6	807	0.5	8.9	1.9	6.5
Engineering Equipment and Component Manufacturing	11,464	2.8	726	20.6	6.3	2.3	5.9
Property Development	20,175	17.7	3,429	24.7	17.0	4.1	27.7
Other Businesses	56,432	33.7	2,043	13.9	3.6	11.4	16.5
Inter-segment Elimination and Adjustments	(28,421)		(1,303)				
Total	**465,625**	**5.3**	**11,085**	**10.9**	**2.4**	**100.0**	**100.0**

1 *Profit before tax margin is the profit before tax divided by the segment revenue.*

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 2012, the revenue from the infrastructure construction business accounted for 80.3% of the total revenue of the Group (2011: 83.2%). In 2012, segment revenue from the Group's infrastructure construction business increased by 1.1% year-on-year to RMB396.906 billion. It was mainly due to the revenue contribution of RMB49.0 billion from urban rail business of the municipal work construction segment, which represents a year-on-year growth of 29.4%. Profit before tax margin of the infrastructure construction segment for 2012 was 1.4%, representing an increase from 1.3% for 2011. It was primarily due to (1) the strengthened control on project costs through the Group's strengthened management and (2) the increase in gross profit margin of highway business.

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 2012, segment revenue of survey, design and consulting services business increased by 1.6% to RMB9.069 billion from RMB8.926 billion for last year. The profit before tax margin for the segment for 2012 was 8.9%, representing a slight decrease from 9.0% for 2011. It was mainly due to the increase in labour cost.

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 2012, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 2.8% year-on-year to RMB11.464 billion from RMB11.147 billion. Profit before tax margin was 6.3% for 2012, representing an increase from 5.4% for 2011. The increase in profit before tax margin was mainly due to (1) the low steel price during the year and (2) the decrease in costs through technical transformation.

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 2012, revenue from property development business increased by 17.7% to RMB20.175 billion from RMB17.135 billion for 2011. Profit before tax margin increased from 16.0% for 2011 to 17.0% for 2012. The increase in profit before tax margin for 2012 was primarily due to (1) the increase in proportion of office buildings and high-end residential properties sold in 2012 and (2) higher gross profit margin for second-tier and third-tier cities with lower land costs.

Other businesses

Revenue from other businesses increased by 33.7% from RMB42.211 billion in 2011 to RMB56.432 billion in 2012. In 2012, the revenue of expressway BOT, mining development, merchandise trading and financial trust business were RMB1.943 billion, RMB1.684 billion, RMB45.86 billion and RMB1,307 billion respectively, representing a year-on-year growth of 43.0%, 3.4%, 38% and 27.8%, respectively. The profit before tax margin for other businesses decreased to 3.6% in 2012 from 4.3% in 2011, which was primarily due to the significant growth of merchandise trading business which has a relatively lower gross profit margin.

As at 31 December 2012, the Group's mining resources information is set forth below.

No.	Project name	Type	Unit	Reserve Quantity	Group's share
1	Sunite-ZuoQi Manglai Coal Mine, Inner Mongolia	Lignite	Billion tonne	0.92	46%
2	Sunite-ZuoQi Xiaobaiyang Coal Mine, Inner Mongolia	Lignite	Billion tonne	0.98	25%
3	Muli Coal Mine, Haixizhou of Qinghai	Coking coal	Billion tonne	0.251	80%
4	Changfulong Gold Mine, Inner Mongolia	Gold	Tonne	4.17	100%
5	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	Thousand tonne	806.9	83%
6	Luishia Copper-Cobalt Mine, Congo	Copper	Thousand tonne	785.9	72%
		Cobalt	Thousand tonne	56.9	
7	MKM Copper-Cobalt Mine, Congo	Copper	Thousand tonne	252.6	71%
		Cobalt	Thousand tonne	22.6	
8	Sicomines Copper-Cobalt Mine, Congo	Copper	Thousand tonne	8,544.9	33%
		Cobalt	Thousand tonne	571	

4. Cash Flow

In 2012, the net cash outflow from operating activities of the Group amounted to RMB4.188 billion, representing an improvement from net cash outflow from operating activities of RMB13.483 billion for 2011, which was primarily attributable to the significant improvement in cash receipt from railway projects in the second half of 2012. In 2012, the net cash outflow from investing activities of the Group amounted to RMB11.974 billion, which was basically the same as RMB11.710 billion for 2011. In 2012, the net cash inflow from financing activities of the Group amounted to RMB23.673 billion, representing a decrease from net cash inflow from financing activities of RMB30.600 billion for 2011.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure for 2012 was RMB10.871 billion (2011: RMB12.772 billion).

The following table sets forth the Group's capital expenditure by business segment in 2012.

For the year ended 31 December 2012	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	Total RMB million
Property, plant and equipment	4,459	113	349	35	5,332	10,288
Lease prepayments	136	–	–	9	17	162
Investment properties	2	7	–	–	33	42
Intangible assets	184	6	1	1	140	332
Mining assets	–	–	–	–	47	47
Total	**4,781**	**126**	**350**	**45**	**5,569**	**10,871**

Working capital

	As at 31 December	
	2012 RMB million	2011 RMB million
Inventories	**41,906**	36,329
Properties under development for sale	**65,287**	52,995
Trade and bills receivables	**107,234**	99,094
Trade and bills payables	**180,058**	159,090
Turnover of inventory (days)	**33**	29
Turnover of trade and bills receivables (days)	**80**	74
Turnover of trade and bills payables (days)	**142**	130

The Group's inventories and properties under development for sale increased by 15.4% and 23.2% respectively from RMB36.329 billion and RMB52.995 billion as at the end of 2011 to RMB41.906 billion and RMB65.287 billion as at the end of 2012. The increase was primarily due to (1) the increase in investment of property development business as a result of business growth and (2) the increase in stock level of raw materials as a result of the increase in investment of railway and urban rail business. The Group's inventory turnover days was 33 days in 2012, a moderate increase from 29 days for 2011. The Group's trade and bills receivables increased by 8.2% from RMB99.094 billion as at the end of 2011 to RMB107.234 billion as at the end of 2012, among which, the balance of retention receivables as at the end of 2012 increased by 4.7% from RMB42.433 billion as at the end of 2011 to RMB44.447 billion as at the end of 2012. Also, the turnover days of trade and bills receivables increased from 74 days as the end of 2011 to 80 days as at the end of 2012.

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 34.9% (2011: 29.2%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2012	2011
	RMB million	RMB million
Less than six months	**47,076**	41,248
Six months to one year	**22,737**	28,943
One year to two years	**22,284**	18,766
Two years to three years	**9,684**	5,835
More than three years	**5,453**	4,302
Total	**107,234**	99,094

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. Due to the expansion of the Group's business scale and increase in trade and bills receivables, the Group's trade and bills payables increased by 13.2% from RMB159.090 billion as at the end of 2011 to RMB180.058 billion as at the end of 2012. The turnover days of trade and bills payables was 142 days in 2012, representing an increase from 130 days in 2011. 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 12.2% (2011: 12.0%) of the total payables.

Trade and bills payables

	As at 31 December	
	2012	2011
	RMB million	RMB million
Less than one year	**158,072**	140,005
One year to two years	**13,884**	13,222
Two years to three years	**5,252**	3,877
More than three years	**2,850**	1,986
Total	**180,058**	159,090

5. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2012 and 2011. 45.6% of the Group's borrowings were short-term borrowings (31 December 2011: 43.4%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2012	2011
	RMB million	RMB million
Bank borrowings		
Secured	**36,587**	31,235
Unsecured	**90,199**	67,736
	126,786	98,971
Short-term debentures, unsecured	**539**	908
Long-term debentures, unsecured	**27,049**	24,221
Other short-term borrowings, unsecured	**4,157**	2,567
Other short-term borrowings, secured	**1,007**	–
Other long-term borrowings, unsecured	**710**	1,972
Other long-term borrowings, secured	**1,413**	1,457
Total	**161,661**	130,096
Long-term borrowings	**87,899**	73,606
Short-term borrowings	**73,762**	56,490
Total	**161,661**	130,096

Bank borrowings carry interest at rates which range from 2.24% to 13.6% (2011: 3.86% to 14.5%) per annum. Short-term debentures were issued at fixed interest rates at 4.16% (2011: 5.92% to 7.11%) per annum. Long-term debentures were issued at fixed interest rates ranging from 4.34% to 6.65% per annum (2011: 4.34% to 6.65%). Other short-term borrowings carry interest at variable rates which range from 6% to 13.5% (2011: 5.13% to 9.51%) per annum. Other long-term borrowings carry interest at rates which range from 4.39% to 13.6% (2011: 4.39% to 13.6%) per annum.

The following table sets forth the maturity of the Group's bank loans and other long-term borrowings as at 31 December 2012 and 2011.

	As at 31 December	
	2012	2011
	RMB million	RMB million
Bank borrowings:		
Within one year	**68,059**	53,015
More than one year, but within two years	**23,457**	9,725
More than two years, but within three years	**11,246**	8,933
More than three years, but within four years	**3,589**	4,766
More than four years, but within five years	**3,615**	3,573
More than five years	**16,820**	18,959
Total bank loans	**126,786**	98,971
Long-term debentures:		
More than one year, but within two years	**400**	–
More than two years, but within three years	**2,795**	400
More than three years, but within four years	**–**	995
More than four years, but within five years	**997**	–
More than five years	**22,857**	22,826
Total long-term debentures	**27,049**	24,221
Other long-term borrowings:		
More than one year, but within two years	**1,397**	3,323
More than two years, but within three years	**726**	59
More than three years, but within four years	**–**	47
Total other long-term borrowings	**2,123**	3,429

As at 31 December 2012 and 2011, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB0.499 billion and RMB1.062 billion and floating-rate bank borrowings amounting to RMB126.287 billion and RMB97.909 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2012 and 2011. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	Borrowings in U.S. dollars RMB million	**Borrowings in Euros** RMB million	**Borrowings in other currencies** RMB million
As at 31 December 2012	**4,528**	**236**	**10**
As at 31 December 2011	2,874	389	20

As at 31 December 2012, approximately RMB39.007 billion (31 December 2011: RMB32.692 billion) of total bank borrowings were pledged by assets of the Group with an aggregate value of RMB67.903 billion (31 December 2011: RMB49.399 billion). As at 31 December 2012, the Group had unutilized credit facilities with an aggregate amount of approximately RMB118.770 billion (31 December 2011: RMB116.762 billion).

As at 31 December 2012, the Group's gearing ratio (total liabilities/total assets) was 83.9%, representing an increase of 1.2 percentage points as compared with 82.7% for 2011. 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. In 2012, the Group completed the issue of company bonds of RMB2.5 billion, short-term financing notes of RMB0.5 billion and medium-term notes of RMB0.3 billion.

In 2013, in order to ensure the continuous and healthy development of the Group's business and investment projects, the Group will adopt several measures for fund raising. First is further strengthening of fund centralization so as to shorten liquidity turnover period and lower the dependency on external financing. Second is active exploration of domestic and overseas financing channels such as direct or indirect financing through borrowings from financial institutions and issuance of domestic or overseas bonds. Currently, the Group has sufficient unutilized credit facilities and the Group is able to issue various types of low-cost debentures in an aggregate amount of RMB40 billion, including short-term financing bills, private bonds, company bonds and overseas bonds. Third is active exploration of the cooperation between the Company and financial institutions on issuance of sector funds and asset-backed securities, on the condition that not exerting new pressure on the Group's gearing ratio, to raise funds for project investment.

6. Contingent Liabilities

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

	As at 31 December	
	2012	2011
	RMB million	RMB million
Pending lawsuits:		
– arising in the ordinary course of business *(Note 1)*	**761**	275
– overseas lawsuits *(Note 2 & Note 3)*	**1,121**	238
	1,882	513

Note 1: 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 (see Note 41). No provision has been made for these 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.

*Note 2: Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("**COVEC**") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków - Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland ("**PGDNRM**"). The Group's share of the total contract amount and performance bond are approximately Polish Zloty ("**PLN**") 1,160 million (approximately USD402 million or RMB2,741 million) and PLN116 million (approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium.*

On 29 September 2011, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and another independent party in the Consortium collectively or individually for penalties and interests of an aggregate amount of PLN129 million (approximately USD42 million or RMB263 million), whereas all parties in the Consortium bear jointly liabilities. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court commenced proceedings for this lawsuit according to the civil procedures and eight hearings have been conducted to testify the evidence given by the supervision engineer. There is no significant progress up to the date of this annual report. At this stage, the Directors of the Company consider it premature to assess the outcome of this case.

*Note 3: Exploitations Artisanales Au Congo ("**EXACO**") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("**MKM**"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("**CRRG**") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM), breached the relevant terms and other relevant obligation pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (approximately RMB858 million). Currently, it is pending the court's ruling on the jurisdictional dispute. The Directors of the Company consider that it is premature to assess the outcome of this case.*

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

	As at 31 December			
	2012		2011	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**1,838**	**2013–2025**	983	2012–2025
Other government-related enterprises	**55**	**2013**	55	2014
Property purchasers	**8,622**	**2013–2017**	5,831	2012–2015
Investees of the Group	**13**	**2016**	170	2012–2016
	10,528		7,039	

In addition to the above, as at 31 December 2012, Yichang Hongming Real Estate Co., Ltd., a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of Yichang Sanxia Hongming Tourism Property Development Co., Ltd. ("**Yichang Sanxia**") to the extent of RMB50 million (2011: RMB181 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from Yichang Sanxia Hongming Tourism Property Development Co., Ltd.) if Yichang Sanxia failed to repay those liabilities in the future.

7. Business Risks

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

Market risk: Various expectations from the government could have adverse impact on the market where the Group operates, such as expectation on growth level of both national and regional economy, usage of infrastructure and expectation on future expansion of demand and expectation on the overall growth level of related industries. In addition, the instability of political and economic environment of overseas market could bring uncertainties to the Group's overseas market development, which may affect the normal project implementation.

Operation risk: For infrastructure construction business, the bidding prices of construction contracting projects are largely affected by market competition. Meanwhile, there are also certain operation risks for the Group to control the cost and to engage labour subcontractors.

Management risk: With the Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, plus high risk of the construction industry, and the rapid growth in the business scale of the Group in recent years as well as the gradually wider span of its operation, project management becomes more and more difficult, posing a severe challenge to the safety and quality management for the projects, which could result in management risks.

Policy risk: Changes in the foreign exchange administration system, preferential taxation policies and policies for real estates industry in the PRC could have certain adverse impacts on the Group.

Financial risk: Delay in payment by its customers could affect the Group's working capital and cash flow, and the failure to obtain sufficient funding could also affect the expansion plan and development prospects of the Group.

Investment risk: Investment risk mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by non-governmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.

Interest rate risk: Currently, the Group's size of financing is relatively large, changes in interest rate policies therefore will have an impact on the Group's financial costs and economic benefits.

To guard against the occurrence of various types of risks, the Group makes various types of risks correspond to the business process through the establishment and operation of the internal control system, pursuant to which the Group can decompose and identify the critical control point of business processes, develop specific control measures, establish procedures critical control documents, implement the responsibilities of the various types of risks and critical control point, work closely with the day-to-day management and control, and control risk factors and elements. In addition, the Group strictly supervises the important control aspects of earlier stage of research, planning, reviewing, auditing, approval and decision-making; enhances process control and post-assessment work; and makes measures to deal with risks and contingency plans, aiming to guarantee overall controllability of the Group's various types of risk.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, aged 54, professor level senior engineer, is the Chairman, an Executive Director, Secretary to the Communist Party Committee of the Company, Chairman of the Strategy Committee and Chairman of the Nomination Committee of the Board of the Directors. Mr. Li is also the chairman, general manager and deputy secretary to the Communist Party Committee of CRECG. From July 2002 to September 2006, he was a deputy general manager of CRECG. From September 2006 to September 2007, he was a director, general manager and deputy secretary to the Communist Party Committee of CRECG. From September 2007 to June 2010, Mr. Li was a director and secretary to the Communist Party Committee of CRECG, an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company. Mr. Li has been the chairman of the Board of SICOMINES SARL from June 2008 to April 2012, the chairman of CRECG since May 2010, and general manager from June 2010 to March 2013 and a deputy secretary to the Communist Party Committee of CRECG and Chairman, an Executive Director and Secretary to the Communist Party Committee of the Company since June 2010.

BAI Zhongren
(Executive Director and President)

BAI Zhongren, aged 52, professor level senior engineer, is an Executive Director, President, Deputy Secretary to the Communist Party Committee of the Company and Chairman of the Safety, Health and Environmental Protection Committee of the Board of the Directors. Mr. Bai is also secretary to the Communist Party Committee and a director of CRECG. Mr. Bai was deputy general manager and chief economist of CRECG from October 2001 to September 2007, Chairman of China Railway Construction Group (CRGC) Co., Ltd. from November 2006 to January 2008. He was an Executive Director, Vice President and Chief Economist of the Company from September 2007 to June 2010, a Director and vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd from July 2008 to June 2011, and a Director and vice chairman of Lince Railway Co., Ltd. from June 2009 to October 2010, and a director, deputy secretary to the Communist Party Committee of CRECG as well as an Executive Director, President and Deputy Secretary to the Communist Party Committee of the Company since June 2010.

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, aged 58, senior economist, is an Executive Director, the Vice Chairman, Deputy Secretary to the Communist Party Committee and Chairman of the labor union of the Company. He is also vice chairman of the Board, deputy secretary to the Communist Party Committee and chairman of the labor union of CRECG as well as executive member of All China Federation of Trade Unions. He has been the deputy secretary to the Communist Party Committee and chairman of the labor union of CRECG as well as executive member of All China Federation of Trade Unions since December 2004. Mr. Yao was a Director of the labor union of CRECG from September 2006 to September 2007, chairman of China Railway No. 9 Engineering Group Co., Ltd. from April 2006 to March 2008, and Vice President of the Company from September 2007 to June 2009, and the Chairman of the Company's Supervisory Committee from June 2009 to August 2010. Mr. Yao was a vice chairman and director of CRECG from June 2010 to March 2013. He has been a general manager and director of CRECG since March 2013 and has been an Executive Director and Vice Chairman of the Company since August 2010.

HAN Xiuguo
(Non-executive Director)

HAN Xiuguo, aged 67, engineer, is a member of the 11th National Committee of the Chinese People's Political Consultative Conference and a Non-executive Director of the Company. Mr. Han was chairman of the Supervisory Board for Key Large State-owned Enterprises from September 2001 to March 2009. He has been a Non-executive Director of the Company since January 2011.

HE Gong
(Independent Non-executive Director)

HE Gong, aged 69, professor level senior engineer, is an Independent Non-executive Director of the Company and Chairman of the Remuneration Committee of the Board of Directors. Mr. He is also an external Director of China National Offshore Oil Corporation and China South Industries Group Corporation. He served as secretary to the Communist Party Committee and general manager of China Hua Dian Corporation from December 2002 to October 2006, Chairman of Yunnan Jinsha River Midstream Hydropower Development Co., Ltd from October 2005 to March 2008, Chairman of Expert Committee of China Hua Dian Corporation from November 2006 to March 2008. Mr. He was an external director of Dongfang Electric Corporation from April 2009 to April 2012, and he has been an Independent Non-executive Director of the Company since September 2007, an external director of China South Industries Group Corporation since July 2011 and an external director of China National Offshore Oil Corporation since February 2012.

GONG Huazhang
(Independent Non-executive Director)

GONG Huazhang, aged 67, professor level senior accountant, is an Independent Non-executive Director of the Company and Chairman of the Audit Committee of the Board of Directors. Mr. Gong is also a member of Accounting Standards Committee and Valuation Standards Committee under the Ministry of Finance, vice director of the Accounting Society of China, advisor of the Price Association of China. Mr. Gong is a part-time professor of Tsinghua University, Nankai University, Xiamen University, China University of Petroleum (Beijing), China University of Petroleum (Huadong), Shanghai National Accounting Institute and Xiamen National Accounting Institute, and a professor of Beijing National Accounting Institute. From August 2000 to April 2007, Mr. Gong was a member of the Communist Party Committee and the chief accountant of China National Petroleum Corporation. From November 1999 to March 2008, he was a Director of PetroChina Company Limited. He was the Chairman of China Petroleum Finance Co., Ltd. from May 1999 to September 2009 and a Director of China Yangtze Power Co., Ltd. from September 2002 to June 2010. He has been an Independent Non-executive Director of China Southern Airlines Company Limited since June 2007, an Independent Non-executive Director of the Company since September 2007, an Independent Non-executive Director of Nanyang Commercial Bank (China) Limited since December 2007, an external director of Dongfang Electric Corporation since April 2009, an Independent Non-executive Director of China Shenhua Energy Company Limited since June 2009, as well as an external director of COFCO Corporation since April 2011.

WANG Taiwen
(Independent Non-executive Director)

WANG Taiwen, aged 66, is an Independent Non-executive Director of the Company. Mr. Wang is also an external director of China National Foreign Trade Transportation Group Corporation and an Independent Director of China Automation Group Limited. He was the chairman and secretary to the Communist Party Committee of China Southern Locomotive Industrial Group Corporation from June 2000 to May 2004 and served as an external director of CRECG from October 2006 to September 2007. He has been an external director of China National Foreign Trade Transportation Group Corporation since October 2006, an Independent Non-executive Director of the Company since September 2007 as well as an Independent Director of China Automation Group Limited since February 2008.

SUN Patrick
(Independent Non-executive Director)

SUN Patrick, aged 54, a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, United Kingdom and vice president of the Chamber of Hong Kong Listed Companies, is an Independent Non-executive Director of the Company. Mr. Sun is also an Independent Non-executive Director and the Chairman of Solomon Systech International Limited and served as an Independent Non-executive Director of Trinity Limited, Sihuan Pharmaceutical Holdings Group Limited, China NT Pharma Group Company Limited and China CNR Corporation Limited. He was a member of Hong Kong Takeovers & Mergers Panel, deputy convener of the Listing Committee of the Hong Kong Stock Exchange, member of the Council of the Hong Kong Stock Exchange and the honorary chief executive officer of the Chamber of Hong Kong Listed Companies. He was President and Head of Investment Banking for Hong Kong of JPMorgan Chase. Mr. Sun also served as an executive director and chief executive officer of Value Convergence Holdings Limited, an executive director of SW Kingsway Capital Holdings Limited, Group Executive Director and Co-head of Investment Banking of Jardine Fleming Holdings Limited, Independent Non-executive Director of Link Management Limited and Renhe Commercial Holdings Company Limited, Independent Non-executive Director of Everbright Pramerica Fund Management Co., Ltd.. He has been an Independent Non-executive Director and the Chairman of Solomon Systech International Limited since February 2004, an Independent Non-executive Director of the Company since September 2007, an Independent Non-executive Director of Trinity Limited since October 2008 as well as an Independent Non-executive Director of Sihuan Pharmaceutical Holdings Group Limited since October 2010. Mr. Sun has also been an Independent Non-executive Director of China NT Pharma Group Company Limited since April 2011, and an Independent Non-executive Director of China CNR Corporation Limited since February 2012.

2. Supervisors

WANG Qiuming
(Chairman of the Supervisory Committee)

WANG Qiuming, aged 60, senior economist, is Chairman of the Supervisory Committee, Deputy Secretary to the Communist Party Committee and Secretary to the Disciplinary Committee of the Company. Mr. Wang is also a deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He served as deputy chief economist and Director of Division of Cadre of CRECG from June 2004 to August 2006. In September 2006, Mr. Wang became deputy secretary to the Communist Party Committee and secretary to the disciplinary committee of CRECG. He was a chairman of China Railway NO. 3 Engineering Group Co., Ltd. from April 2007 to January 2008. From September 2007 to August 2010, Mr. Wang served as a Non-executive Director of the Company. Since August 2010, he has been a shareholder representative Supervisor and a Chairman of the Supervisory Committee.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, aged 51, senior economist and senior political engineer, is an employee representative Supervisor, Vice-chairman of the Labour Union and Director of Female Staff Committee of the Company. From February 2005 to January 2008, Ms. Liu was a deputy secretary to the Communist Party Committee, secretary to the disciplinary committee, chairman of the supervisory committee and a supervisor of China Railway NO.7 Engineering Group Co., Ltd.. She has been Vice-chairman of the Labour Union and Director of Female Staff Committee of our Company as well as member and standing member of Expense Inspection Commission under China National Railway Labour Union since January 2008 and an employee representative Supervisor of the Company since January 2011. Ms. Liu has been an employee director of CRECG since August 2012.

ZHANG Xixue
(Supervisor)

ZHANG Xixue, aged 60, engineer and senior political engineer, is an employee representative Supervisor of the Company and concurrently an employee supervisor of the State-owned Enterprise Supervisory Committee. From September 1990 to September 2007, Mr. Zhang was a secretary to the general office, director of the general office of Fujiu command department, deputy secretary to the Working Committee of the Communist Party of Neijiang-Kunming command department, director of the general office, the head of supervisory department of the disciplinary committee and head of case judgment promotion and education department of disciplinary committee of CRECG. He has been an employee representative Supervisor of the Company since September 2007. He was an employee supervisor of State-owned Enterprise Supervisory Committee from 2001 to 2007 and has served the same position twice since February 2010.

LIN Longbiao
(Supervisor)

LIN Longbiao, aged 55, senior accountant, is an employee representative Supervisor and the Director of Audit Department of the Company. Mr. Lin is also an employee supervisor of State-owned Enterprise Supervisory Committee. From July 2005 to September 2007, he was Director of the Audit Department of CRECG. He has been an employee supervisor of State-owned Enterprise Supervisory Committee since February 2007 and an employee representative Supervisor and the Director of Audit Department of the Company since September 2007.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, aged 49, senior economist, is a shareholder representative Supervisor of the Company. Mr. Chen was a deputy director of audit and supervision division and deputy director of legal affair division of China Railway No. 10 Engineering Group Co., Ltd. from January 2004 to January 2008, supervisor of China Railway Engineering Deshang Expressway Development Co., Ltd. from December 2004 to April 2010. He has been a supervisor of China Railway South Investment & Development Co., Ltd. since December 2007. He was Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He has been a Director of Lince Railway Co., Ltd. since December 2010 as well as a shareholder representative Supervisor of the Company since January 2011.

3. Senior Management

For biographical details of Mr. Bai Zhongren who is concurrently a Director and member of senior management of the Company, please refer to the section above.

LI Jiansheng
(Vice President, Chief Financial Officer and General Legal Advisor)

LI Jiansheng, aged 58, senior accountant, certified public accountant and corporate legal advisor, is Vice President, Chief Financial Officer and General Legal Advisor of the Company. Ms. Li was the chief accountant of CRECG from January 2000 to December 2002 and was the chief accountant and general legal advisor of CRECG from December 2002 to September 2007 and chairman of China Railway Trust Co., Ltd. from May 2005 to December 2009. She has been the Vice President, Chief Financial Officer and General Legal Advisor of the Company since September 2007 and an Independent Non-executive Director of Anhui Haofang Electromechanics Co., Ltd. since June 2011.

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, aged 53, professor level senior engineer, is a state registered consulting engineer and first-grade state-registered architect, Vice President and Chief Engineer of the Company. Mr. Liu is also the vice chairman of the Third Railway Survey and Design Institute Group Corporation as well as a Director and the vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co.. Mr. Liu was deputy general manager and chief engineer of CRECG from April 2001 to September 2007, and has been the vice chairman of the Third Railway Survey and Design Institute Group Corporation since January 2007, a director and the vice chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co. since June 2011 and the Vice President and Chief Engineer of the Company since September 2007.

MA Li
(Vice President)

MA Li, aged 55, professor level senior engineer, is a Vice President of the Company. Mr. Ma was general manager and secretary to the Communist Party Committee of China National Overseas Engineering Corporation from March 2002 to March 2004, served as deputy general manager of CRECG from March 2004 to September 2007. He has been a Vice President of the Company since September 2007.

ZHOU Mengbo
(Vice President)

ZHOU Mengbo, aged 48, professor level senior engineer, is a Vice President of the Company. Mr. Zhou was chairman and general manager of China Railway Major Bridge Engineering Group Co., Ltd. from April 2001 to September 2006. Mr. Zhou served as deputy general manager of CRECG from September 2006 to September 2007. He has been a Vice President of the Company since September 2007.

DAI Hegen
(Vice President)

DAI Hegen, aged 47, senior economist, is a Vice President of the Company. Mr. Dai was a general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway No. 4 Engineering Group Co., Ltd. from April 2004 to September 2006. He served as deputy general manager of CRECG from September 2006 to September 2007 and has been a Vice President of the Company since September 2007.

DUAN Xiubin
(Vice President)

DUAN Xiubin, aged 59, professor level senior engineer, is a Vice President of the Company. From March 2004 to October 2006, Mr. Duan was chairman and secretary to the Communist Party Committee of China Railway Construction Group (CRCG) Co., Ltd.. Mr. Duan was deputy general manager of CRECG from October 2006 to September 2007. He was also chairman and secretary to the Communist Party Committee of China Railway Real Estate Group Co., Ltd. from February 2007 to July 2008. He has been a Vice President of the Company since September 2007.

ZHANG Xian
(Vice President)

ZHANG Xian, aged 52, professor level senior engineer, is a Vice President of the Company. Mr. Zhang was general manager, vice chairman and deputy secretary to the Communist Party Committee of China Railway NO. 6 Engineering Group Co., Ltd. from December 2003 to July 2010. He has been a Vice President of the Company since August 2010.

XU Tingwang
(Chief Economist)

XU Tingwang, aged 57, senior economist, is the Chief Economist of the Company. Mr. Xu was a deputy secretary to the disciplinary committee and head of supervisory department of CRECG from April 1997 to December 2006, deputy chief economist and Director of Division of Cadre of CRECG from December 2006 to January 2008, Deputy Chief Economist and Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from January 2008 to July 2010, Chief Economist as well as Director of Division of Human Resources (Division of Cadre to the Communist Party Committee) of the Company from July 2010 to November 2010. He has been Chief Economist of the Company since November 2010.

YU Tengqun
(Secretary to the Board of Directors and Joint Company Secretary)

YU Tengqun, aged 43, senior economist, lawyer, arbitrator, corporate legal advisor and tutor for postgraduates, is the Secretary to the Board of Directors and spokesperson of the Company. Mr. Yu is also a member of the All-China Youth Federation, member of the China Young Entrepreneurs Association, the deputy secretary of Association of State-owned Enterprise Youth, a member of the Beijing Youth Federation, vice chairman of Youth Volunteers of Central Entrepreneurs Association, the deputy secretary of the Listed Companies Association of Beijing, vice director of Legal Committee of China Association of Communication Enterprise Management, and standing director of China Securities Law Research Branch. Mr. Yu was vice director of enterprise management division, vice director of enterprise development and planning department, assistant general legal advisor and director of legal affair division, secretary to the Board and director of legal affair division of CRECG successively from March 2000 to 2007. Mr. Yu was a supervisor of China Railway Turnout & Bridge Co., Ltd., a director of China Railway NO. 1 Engineering Group Co., Ltd., and vice chairman of China Railway NO. 10 Engineering Group Co., Ltd.. Mr. Yu was the Secretary to the Board of Directors of the Company from September 2007 to September 2010 and has been the Secretary to the Board of Directors and spokesperson of the Company since September 2010.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, aged 40, is the Joint Company Secretary and Qualified Accountant of the Company and is also an Independent Non-executive Director of Huiyin Household Appliances (Holdings) Co., Ltd.. Mr. Tam joined the Company in November 2007. Prior to joining the Company, Mr. Tam served as a qualified accountant and joint company secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. Tam worked for a large international accounting firm as an assistant manager. Mr. Tam has over 18 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

REPORT OF THE DIRECTORS

Principal Businesses

We are one of the largest integrated construction group in the PRC and in Asia primarily engaged in the infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses.

Financial Statements

The profit of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 62 to 166.

Dividends

The Board of Directors recommend the payment of a final dividend in the amount of RMB0.052 per share (including tax), totaling approximately RMB1.108 billion for the year ended 31 December 2012 (2011: RMB0.048 per share (including tax) totaling approximately RMB1.022 billion). The distribution plan will be implemented upon approval at the 2012 annual general meeting of the Company.

Donations

Donations made by the Group during the year amounted to RMB4.004 million (2011: RMB4.907 million).

Property, Plant And Equipment

Changes to the property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

Share Capital

Details of the Company's share capital are set out in note 35 to the financial statements.

Distributable Reserves

As at 31 December 2012, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB8.35 billion.

Use Of Proceeds From The Initial Public Offering

Save as disclosed below, the proceeds raised from A share offering and H share offering of the Company, being RMB22.440 billion and HK$22.108 billion, respectively, are used in accordance with the purposes disclosed in the A share prospectus of the Company dated 30 November 2007 and the H share prospectus of the Company dated 23 November 2007, respectively.

In accordance with the disclosure in the A share prospectus of the Company in respect of the use of proceeds from the offering, an amount of RMB1.04 billion of the A share proceeds was to be used for a residential property development project of the Company referred to as "An Qing Xin Cheng Dong Yuan". Given the situation of the project, the Company changed the use of an amount of RMB540 million of the proceeds from the A share offering which had not been invested in the project to supplement the Company's working capital, which has been approved by the 2008 annual general meeting of the Company held on 25 June 2009.

In addition, given the substantial amount of proceeds from the H share offering designated for the purchase of equipment from abroad which remained unused, and that the development of the Company's businesses and equipment manufacturing technology would require a significant amount of working capital, the Company changed the use of the remaining balance of the proceeds from H share offering for the "purchase of equipment from abroad" of RMB3,035,989,900 as at 31 July 2010 to "additional working capital and others", which has been approved by the first extraordinary general meeting in 2011 of the Company held on 27 January 2011.

During the financial year, approximately RMB55 million raised from the A share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB55 million was used for the Xincheng Dongyuan Garden development project in Anhui Anqing.

As of 31 December 2012, the proceeds raised from A share offering of the Company has been used up.

During the financial year, approximately RMB2.139 billion raised from the H share offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB1.793 billion was used for supplement working capital and others

- Approximately RMB0.346 billion was used for overseas mining development

Approximately RMB489 million raised from the H share offering of the Company remains unused, which is deposited in the special bank account of the Company.

Reserves

Changes to the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 65 to 66.

Major Customers And Suppliers

The Ministry of Railways of the PRC ("**MOR**") is the largest customer of the Group. For the year ended 31 December 2012, sales to the MOR accounted for approximately 36% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the MOR) in aggregate accounted for approximately 37% of the total revenue of the Group. At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2012, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 2.6% of the total cost of sales of the Group in 2012.

Subsidiaries And Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2012 are set out in note 48 and note 50, respectively, to the financial statements.

Directors, Supervisors And Senior Management Of The Company

The Directors of the Company during the financial year were as follows:

Name	Position
LI Changjin	Chairman and Executive Director
BAI Zhongren	Executive Director and President
YAO Guiqing	Vice Chairman and Executive Director
HAN Xiuguo	Non-executive Director
HE Gong	Independent Non-executive Director
GONG Huazhang	Independent Non-executive Director
WANG Taiwen	Independent Non-executive Director
SUN Patrick	Independent Non-executive Director

The Supervisors of the Company during the financial year were as follows:

Name	Position
WANG Qiuming	Chairman of the Supervisory Committee
LIU Jianyuan	Supervisor
ZHANG Xixue	Supervisor
LIN Longbiao	Supervisor
CHEN Wenxin	Supervisor

The senior management of the Company during the financial year were as follows:

Name	Position
BAI Zhongren	Executive Director and President
LI Jiansheng	Vice President, Chief Financial Officer and General Legal Advisor
LIU Hui	Vice President and Chief Engineer
MA Li	Vice President
ZHOU Mengbo	Vice President
DAI Hegen	Vice President
DUAN Xiubin	Vice President
ZHANG Xian	Vice President
XU Wangting	Chief Economist
YU Tengqun	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant

The biographical details of the current directors, supervisors and senior management of the Company are set out in "Biography of Directors, Supervisors and Senior Management".

Directors' And Supervisors' Interests In Contracts

No contract of significance to which the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emoluments Of The Directors, Supervisors And Senior Management Of The Company

Details of the emoluments of the Directors, Supervisors and senior management by band of the Company in 2012 are set out in note 14 of the audited financial statements.

Directors' And Supervisors' Rights To Acquire Shares Or Debentures

For the year ended 31 December 2012, none of the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's Directors, Supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' And Supervisors' Service Contracts

None of the Directors and Supervisors of the Company has entered into a service contract with the Company or its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' And Supervisors' Interest And Short Positions In Shares, Underlying Shares And Debentures

Save as disclosed below, as at 31 December 2012, none of the Directors and Supervisors of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director/ Supervisor	Capacity	Number of A Shares held (long position) (Share)	Approximate Percentage of Issued A Shares (%)	Approximate percentage of Total Issued Shares (%)
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. BAI Zhongren	Beneficial owner	100,000	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0006	0.0005
Supervisors				
Mr. WANG Qiuming	Beneficial owner	50,000	0.0003	0.0002
Ms. LIU Jianyuan	Beneficial owner	1,200	0.00001	0.00001

Substantial Shareholders' And Other Persons' Interests And Short Positions In Shares And Underlying Shares

As at 31 December 2012, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of Substantial Shareholders	Capacity	Number of A Shares held (Shares)	Nature of Interest	Approximate Percentage of Issued A Shares (%)	Approximate percentage of Total Issued Shares (%)
CRECG	Beneficial owner	11,950,010,000	Long position	69.91	56.10

Holders of H Shares

Name of Substantial Shareholders	Capacity	Number of H Shares held (Shares)	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
Blackrock, Inc *(Note 2)*	Interest of controlled corporations	257,184,678	Long position	6.11	1.21
	Interest of controlled corporations	51,038,381	Short position	1.21	0.02

Note:

1 *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 Brothers 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 Brothers 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 Blackrock, Inc. with the Hong Kong Stock Exchange dated 21 December 2012, Blackrock, Inc. indirectly wholly owns BlackRock Investment Management, LLC (which held 2,391,283 H Shares of the Company), BlackRock Institutional Trust Company, N.A. (which held 90,785,000 H Shares of the Company and 3,407,000 short position in H Shares of the Company) and BlackRock Fund Advisor (which held 53,239,000 H Shares of the Company). BlackRock, Inc. indirectly wholly owns BlackRock Advisors, LLC (which held 180,000 short position in H Shares of the Company) and BR Jersey International LP which in turn wholly owns BlackRock Japan Co. Ltd. (which held 189,000 H Shares of the Company), BlackRock Asset Management Canada Limited (which held 356,000 H Shares of the Company), BlackRock Investment Canada Inc. (which held 622,000 H Shares of the Company), BlackRock Asset Management Australia Limited (which held 235,000 H Shares of the Company), BlackRock Asset Management North Asia Limited (which held 29,518,823 H Shares of the Company and 27,837,404 short position in H Shares of the Company), BlackRock (Netherlands) B.V (which held 55,000 H Shares of the Company), Black Advisors (UK) Limited (which held 43,512,977 H Shares of the Company and 19,613,977 short position in H Shares of the Company), BlackRock International Limited (which held 4,351,595 H Shares of the Company), BlackRock Asset Management Ireland Limited (which held 17,341,000 H Shares of the Company), BlackRock (Luxembourg) S.A. (which held 3,597,000 H Shares of the Company), BlackRock Fund Managers Ltd (which held 613,000 H Shares of the Company) and BlackRock Life Limited (which held 1,138,000 H Shares of the Company). Accordingly, Blackrock, Inc. is deemed interested in the long positions and short positions held by each of the entities as set out above.*

Apart from the foregoing, as at 31 December 2012, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

None of the Company's directors held any interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Connected Transactions

One-off Connected Transactions Defined under the Listing Rules

CRECG is the Company's controlling shareholder and is therefore one of the Company's connected persons under the Listing Rules. Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

The Company entered into the Capital Contribution Agreement with CRECG after market closes on 30 August 2012, pursuant to which the Company and CRECG agreed to jointly establish China Railway Finance Company Limited ("**China Railway Finance**"), a limited liability company to be established in Beijing for the purpose of providing capital and financial management services to the CRECG Group. The registered capital of China Railway Finance will be RMB1,500,000,000 (equivalent to approximately HK$1,837,897,445), of which the Company will contribute RMB1,425,000,000 (equivalent to approximately HK$1,746,002,573), representing 95% of the total registered capital of China Railway Finance, and CRECG will contribute RMB75,000,000 (equivalent to approximately HK$91,894,872), representing 5% of the total registered capital of China Railway Finance.

Material Related Transactions as Defined under PRC Laws and Regulations

Details of the material related transactions as defined by PRC laws and regulations are set out on pages 169 to 172 of this annual report.

Purchase, Sale Or Redemption Of The Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights And Share Option Arrangements

There are no provisions for pre-emptive rights pursuant to the Company's Articles of Association and the relevant laws and regulations of the PRC. Currently, the Company does not have any arrangement with respect to share options.

Bank And Other Loans

Particulars of bank and other loans of the Group as at 31 December 2012 are set out in note 37 to the financial statements.

Financial Summary

A summary of the audited results and of the audited statements of the assets and liabilities of the Group for the last five financial years is set out on page 3.

Emolument Policy

The Group emphasises the importance of recruiting, incentivising, developing and retaining its staff and paid close attention to the fairness of its remuneration structure. The Group implemented an annual remuneration adjustment policy with reference to market price and performance. Employees' remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employees' remuneration of the Company are set out in note 14 to the financial statements.

In accordance with applicable regulations, the Group makes contributions to the employees' pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees'aggregate salaries as required by relevant PRC authorities. The Group also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to existing employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans, for both current and retired employees, and annuities for our existing employees.

The Group invests in continuing education and training programs for the management staff and technical staff with a view to continuously upgrading their skills and knowledge. In addition to sending some of the top managers overseas for training, the Group also offers management courses to its senior managers and annual project management training for its project managers.

The annual remuneration of executive directors of the Company consists of a basic salary and a performance-linked bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the non-executive directors and independent non-executive directors is fixed on a pre-determined basis by virtue of their position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 14 to the financial statements.

The personnel expenses of the Company for the year ended 31 December 2012 were RMB28,709 billion. As at 31 December 2012, the number of employees hired by the Group was 289,343. The following table sets forth a breakdown of the Group's employees by divisions as at 31 December 2012:

Division	Number of employees as at 31 December 2012
Production	**140,041**
Sales and Marketing	**21,282**
Technology	**97,460**
Financing	**13,778**
Administration	**16,782**
Total	**289,343**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 14 to the financial statements.

Public Float

As at the date of this annual report, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

Compliance With The Corporate Governance Code Of The Listing Rules

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 47 to 60 of this annual report.

Auditors

The 2012 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by Deloitte Touche Tohmatsu CPA LLP.

A resolution for the reappointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP as the international and domestic auditors of the Company shall be proposed at the forthcoming annual general meeting.

By order of the Board

Li Changjin
Chairman

Beijing, the PRC
28 March 2013

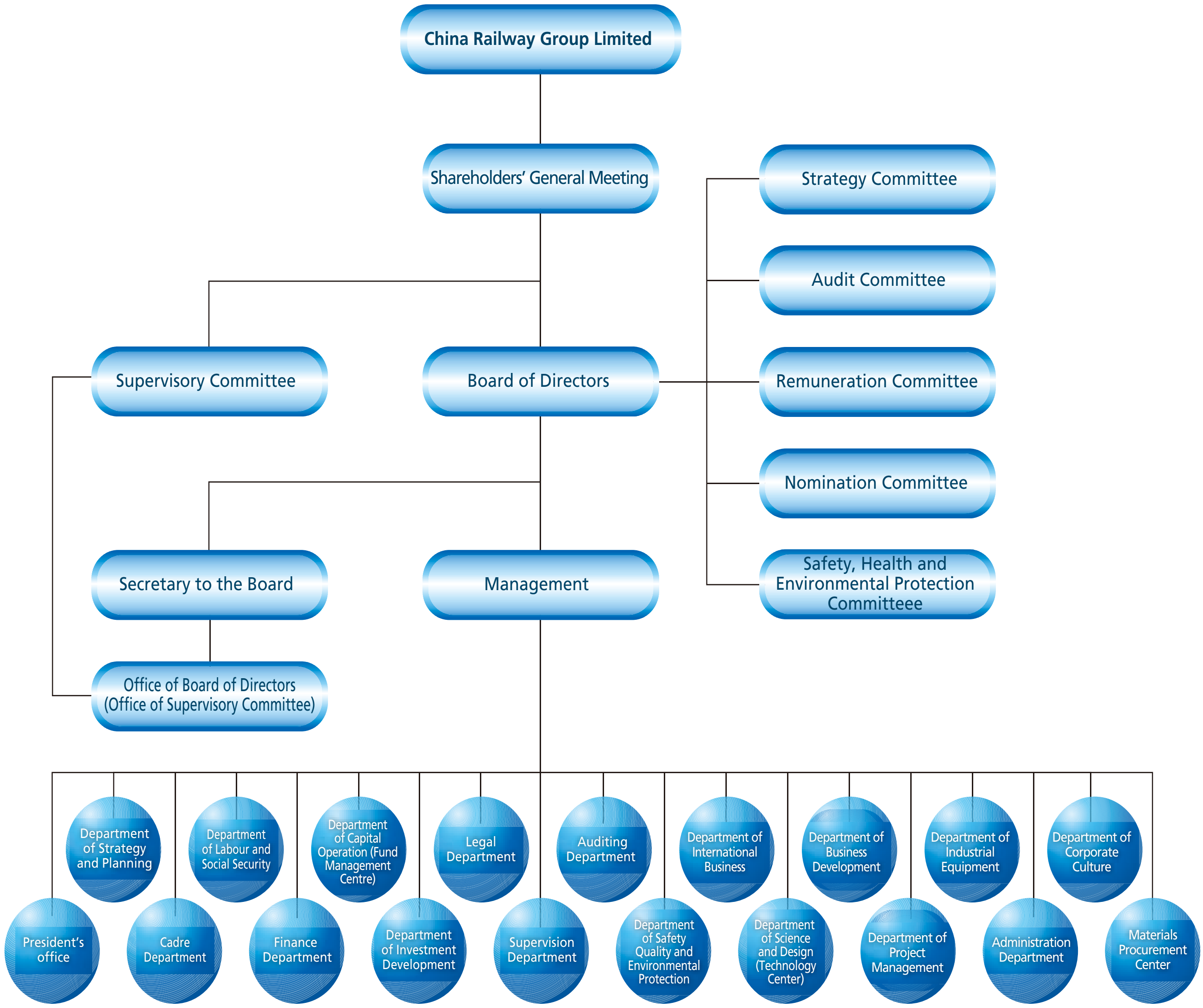
REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

During the reporting period, the Company complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company's goal is to ensure the sustainable long-term development of the Company and to generate greater returns for its shareholders. The Board believes that, in order to achieve this goal, the Company must maintain and implement corporate governance principles and structures that are credible, transparent, open and effective. For this reason, we have taken various measures to achieve an effective board of directors, including establishing five board committees, namely, the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. Moreover, the Company has set up 20 functional departments. We have adopted internal working procedures to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules as well as the requirements under relevant PRC laws and regulations. The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance its corporate governance standards in light of the actual circumstances of the Company.

Corporate Governance Framework

Pursuant to the requirements of the Company Law, the Securities Law, the Listing Rules and other relevant laws and regulations, the Company established its corporate governance structure which comprises the shareholders' general meeting, the Board of Directors, the Supervisory Committee and senior management.



Compliance With The Code Provisions Of The Corporate Governance Code

The Hong Kong Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "**Former Code**") set out in Appendix 14 to the Listing Rules to the Corporate Governance Code (the "**New Code**") effective from 1 April 2012. During the year ended 31 December 2012, the Company has complied with the respective provisions of the Former Code and the New Code for the relevant periods in which they were in force.

Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Company. In accordance with the requirements of the Company Law, the Securities Law and other relevant laws and regulations, the Company formulated the Articles of Association of the Company and the Terms of Reference for the Shareholders' General Meeting to regulate the convening, approval and voting procedures for shareholders' general meetings.

During the reporting period, the Company convened and held two shareholders' general meetings, being the 2011 annual general meeting held on 26 June 2012 and the first extraordinary general meeting in 2012 held on 27 December 2012. At the 2011 annual general meeting, a total of twelve ordinary resolutions were passed, including approving the 2011 report of the Board of Directors of the Company, the 2011 report of the Supervisory Committee of the Company, the 2011 work report of Independent Directors of the Company, the 2011 audited consolidated financial statements of the Company, the re-appointment of the external auditors of the Company, the 2011 profit distribution plan of the Company, proposed amendments to the Administrative Rules Governing Related Party Transactions of the Company, and guarantee by various subsidiaries of the Company and four special resolutions were also passed, including approving the proposed amendments to the Articles of Association of the Company, the amendments to the Procedural Rules for the Board of Directors of the Company, the issue of corporate bonds of principal amount not exceeding RMB10 billion and the issue of offshore bonds of principal amount not exceeding RMB7 billion. A special resolution approving the amendments to the Articles of Association of the Company and an ordinary resolution approving the adoption of the Shareholders' Return Plan for the Next Three Years (2012 to 2014) were passed at the 2012 first extraordinary general meeting. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The table below sets out the details of general meetings attendance of each Director during the reporting period:

Director	Number of meetings requiring attendance	Number of meetings attended in person
LI Changjin	2	2
BAI Zhongren	2	2
YAO Guiqing	2	1
HAN Xiuguo	2	2
HE Gong	2	2
GONG Huazhang	2	2
WANG Taiwen	2	2
SUN Patrick	2	2

The Board Of Directors

1. Composition of the Board of Directors

During the reporting period, the members of the Board of the Company are as follows:

Mr. LI Changjin	Chairman and Executive Director
Mr. BAI Zhongren	Executive Director and President
Mr. YAO Guiqing	Vice Chairman and Executive Director
Mr. HAN Xiuguo	Non-executive Director
Mr. HE Gong	Independent Non-executive Director
Mr. GONG Huazhang	Independent Non-executive Director
Mr. WANG Taiwen	Independent Non-executive Director
Mr. SUN Patrick	Independent Non-executive Director

There were no financial, business, family or other material relationship among the Directors of the Company.

During the reporting period, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive directors and is having an Independent Non-executive Director with relevant professional qualifications or accounting or relating financial management expertise.

Half of the members of the Board of the Company are Independent Non-executive Directors, which has complied with Rule 3.10A of the Listing Rules that the Company must appoint independent non-executive directors representing at least one-third of the board. The Company has received confirmation of independence from the Independent Non-executive Directors based on the requirement of Rule 3.13 of Listing Rules and the Company considers each Independent Non- executive Director as independent.

Pursuant to the Articles of Association of the Company, the term of office of Directors (including Non-executive Directors and Independent Non-executive Directors) is three years which is renewable upon re-election and each Independent Non-executive Director shall not serve for more than six years continuously in order to ensure his independence.

2. Board Meetings

In 2012, the Company held 8 board meetings, 2 of which was convened by way of telephone meeting. A total of 122 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2011 annual report, 2012 first quarterly report, interim report and third quarterly report, China Railway Trust Co. Ltd's implementation of the capital increase and share expansion plan and the Company's 2013-2015 Development Plan.

The table below sets out the details of Board meeting attendance of each Director during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	8	8	0
BAI Zhongren	8	8	0
YAO Guiqing	8	8	0
HAN Xiuguo	8	8	0
HE Gong	8	8	0
GONG Huazhang	8	8	0
WANG Taiwen	8	7	1
SUN Patrick	8	8	0

3. Responsibilities and Operation of the Board

The responsibilities of the Board are, among other things, convening shareholders' general meetings and reporting its work to shareholders at such meetings, implementing resolutions of shareholders' general meetings, making decisions on business strategies, business plans and material investment plans, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and if applicable, plans for making up losses previously incurred, formulating plans relating to the increase or reduction of our Company's registered capital, formulating plans for the issuance of corporate bonds or other securities and where applicable, the listing of such securities, deciding the organisation of the Company's internal management, developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the board, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors, reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report and exercising any other powers conferred by shareholders' general meetings or under the Articles of Association of the Company.

There are currently five committees established under the Board, being the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. Each committee has its own term of reference.

The roles of the Chairman and President of the Company are exercised by different persons and the division of power between the Board and senior management strictly complies with the Articles of Association of the Company and relevant regulations. The Board formulates overall strategy of the Company and monitors its financial performance. The management of the Company is responsible for implementing the strategy and direction as determined by the Board, and is responsible for the daily operations and administration of the Company. The Chairman is responsible for convening and presiding over Board meetings, supervising the implementation of the Board's resolutions and coordinating the operation of the Board. Pursuant to the Articles of Association, the President is delegated with the authority to, among other things, oversees the operation and management of the Company, implement Board decisions, carry out investment plans and formulate the principle management policies of the Company.

4. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code during the reporting period.





5. Directors' training

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills in order to ensure that they continue to be equipped with all necessary information to contribute to the Board. The Company has devised a training record in order to assist the Directors to record the training they have undertaken.

During the reporting period, the Company organised a seminar on the Code of Corporate Governance, disclosure of inside information and connected transactions with Linklaters as part of the continuing professional development for Directors. Individual Directors also attended directors' training and seminar provided by State-owned Assets Supervision and Administration Commission, directors' training provided by Beijing Branch of China Securities Regulatory Commission and relevant training provided by the Company. A summary of the trainings they received for the year ended 31 December 2012 is set at below:

Director	Updates on Listing Rules regarding Code of Corporate Governance	Price Sensitive Information and Connected Transactions	Other trainings
LI Changjin	1	1	2
BAI Zhongren	1	1	2
YAO Guiqing	1	1	2
HAN Xiuguo	1	1	3
HE Gong	1	1	2
GONG Huazhang	1	1	1
WANG Taiwen	1	1	2
SUN Patrick	1	1	2

6. Committees under the Board

First meeting of the second session of the Board was held on 27 January 2011 and the composition of the committees under the Board changed as follows: Mr. LI Changjin, Mr. BAI Zhongren, Mr. YAO Guiqing, Mr. HAN Xiuguo and Mr. GONG Huazhang were appointed as members and Mr. LI Changjin was appointed as Chairman of the Strategy Committee of the Board, Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick were appointed as members and Mr. GONG Huazhang was appointed as Chairman of the Audit Committee of the Board, Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick were appointed as members and Mr. HE Gong was appointed as Chairman of the Remuneration Committee of the Board, Mr. LI Changjin, Mr. BAI Zhongren, Mr. HE Gong, Mr. GONG Huazhang and Mr. WANG Taiwen were appointed as members and Mr. LI Changjin was appointed as chairman of the Nomination Committee of the Board, and Mr. BAI Zhongren, Mr. YAO Guiqing, Mr. HAN Xiuguo, Mr. HE Gong and Mr. SUN Patrick were appointed as members and Mr. BAI Zhongren was appointed as chairman of the Safety, Health and Environmental Protection Committee of the Board.

1 Strategy Committee

The primary responsibilities of the Strategy Committee include, among other things, reviewing proposals and making recommendations to the Board regarding the Company's strategic development plans, strategy for the business segments, major investments, material business reorganisation, mergers and acquisitions, division and dissolution. The Strategy Committee currently comprises Mr. GONG Huazhang who is an Independent Non-executive Director, Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors and Mr. HAN Xiuguo who is a Non-executive Director, and is chaired by Mr. LI Changjin.

During the reporting period, the Strategy Committee held two meetings and a total of 7 reports were presented at such meetings.

The table below sets out the details of meeting attendance of each member of the Strategy Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	2	2	0
BAI Zhongren	2	2	0
YAO Guiqing	2	2	0
HAN Xiuguo	2	2	0
GONG Huazhang	2	2	0

2 Audit Committee

The primary responsibilities of the Audit Committee are:

(1) making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(2) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;

(3) monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports;

(4) overseeing the Company's financial reporting system and internal control procedures, including but not limited to, review of financial control, internal control and risk management systems, consideration of actions to be taken in respect of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices; and

(5) reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. .

Audit Committee's written terms of reference had been updated during the year in line with the provision of the New Code and are available on the website of the Company and the Hong Kong Stock Exchange.

The Audit Committee currently comprises Mr. GONG Huazhang, Mr. WANG Taiwen and Mr. SUN Patrick who are Independent Non-executive Directors, and is chaired by Mr. GONG Huazhang.

During the reporting period, the Audit Committee held six meetings, at which a total of thirty-four proposals were considered, including the consideration of the 2011 annual report, 2012 first quarterly report, interim report and third quarterly report, and appointment of external auditor and internal control auditor for 2012.

The table below sets out the details of meeting attendance of each member of the Audit Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GONG Huazhang	6	6	0
WANG Taiwen	6	5	1
SUN Patrick	6	6	0

3 Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

(1) making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;

(2) reviewing and approving the management's remuneration proposals with reference to the board's corporate goals and objectives;

(3) to have the delegated responsibility to determine the specific remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board in relation to the remuneration of Non-executive Directors;

(4) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; and

(5) ensuring that no Director or any of his associates is involved in deciding his own remuneration.

Remuneration Committee's written terms of reference had been updated during the year in line with the provision of the New Code and are available on the website of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee currently comprises Mr. HE Gong, Mr. WANG Taiwen and Mr. SUN Patrick who are Independent Non-executive Directors, and is chaired by Mr. HE Gong.

During the reporting period, the Remuneration Committee held five meetings, at which a total of thirteen proposals were considered, including proposals relating to 2011 senior management remuneration evaluation and work plan for entering into 2012 performance contract, 2012 senior management performance contracts and measures for senior management remuneration and evaluation.

The table below sets out the details of meeting attendance of each member of Remuneration Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
HE Gong	5	5	0
WANG Taiwen	5	5	0
SUN Patrick	5	5	0

The emolument payable to Directors, Supervisors and senior management members will depend on their respective contractual terms under employment contracts. Details of the remuneration of Directors and Supervisors are set out in note 14 to the financial statements.

4 Nomination Committee

The primary responsibilities of the Remuneration Committee are:

(1) formulating the standards, procedures and methods for election of Directors and senior management personnel of the Company and submitting the same to the Board of Directors for consideration;

(2) identifying individuals suitably qualified to become board members and select or make recommendations to the Board of Directors on the selection of individuals nominated for directorships; reviewing the candidates for Directors and President and make recommendations;

(3) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least annually and making recommendations on any proposed changes to the Board of Directors to complement the Company's corporate strategy;

(4) making proposals regarding candidates for Directors, shareholder representative supervisors and general managers of wholly-owned subsidiaries; making proposals regarding candidates for Directors, shareholder representative Supervisors and general managers of subsidiaries controlled by the Company and subsidiaries where the Company have equity participation;

(5) assessing the independence of Independent Non-executive Directors; and

(6) making recommendations to the Board of Directors on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the President.

Nomination Committee's written terms of reference had been updated during the year in line with the provision of the New Code and are available on the website of the Company and the Hong Kong Stock Exchange.

The Nomination Committee currently comprises Mr. HE Gong, Mr. GONG Huazhang and Mr. WANG Taiwen who are Independent Non-executive Directors, Mr. LI Changjin and Mr. BAI Zhongren who are Executive Directors. The Nomination Committee is chaired by Mr. LI Changjin.

The Nomination Committee nominates candidates for Director elections in accordance with the formalities and procedures stipulated in the Articles of Association of the Company and the terms of reference of the Nomination Committee, and considers candidates for directorship based on the qualification, ability and experience of the individual candidates.

During the reporting period, the Nomination Committee did not have any meeting.

5 Safety, Health and Environmental Protection Committee

The primary responsibilities of the Safety, Health and Environmental Protection Committee include, among other things, providing guidance, inspecting and evaluating the implementation of the Company's safe construction, employees' health and environmental protection plans, making recommendations to the Board regarding material matters relating to safe construction, employees' health and environmental protection. The Safety, Health and Environmental Protection Committee currently comprises Mr. HE Gong and Mr. SUN Patrick who are Independent Non-executive Directors, Mr. HAN Xiuguo who is a Non-executive Director, Mr. BAI Zhongren and Mr. YAO Guiqing who are Executive Directors, and is chaired by Mr. BAI Zhongren.

During the reporting period, the Safety, Health and Environmental Protection Committee held two meetings, at which a total of five proposals were considered, including proposals relating to "Twelve Five-Year" planning for safety production, development of making the rules of safe production system, 2012 work plan for safety production, healthy environment and environmental protection.

The table below sets out the details of meeting attendance of each member of the Safety, Health and Environmental Protection Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
BAI Zhongren	2	2	0
YAO Guiqing	2	2	0
HAN Xiuguo	2	2	0
HE Gong	2	2	0
SUN Patrick	2	2	0

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

(1) supervising the performance by Directors and senior management members of their duties, and proposing removal of Directors or senior management members who have violated laws and regulations, the Articles of Association of the Company or resolutions of shareholders' general meetings;

(2) requesting Directors and senior management members to rectify any actions damaging the Company's interests;

(3) examining the Company's financial matters;

(4) making proposals in relation to the convening of extraordinary shareholders' general meetings, and convening and presiding over shareholders' general meetings in case the Board fails to perform its duty of convening and presiding over shareholders' general meetings under the Company Law;

(5) making proposals for shareholders' general meetings;

(6) making proposals in relation to the convening of extraordinary meetings of the Board other than regular meetings;

(7) supervising the establishment and implementation of internal control by Board of Director; and

(8) supervising the review, vote, disclosure and performance of connected transactions, and providing comments in the annual report.

During the reporting period, the members of the Supervisory Committee of the Company are as follows:

Mr. WANG Qiuming	Chairman of the Supervisory Committee
Ms. LIU Jianyuan	Employee Representative Supervisor
Mr. ZHANG Xixue	Employee Representative Supervisor
Mr. LIN Longbiao	Employee Representative Supervisor
Mr. CHEN Wenxin	Shareholder Representative Supervisor

The Supervisory Committee has detailed terms of reference that specifically define its responsibilities, ensuring that the Supervisor Committee operates in a compliant and efficient manner. The terms of office for Supervisors are three years which is renewable upon re-election.

During the reporting period, the Supervisory Committee held seven meetings and considered a total of 35 proposals including the 2011 report of Supervisory Committee, the 2011 annual report, the 2012 interim report, the 2011 internal control evaluation report and appointment of 2012 auditors.

The table below sets out the details of meeting attendance of each member of the Supervisory Committee during the reporting period.

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
WANG Qiuming	7	7	0
LIU Jianyuan	7	7	0
ZHANG Xixue	7	5	2
LIN Longbiao	7	4	3
CHEN Wenxin	7	7	0

Joint Company Secretaries

The Joint Company Secretaries of the Company are Mr. YU Tengqun and Mr. TAM Chun Chung. Mr. YU and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional training during the reporting period.

Shareholders' Right

1 Convening of extraordinary general meeting

According to the Articles of Association of the Company, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting may propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting. The procedures for shareholders to convene an extraordinary general meeting are stated as below:

(1) The requisitionist(s) shall execute one or several copies of written request with the same form and contents to propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting and set out the topics of the meeting.

(2) If the Board of Directors agrees, a notice of the meeting shall be issued within five days after the resolution of the board of directors is passed.

(3) In case the Board of Directors refuses, or does not give any response within ten days upon receipt of the request, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting shall have the right to propose to the Supervisory Committee for the convening of such meeting, and shall make such request to the Supervisory Committee in the form of writing. If the Supervisory Committee agrees, a notice of the meeting shall be issued within five days upon receipt of the request . Changes made to the original request in the notice shall be approved by relevant shareholders. If the Supervisory Committee fails to give the notice of such a meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the meeting, in which case, the shareholders who either individually or jointly hold more than 10% of the Company's shares for more than ninety consecutive days may convene and preside over the meeting by themselves.

(4) When the Supervisory Committee or the shareholders decide to convene a general meeting of shareholders by themselves, they must notify the Board of Directors in writing and at the same time file the notice with the local branch of CSRC and the stock exchange where the Company is domiciled. Before the resolutions of general meeting of shareholders are publicly announced, the proportion of shares held by the convening shareholder should not be less than 10%. When issuing the notice of general meeting of shareholders and the public announcement of the resolutions of general meeting of shareholders, the convening shareholder shall submit relevant supporting materials to the local branch of where the Company is domiciled CSRC and the stock exchange.

(5) For the general meeting of shareholders convened by the Supervisory Committee or the shareholders themselves, the Board of Directors and the secretary to the Board of Directors shall provide cooperation. The Board of Directors shall provide the register of shareholders as at the date of record.

2 Putting forward proposals in the shareholders meeting

The procedures for putting forward proposals in the shareholders meeting are stated as below:

(1) When the Company holds a general meeting of shareholders, the Board of Directors, Supervisory Committee and shareholders who individually or jointly hold more than 3% of shares of the Company shall have the right to prepare a proposal to the Company. Shareholders who hold more than 3% of shares of the Company, either individually or jointly, may prepare an interim proposal and submit it in writing to the person(s) convening the meeting ten days before the general meeting of shareholders convenes. The person(s) convening the meeting shall issue a supplementary notice of the general meeting of shareholders within two days upon receipt of the proposal and publicly announce the contents of such proposal.

(2) When the Company holds a general meeting of shareholders, it shall send a written notice to the shareholders forty-five days prior to the meeting. Shareholders intending to be present in the general meeting of shareholders shall send a written reply of attendance to the Company twenty days before the meeting convenes.

3 Enquiries to the Board

Shareholders who intend to put forward their enquires about the Company to the Board could email their enquires to ir@crec.cn.

Amendment To The Articles Of Association

Amendments to functions and powers of the Board, major duties of the Audit Committee, major duties of Remuneration Committee, major duties of Nomination Committee, functions and powers of Chairman, main duties of Company Secretary, functions and powers of Supervisory Committee etc. in the Articles of Association were adopted as a special resolution by the shareholders of the Company at the 2011 annual general meeting held on 26 June 2012.

Amendments to the basic principles of profit distribution policy of the Company and the precise policy, conditions for distributing dividends in shares by the Company, procedures for considering the profit distribution plan of the Company, implementation of the profit distribution plan of the Company and alteration of the Company's profit distribution policy in the Articles of Association were adopted as a special resolution by the shareholders of the Company at the extraordinary general meeting held on 27 December 2012.

Save as aforesaid, there have been no changes in the Company's Articles of Association during the reporting period. The updated version of the Articles of Association is available on the website of the Company and the Hong Kong Stock Exchange.

Relationship With The Controlling Shareholder

CRECG is the Company's controlling shareholder. The Company is independent from CRECG in respect of its staff, assets, finance, organisational structure and operation. Except for the Chairman and Executive Director of the Company, Mr. LI Changjin, who also serves as the chairman of CRECG, the Executive Director and President of the Company, Mr. BAI Zhongren, who also serves as a director of CRECG, the Vice Chairman and Executive Director of the Company, Mr. YAO Guiqing, who also serves as the vice chairman of CRECG and the Supervisor of the Company Ms. LIU Jianyuan, who also serves as a director of CRECG, none of the Directors, supervisors or senior management of the Company hold any positions with CRECG or receive any salary from CRECG and/or its associates. Notwithstanding the fact that Mr. LI Changjin, Mr. BAI Zhongren and Mr. YAO Guiqing (collectively the "**Overlapping Directors**") and Ms. LIU Jianyuan act as director of CRECG and Director or Supervisor of the Company respectively, they have the capacity to commit to the management of the Company on a full-time basis because there is less day-to-day management work of CRECG required. Moreover, the Overlapping Directors represent a minority in the Company's Board. During the reporting period, the Board also had four Independent Non-executive Directors, which ensures that the interests of the Company and shareholders are protected. The Company also has its own financial management system and related personnel who are independent from CRECG.

Company entered into the Capital Contribution Agreement with CRECG after market closes on 30 August 2012, pursuant to which the Company and CRECG agreed to jointly establish China Railway Finance, a limited liability company to be established in Beijing for the purpose of providing capital and financial management services to the CRECG Group. The registered capital of China Railway Finance will be RMB1,500,000,000 (equivalent to approximately HK$1,837,897,445), of which the Company will contribute RMB1,425,000,000 (equivalent to approximately HK$1,746,002,573), representing 95% of the total registered capital of China Railway Finance, and CRECG will contribute RMB75,000,000 (equivalent to approximately HK$91,894,872), representing 5% of the total registered capital of China Railway Finance.

Auditors' Remuneration

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP (collectively the "**External Auditors**") are appointed as the international and domestic auditors of the Company, respectively.

Fees for the audit of the financial statements of the Group for the year ended 31 December 2012 paid to the External Auditors are approximately RMB43 million.

Fees for the audit of the internal control of the Group for the year ended 31 December 2012 paid to the External Auditors are approximately RMB2.7 million.

The Board proposes to re-appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP as the international and domestic auditors of the Company for the year 2013, which has been discussed and approved by the Audit Committee and is subject to shareholders' approval at the forthcoming annual general meeting.

Information Disclosure

The Secretary to the Board and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company ensured accurate and timely information disclosure in both domestic and Hong Kong markets in accordance with the requirements under relevant management measures for information disclosure of the Company, the Listing Rules and the Rules Governing the Listing of Stock on the Shanghai Stock Exchange, as well as the requirements under the relevant PRC laws and regulations.

Internal Control

The Company has established a set of internal control system and strictly comply with the implementation requirements of the Company's fundamental standardization and ancillary guidance on internal control. Taking into account the actual operations of the Company, the internal and external operating environment, the Company's development strategy, management methods and internal control conditions, the Company clarified the current condition of risk control, focused on identifying deficiencies, continuously improved various guidelines and systems, streamlined various business processes, further developed risk assessment, identified the potential risks at the Company's and process level, analysed the factors leading to the occurrence of risks, clarified management thought process, and built up a multi-layered risk management and prevention system to realise the Company's development strategy. The Company also conducted a comprehensive assessment of the key control measures in relation to material risk in business process, further developed control measures, clearly identified the responsible person for implementing control, standardized systems, implemented material risk management for the entire process, strived to control risk so as to ensure the effective operations of the Company's business.

As a company of Shanghai Stock Exchange 180 Index, the Company prepared Annual Social Responsibility Report and Internal Control Self-appraisal Report, engaged auditors to audit the Company's internal control and issued unqualified audit report.

Accountability Of The Directors In Relation To Financial Statements

The Directors are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Group and of the results and cash flow for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 61.

Investor Relations

The management of investor relations is a strategic management effort to materialise the maximisation of the Company's value and the benefits for the shareholders. The Company attaches great importance to the maintenance of good investor relations, and formulated the Management Measures on Investor Relations, and set up a dedicated investor relations management division staffed with dedicated personnel. Much efforts had been made in the management of investor relations during the year, which were highly valued by the Chairman of the Board and President and such efforts were directly led by the Secretary of the Board. Through multiple communication channels, the Company established sound interactive relations with the capital market, promoted investors' knowledge and recognition of the Company, and the Company was well received by investors and by the capital market.

The Company's information exchange channels with investors include, among others, holding results briefings, receiving investors' visiting, setting up investors' hotlines and email, attending investment summits, by which shareholders and investment institutions are enhancing their understanding and agreements of the Company and the Company is listening the comments and suggestions of the shareholders and investors.

Last year, the Company held four large results briefings, two results presentations conference calls, and organized relevant results road shows, received around 60 visits paid by investment institutions and more than 360 visits paid by investors, participated in 12 international investment forums and investment strategy conferences organised by investment institutions both at home and abroad, organized 32 road shows and one reverse road show, met more than 500 fund managers and analysts. The Company also paid attention to feedback information from capital markets, put together and classified the issues that investors concerned about and feedback to management of the Company which improves corporate governance and management standards.

The Company's diligence was fully recognised in the capital market, as illustrated by various honours, including Board of Directors of Listed Company Award 2012 from Shanghai Stock Exchange, "Excellence Board of Directors", "H Share Best Performance", "Top 100 Listed Companies of Corporate Integrity in China", "Top 100 Listed Company with Consolidated Power in China", "The Most Innovative Enterprise in China", "Top 10 H Share Listed Companies for Turnover", "Top 50 China New Model Multinational Companies", "Top 50 Most Respective China Listed Companies" and "Top 10 Best Board of Directors of China Listed Companies".

Continuous Evolvement Of Corporate Governance

The Company will closely study the development of corporate governance practices among the world's leading corporations and the requirements of the investors continuously. We will also review and strengthen our corporate governance procedures and practices on a regular basis so as to ensure the long-term sustainable development of the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA RAILWAY GROUP LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 166, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility For The Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2012

	NOTES	**2012 RMB million**	2011 RMB million
Revenue	6 & 7	**465,625**	442,216
Cost of sales		**(430,064)**	(409,963)
Gross profit		**35,561**	32,253
Other income	8	**2,938**	2,413
Other expenses	8	**(6,418)**	(5,345)
Other gains and losses	9	**(128)**	(388)
Selling and marketing expenses		**(2,031)**	(1,813)
Administrative expenses		**(15,271)**	(14,325)
Interest income	10	**2,718**	1,462
Interest expenses	10	**(6,360)**	(4,148)
Share of profits of jointly controlled entities		**98**	103
Share of losses of associates		**(22)**	(214)
Profit before tax		**11,085**	9,998
Income tax expense	11	**(3,052)**	(2,758)
Profit for the year	13	**8,033**	7,240
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**(46)**	(297)
Fair value gain (loss) on available-for-sale financial assets		**183**	(70)
Share of other comprehensive income (expense) of jointly controlled entities and associates		**3**	(20)
Income tax relating to fair value change on available-for-sale financial assets		**(34)**	22
Others		**(166)**	–
Other comprehensive expense for the year, net of income tax	12	**(60)**	(365)
Total comprehensive income for the year		**7,973**	6,875
Profit for the year attributable to:			
Owners of the Company		**7,354**	6,690
Non-controlling interests		**679**	550
		8,033	7,240
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,295**	6,356
Non-controlling interests		**678**	519
		7,973	6,875
		RMB	RMB
Earnings per share (Basic)	16	**0.345**	0.314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	31/12/2012 RMB million	31/12/2011 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	17	**41,513**	37,668
Deposits for acquisition of property, plant and equipment		**458**	773
Lease prepayments	18	**8,062**	8,537
Deposits for land use rights		**235**	173
Deposits for investment		**–**	717
Investment properties	19	**1,410**	2,472
Intangible assets	20	**33,189**	33,354
Mining assets	21	**4,361**	4,327
Interests in jointly controlled entities	22	**870**	782
Interests in associates	23	**3,618**	2,956
Goodwill	24	**857**	865
Available-for-sale financial assets	25	**5,897**	4,580
Other loans and receivables	26	**4,701**	4,594
Deferred tax assets	42	**3,796**	3,284
Other prepayments		**56**	43
Trade and other receivables	29	**6,678**	3,336
		115,701	108,461
Current assets			
Lease prepayments	18	**191**	197
Properties held for sale	27	**12,313**	5,628
Properties under development for sale	27	**65,287**	52,995
Inventories	28	**41,906**	36,329
Trade and other receivables	29	**159,649**	143,320
Amounts due from customers for contract work	30	**78,522**	56,747
Current income tax recoverable		**408**	185
Other loans and receivables	26	**2,012**	1,055
Held-for-trading financial assets	31	**205**	60
Restricted cash	32	**4,753**	3,329
Cash and cash equivalents	33	**67,738**	60,254
		432,984	360,099
Assets classified as held for sale	34	**1,871**	–
		434,855	360,099
Total assets		**550,556**	468,560

At 31 December 2012

	NOTES	31/12/2012 RMB million	31/12/2011 RMB million
EQUITY			
Share capital	35	**21,300**	21,300
Share premium and reserves		**56,894**	50,549
Equity attributable to owners of the Company		**78,194**	71,849
Non-controlling interests		**10,199**	9,330
Total equity		**88,393**	81,179
LIABILITIES			
Non-current liabilities			
Other payables	36	**450**	632
Borrowings	37	**87,899**	73,606
Obligations under finance lease	38	**733**	295
Financial guarantee contracts	39	**1**	2
Retirement and other supplemental benefit obligations	40	**5,111**	5,522
Provisions	41	**206**	138
Deferred government grant		**655**	732
Deferred tax liabilities	42	**989**	882
		96,044	81,809
Current liabilities			
Trade and other payables	36	**272,534**	231,267
Amounts due to customers for contract work	30	**15,028**	14,606
Current income tax liabilities		**1,988**	2,019
Borrowings	37	**73,762**	56,490
Obligations under finance lease	38	**632**	185
Financial guarantee contracts	39	**1**	–
Retirement and other supplemental benefit obligations	40	**701**	863
Provisions	41	**37**	–
Held-for-trading financial liabilities	31	**203**	142
		364,886	305,572
Liabilities associated with assets classified as held for sale	34	**1,233**	–
		366,119	305,572
Total liabilities		**462,163**	387,381
Total equity and liabilities		**550,556**	468,560
Net current assets		**68,736**	54,527
Total assets less current liabilities		**184,437**	162,988

The consolidated financial statements on pages 62 to 166 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

LI Changjin
DIRECTOR

BAI Zhongren
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2012

	Equity attributable to owners of the Company									
	Share capital RMB million *(Note 35)*	**Share premium** RMB million	**Capital reserve** RMB million *(note (b))*	**Statutory reserve** RMB million *(note (a))*	**Translation reserve** RMB million	**Investment revaluation reserve** RMB million	**Retained profits** RMB million	**Total** RMB million	**Non-controlling interests** RMB million	**Total** RMB million
At 1 January 2011	21,300	33,647	(2,655)	4,018	(68)	213	10,523	66,978	7,140	74,118
Profit for the year	–	–	–	–	–	–	6,690	6,690	550	7,240
Other comprehensive income (expense) for the year *(Note 12)*	–	–	2	–	(290)	(46)	–	(334)	(31)	(365)
Total comprehensive income (expense) for the year	–	–	2	–	(290)	(46)	6,690	6,356	519	6,875
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(263)	(263)
Acquisition of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	2,031	2,031
Acquisition of additional interests in subsidiaries	–	–	(44)	–	–	–	(5)	(49)	(254)	(303)
Capital contribution	–	–	–	–	–	–	–	–	195	195
Consideration for the acquisition of subsidiaries under common control	–	–	(303)	–	–	–	–	(303)	–	(303)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	(38)	(38)
Dividend recognised as distribution *(Note 15)*	–	–	–	–	–	–	(1,171)	(1,171)	–	(1,171)
Transfer to reserves *(note (a))*	–	–	–	1,664	–	–	(1,664)	–	–	–
Others	–	–	38	–	–	–	–	38	–	38
At 31 December 2011	21,300	33,647	(2,962)	5,682	(358)	167	14,373	71,849	9,330	81,179
Profit for the year	–	–	–	–	–	–	7,354	7,354	679	8,033
Other comprehensive income (expense) for the year *(Note 12)*	–	–	(166)	–	(40)	147	–	(59)	(1)	(60)
Total comprehensive income (expense) for the year	–	–	(166)	–	(40)	147	7,354	7,295	678	7,973
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(271)	(271)
Acquisition of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	12	12
Acquisition of additional interests in subsidiaries	–	–	(2)	–	–	–	–	(2)	(11)	(13)
Capital contribution	–	–	–	–	–	–	–	–	610	610
Disposal of subsidiaries *(Note 44)*	–	–	–	–	–	–	–	–	(37)	(37)
Disposal of partial interests in subsidiaries to non-controlling shareholders	–	–	74	–	–	–	–	74	25	99
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	(137)	(137)
Dividend recognised as distribution *(Note 15)*	–	–	–	–	–	–	(1,022)	(1,022)	–	(1,022)
Transfer to reserves *(note (a))*	–	–	–	1,618	–	–	(1,618)	–	–	–
At 31 December 2012	21,300	33,647	(3,056)	7,300	(398)	314	19,087	78,194	10,199	88,393

Notes:

(a) *The statutory reserves comprise:*

	Statutory surplus reserve RMB million	**Trust compensation reserve** RMB million	**General risk reserve** RMB million	**Total** RMB million
At 1 January 2011	3,907	31	80	4,018
Transfer from retained profits	1,638	27	(1)	1,664
At 31 December 2011	5,545	58	79	5,682
Transfer from retained profits	1,551	37	30	1,618
At 31 December 2012	7,096	95	109	7,300

The statutory reserves comprise principally the statutory surplus reserve. According to relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.

(b) *The balance of capital reserve mainly comprises the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the reorganisation in September 2007, capital contribution by China Railway Engineering Corporation as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC accounting standards, and reserve generated from the acquisition of subsidiaries under common control.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2012

	NOTES	2012 RMB million	2011 RMB million
Operating activities			
Profit for the year		**8,033**	7,240
Adjustments for:			
Income tax		**3,052**	2,758
Interest income		**(2,718)**	(1,462)
Dividend income from unlisted investments		**(45)**	(29)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		**27**	(7)
Lease prepayments		**(19)**	(7)
Investment properties		**(2)**	–
Mining assets		**(1)**	–
Available-for-sale financial assets		**(38)**	(90)
Bargain purchase gain on acquisition of a subsidiary	*43(a)*	**–**	(52)
Deficit of fair value of the previous held interests	*43(a)*	**–**	11
Subsidiaries	*44*	**(637)**	(73)
Foreign exchange gains, net		**(70)**	(139)
Fair value decrease on held-for-trading financial assets/liabilities		**165**	142
Waiver of trade and other payables		**(106)**	(70)
Impairment losses recognised (reversed) on:			
Available-for-sale financial assets		**8**	60
Trade and other receivables		**493**	334
Other loans and receivables		**(2)**	111
Allowance for foreseeable losses on construction contracts		**78**	171
Goodwill		**8**	–
Inventories		**–**	7
Amortisation of financial guarantee contracts		**–**	(2)
Interest expenses		**6,360**	4,148
Share of profits of jointly controlled entities		**(98)**	(103)
Share of losses of associates		**22**	214
Charge to retirement benefit obligations		**329**	398
Government grants credited to income		**(568)**	(386)
Depreciation and amortisation		**6,185**	6,369
Operating cash flows before movements in working capital		**20,456**	19,543
Movements in working capital:			
Increase in other prepayments		**(13)**	(20)
Increase in properties held for sale		**(6,849)**	(1,271)
Increase in properties under development for sale		**(8,550)**	(11,869)
Increase in inventories		**(5,573)**	(6,306)
Increase in trade and other receivables		**(18,049)**	(20,696)
Increase in amounts due from customers for contract work		**(21,853)**	(10,446)
Decrease in retirement and supplemental benefit obligations		**(902)**	(1,039)
Increase in trade and other payables		**40,247**	18,452
Increase in amounts due to customers for contract work		**422**	2,552
Increase in government grants for operating expenses		**430**	329
(Increase) decrease in held-for-trading financial assets		**(135)**	39
Decrease in held-for-trading financial liabilities		**(114)**	(39)
Net cash outflows from operations		**(483)**	(10,771)
Income tax paid		**(3,705)**	(2,712)
Net cash used in operating activities		**(4,188)**	(13,483)

For the Year Ended 31 December 2012

	NOTES	2012 RMB million	2011 RMB million
Investing activities			
Additions of property, plant and equipment		**(7,750)**	(8,186)
Deposits for acquisition of property, plant and equipment		**(1,126)**	(1,172)
Government grants received for acquisition of property, plant and equipment		**54**	247
Disposal of property, plant and equipment		**676**	932
Deposits paid for land use rights		**(72)**	(35)
Additions of lease prepayments		**(152)**	(116)
Disposal of lease prepayments		**63**	38
Additions of investment properties		**(42)**	(61)
Disposal of investment properties		**6**	37
Additions of intangible assets		**(386)**	(825)
Additions of mining assets		**(106)**	(24)
Disposal of mining assets		**1**	4
Acquisition of subsidiaries in current year	*43*	**(16)**	(192)
Payment for acquisition of subsidiaries in prior years		**(270)**	(458)
Acquisition of a subsidiary under common control		**–**	(303)
Disposal of subsidiaries	*44*	**473**	121
Liquidation of subsidiaries		**(137)**	(38)
Investments in jointly controlled entities		**(27)**	(20)
Investments in associates		**(786)**	(346)
Deposits paid for investments		**–**	(560)
Purchase of available-for-sale financial assets		**(2,347)**	(921)
Disposal of available-for-sale financial assets		**1,243**	588
New other loans and receivables		**(2,008)**	(967)
Repayment of other loans and receivables		**550**	593
Interests received		**1,444**	764
Dividends received from jointly controlled entities and associates		**121**	199
Dividends received from other financial assets		**44**	29
Decrease in restricted cash		**4,033**	2,819
Increase in restricted cash		**(5,457)**	(3,857)
Net cash used in investing activities		**(11,974)**	(11,710)
Financing activities			
Acquisition of additional interest in subsidiaries		**(13)**	(303)
Capital contributions from non-controlling shareholders of subsidiaries		**610**	195
Proceeds on disposal of partial interest in subsidiaries without losing control		**99**	–
New borrowings		**110,427**	90,778
Repayment of borrowings		**(76,511)**	(52,864)
Interests paid		**(9,686)**	(5,799)
Dividends paid to non-controlling shareholders of subsidiaries		**(231)**	(236)
Dividends paid		**(1,022)**	(1,171)
Net cash from financing activities		**23,673**	30,600
Net increase in cash and cash equivalents		**7,511**	5,407
Effect of foreign exchange rate changes		**(1)**	(80)
Cash and cash equivalents at the beginning of the year	*33*	**60,254**	54,927
Cash and cash equivalents at the end of the year	*33*	**67,764**	60,254

1. General Information

The Company was established in the People's Republic of China (the "PRC") on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of China Railway Engineering Corporation ("CRECG") in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). 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 CRECG, incorporated in the PRC.

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development, mining and merchandise trading.

2. Application Of New And Revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following amendments to Standards issued by the International Accounting Standards Board ("IASB"), which have been effective.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

Amendments to IFRS 7 *Disclosures - Transfers of Financial Assets*

The Group has applied for the first time the amendments to IFRS 7 *Disclosures - Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to these banks its contractual rights to receive cash flows from certain trade receivables and bills receivable. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables and bills receivable are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables and bills receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see Note 37). The relevant disclosures have been made regarding the transfer of these trade receivables and bills receivable on application of the amendments to IFRS 7 (see Note 29a). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

2. Application Of New And Revised International Financial Reporting Standards (continued)

The Group has not early applied the following new and revised Standards, amendments and Interpretation (new and revised IFRSs) that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 *Effective for annual periods beginning on or after 1 January 2013.*
2 *Effective for annual periods beginning on or after 1 January 2014.*
3 *Effective for annual periods beginning on or after 1 January 2015.*
4 *Effective for annual periods beginning on or after 1 July 2012.*

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments:* Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. Application Of New And Revised International Financial Reporting Standards (continued)

IFRS 9 *Financial Instruments* (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that IFRS 9 will be adopted in its financial year beginning on 1 January 2015 and it will affect the measurement and classification of its financial instruments, particularly the available-for-sale equity investments currently measured at cost less impairment.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised 2011) and IAS 28 (Revised 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IFRS (SIC)-Int 12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Venture*s. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IFRS (SIC) - Int 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

2. Application Of New And Revised International Financial Reporting Standards (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Directors do not anticipate that the application of these Standards will have a material effect on the amounts reported in the Group's consolidated financial statements but will result in more extensive disclosures.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

2. Application Of New And Revised International Financial Reporting Standards (continued)

IAS 19 (Revised 2011) *Employee Benefits*

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. As at 31 December 2012, the liability recognised in the consolidated statement of financial position in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period after adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions which exceed 10% of the present value of the defined benefit obligation are recognised in profit or loss over the employees' expected average remaining working lives. After the application of the amendments to IAS 19, all actuarial gains and losses will be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The Directors anticipate that the application of the amendments to IAS 19 will affect the amounts reported in respect of the Group's defined benefit plans.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of the interpretation will have no impact on amounts reported in the consolidated financial statements because the Group's accounting policy for the stripping costs in the production phase of a surface mine is consistent with the accounting policy under IFRIC 20.

3. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Principal Accounting Policies (continued)

Business combinations involving entities under common control

Business combinations under common control are accounted for using pooling-of-interests method. In applying pooling-of-interests method, financial statement items of the combining entities or business are included in the consolidated financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements when they first came under common control.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combinations other than involving entities under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Acquisition of a subsidiary classified as an asset acquisition

In respect of acquisition of a subsidiary which does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

3. Principal Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Principal Accounting Policies (continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. Principal Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property held for sale is transferred to owner-occupied property when there is a change in use evidenced by the commencement of owner occupation.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values using the straight-line method.

Investment property is transferred to owner-occupied property when there is a change in use evidenced by the ending of an operating lease and the commencement of owner occupation.

Owner-occupied property is transferred to investment property when there is a change in use evidenced by the ending of owner occupation and the commencement of an operating lease.

Property held for sale is transferred to investment property when there is a change in use evidenced by the commencement of an operating lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. Principal Accounting Policies (continued)

Intangible assets

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset with indefinite useful lives and intangible assets not yet available for use are carried at cost less any accumulated impairment losses. Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

Non-patented technologies, patents, computer software and other intangible assets purchased with finite useful lives are recorded at cost on initial acquisition and subsequently stated at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

3. Principal Accounting Policies (continued)

Mining assets

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights are obtained, any previously recognised exploration and evaluation assets are reclassified as mining rights. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised before reclassification.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Construction contract

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. Principal Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out, weighted average or specific identification method for inventories with a different nature or use. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale/properties under development for sale

Properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Held-for-trading financial assets

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial assets (including derivatives that are not designated and effective as a hedging instrument) are measured at fair value, with changes in fair value arising from remeasurment recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of comprehensive income.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other loans and receivables, restricted cash and cash and cash equivalents as shown in the consolidated statement of financial position) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter into bankruptcy or financial reorganisation. The carrying amount of loans and receivables is reduced through the use of an allowance account. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the above categories. Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be an objective evidence of impairment. The carrying amount of available-for-sale financial assets is reduced by impairment loss directly. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into held-for-trading financial liabilities and other financial liabilities.

Held-for-trading financial liabilities

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial liabilities are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other gains and losses line item in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables as shown in the consolidated statement of financial position are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Principal Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Employee compensation and benefits

Pension obligations

The full time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by various government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group also sets up supplementary retirement plans. The Group's contributions to these plans are recognised as an expense when employees have rendered service entitling them to the contribution. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

The Group also provided supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period after adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions which exceed 10% of the present value of the defined benefit obligation are recognised in profit or loss over the employees' expected average remaining working lives. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Pension obligations (continued)

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

Other post-employment obligations

Some group entities in Mainland China provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of 10% of the defined benefit obligation, are recognised in profit or loss over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

Housing funds

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Principal Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts, sale of properties, sale of other goods and provision of services in the ordinary course of the Group’s activities. Revenue is shown net of business tax, returns, rebates and discounts. Revenue is recognised as follows:

Revenue from design and consultation contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date bear to estimated total contract costs; (b) the amount of work certified by customers; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

Revenue for services rendered including survey, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, and operating service provided under service concession arrangements, is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from sale of properties in the ordinary course of business is recognised when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Sale of goods is recognised when goods are delivered and title has passed.

Rental income under operating leases in respect of investment properties is recognised on a straight-line basis over the lease term.

3. Principal Accounting Policies (continued)

Revenue recognition (continued)

Dividend income from investments is recognised when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. Principal Accounting Policies (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Key Sources Of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

(b) Amortisation of service concession arrangements

Amortisation of the toll roads infrastructures are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Appropriate adjustment will be made should there be any material change.

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amount of goodwill is RMB857 million (2011: RMB865 million). Details of the recoverable amount calculation are disclosed in Note 24.

(d) Deferred tax asset

As at 31 December 2012, deferred tax assets of RMB3,796 million (2011: RMB3,284 million) in relation to the unused tax losses, impairment of assets (including impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories), excess of accounting depreciation over tax depreciation and retirement and other supplemental benefit obligations have been recognised in the consolidated statement of financial position (see Note 42). The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

(e) Construction and design contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction and design work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction and design businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised (see Note 13).

4. Key Sources Of Estimation Uncertainty (continued)

(f) Estimated impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The movements of the impairment loss recognised during the year are set out in Note 29.

(g) Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in Note 40. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations.

5. Capital Risk Management And Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the group entities and to maximise the return to the owners of the Company through optimisation of debt and equity balances. The capital structure of the Group consists of the borrowings and obligations under finance lease disclosed in Notes 37 and 38, net of cash and cash equivalents, and total equity of the Group.

The Directors of the Company review the capital structure on a quarterly basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new debts as well as the redemption of existing debts.

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading financial assets, other loans and receivables, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, trade and other payables, held-for-trading financial liabilities, obligations under finance lease and financial guarantee contracts. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall financial risk management objectives and policies remain unchanged from prior year.

Currency risk

The functional currency of the group entities is RMB in which most of the transactions are denominated. Foreign currencies are used to collect the Group's revenue from overseas operations, settle purchases of machinery and equipment suppliers and certain expenses. Certain bank balances and borrowings which are denominated in foreign currencies expose the Group to currency risk.

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
USD	**5,637**	4,756	**8,813**	6,108
EURO	**297**	488	**297**	372
HKD	**–**	–	**198**	196
AUD	**–**	–	**28**	16
Others	**2,081**	2,556	**2,689**	3,261

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a reasonably possible change of 4% (2011: 6%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 4% (2011: 6%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 4% (2011: 6%) change in foreign currency rates.

The management adjusted the sensitivity rate from 6% to 4% for assessing foreign currency risk after considering the financial market conditions during the current year.

An analysis of sensitivity to currency risk is as follows:

	2012	2011
	RMB million	RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	**125**	113
if RMB strengthens against foreign currencies	**(125)**	(113)

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, other loans and receivables, and interest rate swaps. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowing and obligations under finance lease and interest rate swaps. The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate financial liabilities at the end of the reporting period were outstanding for the whole year. A 50 (2011: 75) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The management adjusted the sensitivity rate from 75 basis points to 50 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2012	2011
Reasonably possible change in interest rate	**50 basis points**	75 basis points

	2012 **RMB million**	2011 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(315)**	(375)
as a result of decrease in interest rate	**315**	375

Other price risk

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets and held-for-trading financial assets are measured by reference to quoted prices. Details of the available-for-sale financial assets and held-for-trading financial assets are set out in Notes 25 and 31 respectively.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

For sensitivity analysis purpose, the sensitivity rate is changed to 8% (2011: 14%) in the current year due to change in market conditions.

The Group's sensitivity to equity price risk on the held-for-trading financial assets (other than interest rate swap) and available-for-sale financial assets measured at fair value at the end of the reporting period while all other variables were held constant is as follows:

	2012	2011
Reasonably possible change in equity price	**8%**	14%

	2012 **RMB million**	2011 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	**11**	6
as a result of decrease in equity price	**(11)**	(6)
Increase (decrease) in other components of equity		
as a result of increase in equity price	**36**	38
as a result of decrease in equity price	**(36)**	(38)

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 45.

In order to minimise the credit risk, the management of the Group has delegated the teams responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each material individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. One major customer (including its controlled entities), which is a government body, contributes a significant portion of the revenue and receivables of the Group. The management considers that the credit risk in respect of this customer is limited.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The Directors do not expect any counterparty would fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, where the Group's operations are located.

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 41% (2011: 45%) and 43% (2011: 49%) of the total trade receivables respectively.

Liquidity risk

The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2012, the Group has available unutilised short-term bank borrowing facilities of RMB118,770 million (2011: RMB116,762 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2012									
Trade and other payables *(note)*	**N/A**	**210,662**	**1,526**	**744**	**174**	**49**	**24**	**213,179**	**212,965**
Borrowings	**2.24%-13.6%**	**82,047**	**29,802**	**17,412**	**6,232**	**19,031**	**36,908**	**191,432**	**161,661**
Obligations under finance lease	**5.07%-7.32%**	**681**	**514**	**198**	**56**	**28**	**–**	**1,477**	**1,365**
Financial guarantee contracts	**N/A**	**10,528**	**–**	**–**	**–**	**–**	**–**	**10,528**	**2**
Liabilities associated with assets classified as held for sale	**N/A**	**1,233**	**–**	**–**	**–**	**–**	**–**	**1,233**	**1,233**
		305,151	**31,842**	**18,354**	**6,462**	**19,108**	**36,932**	**417,849**	**377,226**
At 31 December 2011									
Trade and other payables *(note)*	N/A	184,375	1,504	898	264	29	324	187,394	187,083
Borrowings	3.86%-14.5%	63,005	17,098	12,657	7,779	6,094	52,991	159,624	130,096
Obligations under finance lease	5.04%-7%	209	175	145	–	–	–	529	480
Financial guarantee contracts	N/A	7,220	–	–	–	–	–	7,220	2
		254,809	18,777	13,700	8,043	6,123	53,315	354,767	317,661

Note: The difference between total undiscounted cash flows and the carrying amount of trade and other payables represents the imputed interest expenses on interest-free retention payables.

As at 31 December 2012 and 2011, there is no bank borrowing that contains a repayment on demand clause.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's expected maturity for its non-derivative financial assets other than those classified as available-for-sale and held-for-trading financial assets. The table below has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average interest rate %	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2012									
Trade and other receivables *(note)*	**N/A**	**99,625**	**21,364**	**9,725**	**4,449**	**1,583**	**601**	**137,347**	**134,821**
Other loans and receivables	**0%-36%**	**2,342**	**2,660**	**101**	**459**	**47**	**2,119**	**7,728**	**6,713**
Restricted cash	**N/A**	**4,753**	**–**	**–**	**–**	**–**	**–**	**4,753**	**4,753**
Cash and cash equivalents	**N/A**	**67,738**	**–**	**–**	**–**	**–**	**–**	**67,738**	**67,738**
Assets classified as held for sale	**N/A**	**1,871**	**–**	**–**	**–**	**–**	**–**	**1,871**	**1,871**
		176,329	**24,024**	**9,826**	**4,908**	**1,630**	**2,720**	**219,437**	**215,896**
At 31 December 2011									
Trade and other receivables *(note)*	N/A	90,695	14,320	8,538	4,707	1,816	1,769	121,845	119,685
Other loans and receivables	0%-36%	1,469	2,692	544	80	360	1,763	6,908	5,649
Restricted cash	N/A	3,329	–	–	–	–	–	3,329	3,329
Cash and cash equivalents	N/A	60,254	–	–	–	–	–	60,254	60,254
		155,747	17,012	9,082	4,787	2,176	3,532	192,336	188,917

Note: The difference between total undiscounted cash flows and the carrying amounts of trade and other receivables represents the imputed interest income on interest-free retention receivables.

5. Capital Risk Management And Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments, interest rate swaps. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the interest rate swaps that are settled on a net basis. Since the amount payable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2012								
Net cash outflows of interest rate swaps	**(110)**	**(107)**	**(11)**	**11**	**11**	**–**	**(206)**	**(201)**
At 31 December 2011								
Net cash outflows of interest rate swaps	(105)	(35)	18	18	15	(60)	(149)	(139)

5. Capital Risk Management And Financial Instruments (continued)

Categories and fair value of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Financial assets at fair value through profit or loss:		
Held-for-trading financial assets	**205**	60
Loans and receivables:		
Other loans and receivables	**6,713**	5,649
Trade and other receivables	**134,821**	119,685
Restricted cash	**4,753**	3,329
Cash and cash equivalents	**67,738**	60,254
Assets classified as held for sale	**1,871**	–
	215,896	188,917
Available-for-sale financial assets	**5,897**	4,580
Financial liabilities at fair value through profit or loss:		
Held-for-trading financial liabilities	**203**	142
Other financial liabilities:		
Trade and other payables	**212,965**	187,083
Borrowings	**161,661**	130,096
Financial guarantee contracts	**2**	2
Obligations under finance lease	**1,365**	480
Liabilities associated with assets classified as held for sale	**1,233**	–
	377,226	317,661

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of non-optional derivative instrument (including interest rate contracts) is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable yield curve for the duration of the instruments; and
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Included in available-for-sale financial assets at 31 December 2012 are unlisted equity investments amounting to RMB3,198 million (2011: RMB3,111 million) which are stated at cost less impairment. As the ranges of reasonable fair value estimates are significant, the Directors are of the opinion that their fair values cannot be measured reliably.

5. Capital Risk Management And Financial Instruments (continued)

Categories and fair value of financial instruments (continued)

Except as detailed in the following table and certain available-for-sale financial assets as described above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	2012		2011	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Other loans and receivables	**6,713**	**6,606**	5,649	5,522
Fixed-rate bank borrowings	**499**	**526**	1,062	1,077
Fixed-rate other borrowings	**28,583**	**28,108**	26,894	25,582

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Capital Risk Management And Financial Instruments (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	31/12/2012			
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets at fair value through profit or loss				
Derivative financial instruments - interest rate swaps	–	2	–	2
Non-derivative financial assets held-for-trading	203	–	–	203
Available-for-sale financial assets				
Unlisted open-end equity funds, at market prices	57	–	–	57
Unlisted entrusted products, at fair value	–	2,128	–	2,128
Listed equity investments in the PRC, at market prices	359	155	–	514
Total	619	2,285	–	2,904
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - interest rate swaps	–	(203)	–	(203)
Total	–	(203)	–	(203)

5. Capital Risk Management And Financial Instruments (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	31/12/2011			
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets at fair value through profit or loss				
Derivative financial instruments - interest rate swaps	–	3	–	3
Non-derivative financial assets held-for-trading	57	–	–	57
Available-for-sale financial assets				
Unlisted open-end equity funds, at market prices	36	–	–	36
Unlisted entrusted products, at fair value	–	1,109	–	1,109
Listed equity investments in the PRC, at market prices	315	9	–	324
Total	408	1,121	–	1,529
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - interest rate swaps	–	(142)	–	(142)
Total	–	(142)	–	(142)

There were no transfers between Level 1 and 2 in the current and prior years.

6. Revenue

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

	2012 **RMB million**	2011 RMB million
Revenue from:		
Rendering of services		
– Construction contracts	**377,178**	372,015
– Other services	**15,277**	13,817
Sale of properties	**19,043**	16,395
Sale of goods	**54,127**	39,989
	465,625	442,216

7. Segment Information

Information reported to the Board of Directors of the Group, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, is prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"), which resulted in the difference in the basis of measurement of segment results, segment assets and segment liabilities.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(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) Mining, merchandise trading and other ancillary business ("Other businesses").

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

The segment information regarding the Group's reportable and operating segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	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	Total segments RMB million
Year ended 31 December 2012						
External revenue	390,037	8,447	9,059	19,702	53,084	480,329
Inter-segment revenue	5,271	567	2,077	75	1,535	9,525
Other operating income	1,598	55	328	398	1,285	3,664
Inter-segment other operating income	–	–	–	–	528	528
Segment revenue	396,906	9,069	11,464	20,175	56,432	494,046
Segment results						
Profit before tax	5,383	807	726	3,429	2,043	12,388
Segment results included:						
Share of profits (losses) of jointly controlled entities	102	(6)	2	–	–	98
Share of (losses) profits of associates	(37)	11	1	–	3	(22)
Interest income	2,913	51	18	315	156	3,453
Interest expenses	(4,204)	(174)	(160)	(314)	(2,267)	(7,119)

7. Segment Information (continued)

Segment revenues and results (continued)

	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	Total segments RMB million
Year ended 31 December 2011						
External revenue	385,202	8,357	9,121	16,954	37,132	456,766
Inter-segment revenue	6,090	520	1,693	29	2,603	10,935
Other operating income	1,248	49	333	152	2,172	3,954
Inter-segment other operating income	–	–	–	–	304	304
Segment revenue	392,540	8,926	11,147	17,135	42,211	471,959
Segment results						
Profit before tax	4,971	803	602	2,750	1,794	10,920
Segment results included:						
Share of profits (losses) of jointly controlled entities	109	(7)	1	–	–	103
Share of (losses) profits of associates	(223)	9	1	(1)	–	(214)
Interest income	1,687	31	17	191	196	2,122
Interest expenses	(2,411)	(113)	(107)	(80)	(1,811)	(4,522)

7. Segment Information (continued)

Segment revenues and results (continued)

A reconciliation of the amounts presented for reportable and operating segments to the consolidated financial statements is as follows:

	2012 RMB million	2011 RMB million
Segment revenue	**494,046**	471,959
Inter-segment elimination	**(10,053)**	(11,239)
Reconciling items:		
Reclassification of sales tax *(note (a))*	**(14,704)**	(14,550)
Reclassification of other operating income *(note (b))*	**(3,664)**	(3,954)
Total consolidated revenue, as reported	**465,625**	442,216
Segment interest income	**3,453**	2,122
Inter-segment elimination	**(967)**	(684)
Reclassification of interest income obtained from other loans and receivables	**232**	24
Total consolidated interest income, as reported	**2,718**	1,462
Segment interest expenses	**(7,119)**	(4,522)
Inter-segment elimination	**759**	376
Reclassification of amortisation of financial guarantee contracts	**–**	(2)
Total consolidated interest expenses, as reported	**(6,360)**	(4,148)
Segment results	**12,388**	10,920
Inter-segment elimination	**(1,797)**	(1,319)
Reconciling items:		
Land appreciation tax *(note (c))*	**494**	397
Total consolidated profit before tax, as reported	**11,085**	9,998

Notes:

(a) *Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the consolidated statement of comprehensive income.*

(b) *Other operating income is included in revenue under segment reporting and is classified as other income in the consolidated statement of comprehensive income.*

(c) *Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the consolidated statement of comprehensive income.*

7. Segment Information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	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	Total segments RMB million
At 31 December 2012						
ASSETS						
Segment assets	**377,779**	**10,460**	**21,079**	**108,994**	**90,321**	**608,633**
Segment assets included:						
Interests in jointly controlled entities	**595**	**88**	**178**	**–**	**9**	**870**
Interests in associates	**3,037**	**51**	**52**	**83**	**395**	**3,618**
LIABILITIES						
Segment liabilities	**337,753**	**6,217**	**14,352**	**93,275**	**66,417**	**518,014**

	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	Total segments RMB million
At 31 December 2011						
ASSETS						
Segment assets	313,993	11,092	18,407	81,818	82,407	507,717
Segment assets included:						
Interests in jointly controlled entities	547	58	176	–	1	782
Interests in associates	2,466	26	50	24	390	2,956
LIABILITIES						
Segment liabilities	271,218	6,195	12,411	58,184	64,541	412,549

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments; and
- all liabilities are allocated to operating segments other than deferred tax liabilities and current income tax liabilities excluding land appreciation tax payable which is allocated to operating segments.

7. Segment Information (continued)

Segment assets and liabilities (continued)

A reconciliation of the amounts presented for reportable and operating segments to the consolidated financial statements is as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Segment assets	608,633	507,717
Inter-segment elimination	(62,072)	(42,438)
Reconciling items:		
Deferred tax assets	3,796	3,284
Shares conversion scheme of subsidiaries *(note (d))*	(170)	(171)
Current income tax recoverable	408	185
Prepaid land appreciation tax included in income tax recoverable	(39)	(17)
Total consolidated assets, as reported	550,556	468,560
Segment liabilities	518,014	412,549
Inter-segment elimination	(58,783)	(27,992)
Reconciling items:		
Deferred tax liabilities	989	882
Current income tax liabilities	1,988	2,019
Land appreciation tax payable included in current income tax liabilities	(45)	(77)
Total consolidated liabilities, as reported	462,163	387,381

Note:

(d) Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and is adjusted to other gains and losses in the consolidated statement of comprehensive income in prior years.

7. Segment Information (continued)

Other segment 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 2012						
Capital expenditure:						
Property, plant and equipment	4,459	113	349	35	5,332	10,288
Lease prepayments	136	–	–	9	17	162
Investment properties	2	7	–	–	33	42
Intangible assets	184	6	1	1	140	332
Mining assets	–	–	–	–	47	47
Total	4,781	126	350	45	5,569	10,871
Depreciation and amortisation:						
Property, plant and equipment	4,403	261	257	51	393	5,365
Lease prepayments	132	8	20	27	14	201
Investment properties	89	6	1	9	4	109
Intangible assets	120	5	3	1	368	497
Mining assets	–	–	–	–	13	13
	4,744	280	281	88	792	6,185
Loss on disposal and/or write-off of property, plant and equipment	27	–	–	–	–	27
Gain on disposal of lease prepayments	(19)	–	–	–	–	(19)
Gain on disposal of mining assets	–	–	–	–	(1)	(1)
Gain on disposal of investment properties	–	–	–	(2)	–	(2)
Allowance for foreseeable loss on construction contracts	78	–	–	–	–	78
Impairment loss on trade and other receivables	420	21	33	4	15	493
Impairment loss reversed on other loans and receivables	(2)	–	–	–	–	(2)
Impairment loss on goodwill	8	–	–	–	–	8

7. Segment Information (continued)

Other segment information (continued)

	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 2011						
Capital expenditure:						
Property, plant and equipment	5,740	453	1,275	112	3,297	10,877
Lease prepayments	277	120	81	–	372	850
Investment properties	15	–	–	7	39	61
Intangible assets	30	20	–	1	850	901
Mining assets	–	–	–	–	83	83
Acquisition of subsidiaries	–	–	–	846	8,112	8,958
Total	6,062	593	1,356	966	12,753	21,730
Depreciation and amortisation:						
Property, plant and equipment	4,791	207	257	76	344	5,675
Lease prepayments	137	8	15	6	16	182
Investment properties	1	3	1	26	114	145
Intangible assets	18	5	4	3	333	363
Mining assets	–	–	–	–	4	4
	4,947	223	277	111	811	6,369
Gain on disposal and/or write-off of property, plant and equipment	(7)	–	–	–	–	(7)
Gain on disposal and/or write-off of lease prepayments	(7)	–	–	–	–	(7)
Allowance for foreseeable loss on construction contracts	171	–	–	–	–	171
Impairment loss on trade and other receivables	266	20	24	(4)	28	334
Impairment loss on other loans and receivables	111	–	–	–	–	111
Impairment loss on inventories	11	–	2	–	(6)	7

Majority of the Group's revenue and non-current assets were derived from and located in Mainland China and, therefore, no geographical information is presented.

Revenue from major customers

Revenue from a government body of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB165,915 million (2011: RMB181,586 million), which contributed over 36% (2011: 41%) of the total revenue of the Group.

8. Other Income And Expenses

	2012 RMB million	2011 RMB million
Other income from:		
Dividend income	**45**	29
Government subsidies *(note (a))*	**568**	386
Compensation income *(note (b))*	**13**	23
Relocation compensation	**162**	33
Amortisation of financial guarantee contracts	**–**	2
Income from sundry operations *(note (c))*	**1,876**	1,700
Waiver of trade and other payables	**106**	70
Bargain purchase gain on acquisition of a subsidiary *(Note 43(a))*	**–**	52
Others	**168**	118
	2,938	2,413
Other expenses on:		
Research and development expenditure	**6,418**	5,345

Notes:

(a) *Government subsidies related to expenses include various government subsidies received fby the group entities from relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development etc. All subsidies were recognised at the time the Group fulfilled the relevant criteria.*

Government subsidies related to assets include government subsidies obtained by the group entities in relation to the acquisition of property, plant and equipment, which were included in the consolidated statement of financial position as deferred income government grant and credited to profit or loss on a straight-line basis.

(b) *The amounts mainly represent compensation received from counter-parties who have breached the relevant agreements.*

(c) *The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income and hotel operation income etc.*

9. Other Gains And Losses

	2012 RMB million	2011 RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	**(27)**	7
Lease prepayments	**19**	7
Mining assets	**1**	–
Investment properties	**2**	–
Available-for-sale financial assets	**33**	18
Cumulative gain reclassified from equity to profit or loss on disposal of investments classified as available-for-sale	**5**	72
Impairment loss (recognised) reversed on:		
Goodwill	**(8)**	–
Available-for-sale financial assets	**(8)**	(60)
Trade and other receivables	**(493)**	(334)
Other loans and receivables	**2**	(111)
Loss from changes in fair value of financial assets/liabilities classified as held-for-trading	**(165)**	(142)
Gain on disposal of subsidiaries *(Note 44)*	**637**	73
Deficit of fair value of the previously-held interests *(Note 43(a))*	**–**	(11)
Foreign exchange (losses) gains, net	**(126)**	93
	(128)	(388)

10. Interest Income And Expenses

	2012 RMB million	2011 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**1,541**	755
Imputed interest income on retention receivables	**945**	683
Other loans and receivables	**232**	24
Total interest income	**2,718**	1,462
Interest expenses on:		
Bank borrowings:		
Wholly repayable within five years	**6,235**	3,921
Not wholly repayable within five years	**1,200**	655
Short-term debentures	**58**	221
Long-term debentures	**1,322**	954
Other long-term borrowings	**665**	251
Other short-term borrowings	**221**	198
Finance leases	**41**	12
	9,742	6,212
Imputed interest expenses on retention payables	**125**	137
Bank charges	**370**	109
Total borrowing costs	**10,237**	6,458
Less: amount capitalised	**(3,877)**	(2,310)
Total interest expenses	**6,360**	4,148

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

	2012	2011
Capitalisation rate	**3.49% to 14.5%**	4.78% to 14.5%

11. Income Tax Expense

	2012 RMB million	2011 RMB million
Current tax		
Enterprise Income Tax ("EIT")	2,891	2,790
Land Appreciation Tax ("LAT")	494	397
Underprovision in prior years	81	34
Deferred tax *(Note 42)*	(414)	(463)
	3,052	2,758

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2011: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5%, 15%, or 20% (2011: 12.5%, 15%, 20% or 24%) for the year ended 31 December 2012.

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 per the consolidated statement of comprehensive income as follows:

	2012 RMB million	2011 RMB million
Profit before tax	11,085	9,998
Tax at domestic income tax rate of 25% (2011: 25%)	2,771	2,499
Tax effect of:		
Non-deductible expenses	242	259
Non-taxable income	(138)	(162)
Tax losses not recognised as deferred tax assets	438	376
Utilisation of tax losses previously not recognised as deferred tax assets	(66)	(55)
Utilisation of other deductible temporary differences	(52)	(36)
Other deductible temporary differences not recognised as deferred tax assets	58	81
Preferential tax rates on income of group entities and other income tax credits	(632)	(621)
Share of profits of jointly controlled entities	(25)	(26)
Share of losses of associates	6	54
Deferred tax changes resulting from changes in applicable tax rates	(96)	(134)
LAT	494	397
Tax effect of LAT	(124)	(99)
Underprovision in respect of prior years	81	34
Others	95	191
	3,052	2,758

12. Other Comprehensive Income (Expense)

	2012 RMB million	2011 RMB million
Other comprehensive income (expense) includes:		
Exchange differences arising on translating foreign operations:		
Exchange losses arising during the year	(46)	(297)
	(46)	(297)
Available-for-sale financial assets:		
Gain (loss) arising during the year	188	(34)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	(5)	(72)
Reclassification adjustment upon impairment	–	36
	183	(70)
Share of other comprehensive income (expense) of jointly controlled entities and associates	3	(20)
Others	(166)	–
Other comprehensive expense	(26)	(387)
Income tax relating to components of other comprehensive income (expense) (see below)	(34)	22
Other comprehensive expense, net of income tax	(60)	(365)

Tax effect relating to other comprehensive income:

	2012			2011		
	Before-tax amount RMB million	Tax benefit RMB million	Net-of-income tax amount RMB million	Before-tax amount RMB million	Tax benefit RMB million	Net-of-income tax amount RMB million
Exchange differences arising on translating foreign operations	(46)	–	(46)	(297)	–	(297)
Fair value gain (loss) on:						
– available-for-sale financial assets	183	(34)	149	(70)	22	(48)
Share of other comprehensive income (expense) of jointly controlled entities and associates	3	–	3	(20)	–	(20)
Others	(166)	–	(166)	–	–	–
	(26)	(34)	(60)	(387)	22	(365)

13. Profit For The Year

Profit for the year has been arrived at after charging (crediting):

	2012 RMB million	2011 RMB million
Depreciation and amortisation of:		
Property, plant and equipment	**5,365**	5,675
Lease prepayments	**201**	182
Investment properties	**109**	145
Intangible assets (included in administrative expenses)	**29**	27
Intangible assets (included in cost of sales)	**468**	336
Mining assets (included in cost of sales)	**13**	4
Total depreciation and amortisation	**6,185**	6,369
Auditor's remuneration	**75**	77
Impairment loss recognised (reversed) on:		
Goodwill (included in other losses)	**8**	–
Inventories (included in cost of sales)	**–**	7
Properties held for sale (included in cost of sales)	**3**	–
Trade and other receivables	**493**	334
Other loans and receivables	**(2)**	111
Allowance for foreseeable loss on construction contracts	**78**	171
Operating lease rentals in respect of		
Rented premises (included in cost of sales)	**331**	383
Rented premises (included in administrative expenses)	**174**	116
Plant and machinery (included in cost of sales)	**22,966**	23,858
Rental income from investment properties:		
Gross rental	**(314)**	(256)
Direct operating expenses (including depreciation of investment properties)	**172**	170
Net rental	**(142)**	(86)
Research and development expenditure (included in other expenses)	**6,418**	5,345
Cost of raw materials and consumables	**190,416**	191,370

14. Emoluments Of Directors, Chief Executive, Supervisors And Employees

Directors', chief executive's and supervisors' emoluments

Name of director, chief executive or supervisor	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus *(note)* RMB'000	Total RMB'000
Year ended 31 December 2012					
Director					
Li Changjin	–	440	33	310	783
Bai Zhongren	–	440	33	310	783
Yao Guiqing	–	378	33	274	685
Han Xiu Guo	–	80	–	31	111
He Gong	139	–	–	–	139
Gong Huazhang	137	–	–	–	137
Wang Taiwen	123	–	–	–	123
Sun Patrick	129	–	–	–	129
Directors' remunerations	528	1,338	99	925	2,890
Supervisor					
Wang Qiuming	–	378	33	266	677
Liu Jianyuan	–	199	33	199	431
Lin Longbiao	–	192	33	190	415
Zhang Xixue	–	233	30	192	455
Chen Wenxin	–	186	33	216	435
Total	528	2,526	261	1,988	5,303

14. Emoluments Of Directors, Chief Executive, Supervisors And Employees (continued)

Directors', chief executive's and supervisors' emoluments (continued)

Name of director, chief executive or supervisor	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus ***(note)*** RMB'000	Total RMB'000
Year ended 31 December 2011					
Director					
Li Changjin	–	386	30	389	805
Bai Zhongren	–	386	30	373	789
Yao Guiqing	–	334	30	342	706
Han Xiu Guo (Appointed on 27 January 2011)	–	80	–	26	106
He Gong	148	–	–	–	148
Gong Huazhang	156	–	–	–	156
Wang Taiwen	142	–	–	–	142
Sun Patrick	138	–	–	–	138
Directors' remunerations	584	1,186	90	1,130	2,990
Supervisor					
Wang Qiuming	–	334	30	333	697
Liu Jianyuan (Appointed on 22 January 2011)	–	215	30	198	443
Ji Zhihua (Resigned on 22 January 2011)	–	19	2	17	38
Zhou Yuqing (Resigned on 22 January 2011)	–	8	–	–	8
Lin Longbiao	–	208	30	191	429
Zhang Xixue	–	250	30	192	472
Chen Wenxin (Appointed on 27 January 2011)	–	202	30	220	452
Total	584	2,422	242	2,281	5,529

Mr. Bai Zhongren is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During both years, none of the directors, chief executive or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executive or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Emoluments Of Directors, Chief Executive, Supervisors And Employees (continued)

Five Highest Paid Individuals

None of the directors and the chief executive was amongst the five highest paid individuals during both years.

The emoluments of the five highest paid individuals were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits-in-kind	**2,822**	3,306
Contributions to retirement benefits schemes	**149**	150
Discretionary bonus *(note)*	**9,821**	7,992
	12,792	11,448

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$1,500,001 to HK$2,000,000	**3**	3
HK$2,000,001 to HK$2,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**1**	1

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

Employee compensation and benefits

	2012 RMB million	2011 RMB million
Salaries, wages and bonuses	**19,937**	18,773
Contribution to pension plans *(Note 40)*	**3,111**	2,827
Retirement and supplemental pension benefit obligations *(Note 40)*		
– interest cost	**269**	310
– actuarial losses recognised in the year	**60**	88
Housing benefits *(note)*	**1,484**	1,350
Welfare, medical and other benefits-in-kind	**3,848**	3,533
	28,709	26,881

Note: These represent contributions to the government-sponsored housing funds (at rates ranging from 8% to 20% of the employee's basic salary) in Mainland China.

15. Dividend

The final dividend of RMB0.052 in respect of the year ended 31 December 2012 per share amounting to approximately RMB1,108 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 30 March 2012, final dividend of RMB0.048 per share for 2011, amounting to RMB1,022 million in aggregate, was declared and was subsequently paid in August 2012.

16. Earnings Per Share

Basic earnings per share for the year ended 31 December 2012 is calculated by dividing the profit attributable to owners of the Company of RMB7,354 million (2011: RMB6,690 million) by 21,299,900,000 shares (2011: 21,299,900,000 shares) in issue during the year.

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

17. Property, Plant And Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2012	12,249	27,533	8,258	3,767	2,040	3,047	4,880	61,774
Exchange adjustments	(5)	(8)	(2)	(3)	–	(1)	(1)	(20)
Additions	314	3,225	1,073	364	218	199	4,895	10,288
Transfer within property, plant and equipment	1,691	97	65	563	2	897	(3,315)	–
Transfer from investment properties	34	–	–	–	–	–	–	34
Transfer from properties held for sale	70	–	–	–	–	–	–	70
Disposal of subsidiaries *(Note 44)*	(144)	–	(2)	–	–	(1)	–	(147)
Write-offs/other disposals	(132)	(1,332)	(316)	(201)	(59)	(139)	(79)	(2,258)
Transfer to investment properties	(97)	–	–	–	–	–	–	(97)
At 31 December 2012	13,980	29,515	9,076	4,490	2,201	4,002	6,380	69,644
DEPRECIATION AND IMPAIRMENT								
At 1 January 2012	2,895	12,474	4,526	1,666	983	1,562	–	24,106
Exchange adjustments	(3)	(2)	(3)	(1)	–	–	–	(9)
Provided for the year	471	2,574	1,264	445	288	323	–	5,365
Transfer from investment properties	7	–	–	–	–	–	–	7
Disposal of subsidiaries *(Note 44)*	(16)	–	(2)	–	–	(1)	–	(19)
Eliminated on write-offs/other disposals	(40)	(712)	(267)	(110)	(53)	(124)	–	(1,306)
Transfer to investment properties	(13)	–	–	–	–	–	–	(13)
At 31 December 2012	3,301	14,334	5,518	2,000	1,218	1,760	–	28,131
CARRYING VALUES								
At 31 December 2012	10,679	15,181	3,558	2,490	983	2,242	6,380	41,513

17. Property, Plant And Equipment (continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2011	10,863	24,764	7,446	3,507	1,765	3,012	3,062	54,419
Exchange adjustments	(29)	(55)	(9)	(18)	(1)	(7)	(11)	(130)
Additions	707	4,194	1,165	158	343	666	3,644	10,877
Transfer within property, plant and equipment	1,342	33	32	214	10	31	(1,662)	–
Transfer from investment properties	4	–	–	–	–	–	–	4
Transfer from properties held for sale	41	–	–	–	–	–	–	41
Acquisition of subsidiaries *(Note 43)*	51	–	6	–	–	1	13	71
Write-offs/other disposals	(189)	(1,403)	(382)	(94)	(77)	(656)	(166)	(2,967)
Transfer to investment properties	(541)	–	–	–	–	–	–	(541)
At 31 December 2011	12,249	27,533	8,258	3,767	2,040	3,047	4,880	61,774
DEPRECIATION AND IMPAIRMENT								
At 1 January 2011	2,501	10,434	3,477	1,491	731	1,480	6	20,120
Exchange adjustments	(2)	(34)	(6)	(4)	–	(6)	–	(52)
Provided for the year	499	2,948	1,383	252	323	270	–	5,675
Transfer from investment properties	1	–	–	–	–	–	–	1
Eliminated on write-offs/other disposals	(59)	(874)	(328)	(73)	(71)	(182)	(6)	(1,593)
Transfer to investment properties	(45)	–	–	–	–	–	–	(45)
At 31 December 2011	2,895	12,474	4,526	1,666	983	1,562	–	24,106
CARRYING VALUES								
At 31 December 2011	9,354	15,059	3,732	2,101	1,057	1,485	4,880	37,668

17. Property, Plant And Equipment (continued)

Property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over their estimated useful lives as follows:

Category	Estimated useful lives
Buildings	15–50 years
Infrastructure construction equipment	8–15 years
Transportation equipment	4–12 years
Manufacturing equipment	8–18 years
Testing equipment and instruments	5–10 years
Other equipment	3–10 years

The carrying values of infrastructure construction equipment include amounts of RMB1,532 million (2011: RMB891 million) in respect of assets held under finance leases.

Bank borrowings amounting to RMB62 million (2011: RMB60 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB222 million (2011: RMB206 million) (see Note 37).

Buildings are located on land in Mainland China under the following lease term:

	31/12/2012 RMB million	31/12/2011 RMB million
Under long lease	**386**	309
Under medium-term lease	**10,293**	9,045
	10,679	9,354

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB1,360 million (2011: RMB1,108 million) at 31 December 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

18. Lease Prepayments

Movements in lease prepayments, which represent land use rights in Mainland China, during the year are analysed as follows:

	2012 RMB million	2011 RMB million
At beginning of the year	**8,734**	7,241
Acquisition of subsidiaries *(Note 43)*	**–**	844
Additions	**162**	850
Transfer from properties held for sale/properties under development for sale	**–**	79
Transfer to properties under development for sale	**–**	(13)
Disposals	**(44)**	(85)
Disposal of subsidiaries *(Note 44)*	**(398)**	–
Released to profit or loss as expenses	**(201)**	(182)
At end of the year	**8,253**	8,734
Analysed for reporting purpose as:		
– Non-current	**8,062**	8,537
– Current	**191**	197
	8,253	8,734

	31/12/2012 RMB million	31/12/2011 RMB million
Analysis of periods of land use rights in Mainland China:		
Under long lease	**113**	105
Under medium-term lease	**8,140**	8,629
	8,253	8,734

The Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of RMB187 million (2011: RMB400 million) at 31 December 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

19. Investment Properties

	2012 RMB million	2011 RMB million
COST		
At beginning of the year	**2,911**	2,224
Additions	**42**	61
Transfer from property, plant and equipment	**97**	541
Transfer from properties held for sale	**94**	129
Transfer to property, plant and equipment	**(34)**	(4)
Disposal of subsidiaries *(Note 44)*	**(1,379)**	–
Disposals	**(5)**	(40)
At end of the year	**1,726**	2,911
DEPRECIATION AND IMPAIRMENT		
At beginning of the year	**439**	253
Provided for the year	**109**	145
Transfer from property, plant and equipment	**13**	45
Transfer to property, plant and equipment	**(7)**	(1)
Disposal of subsidiaries *(Note 44)*	**(237)**	–
Eliminated on disposals	**(1)**	(3)
At end of the year	**316**	439
CARRYING VALUES		
At end of the year	**1,410**	2,472

The fair value of the Group's investment properties with carrying amount of RMB1,410 million (2011: RMB2,472 million) is RMB1,650 million (2011: RMB3,087 million). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties.

The above investment properties are depreciated on a straight-line basis at the annual rates from 25 to 50 years.

Investment properties are situated on land in Mainland China under medium-term lease.

The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB265 million (2011: RMB118 million) at 31 December 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

20. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2012	34,022	75	7	147	51	34,302
Additions	312	–	–	18	2	332
Write-offs/other disposals	–	–	–	(1)	–	(1)
At 31 December 2012	34,334	75	7	164	53	34,633
AMORTISATION AND IMPAIRMENT						
At 1 January 2012	774	60	6	69	39	948
Provided for the year	465	3	–	28	1	497
Eliminated on write-offs/other disposals	–	–	–	(1)	–	(1)
At 31 December 2012	1,239	63	6	96	40	1,444
CARRYING VALUES						
At 31 December 2012	33,095	12	1	68	13	33,189

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2011	25,113	75	6	119	64	25,377
Additions	867	–	1	29	4	901
Acquisition of subsidiaries *(Note 43)*	8,042	–	–	–	–	8,042
Write-offs/other disposals	–	–	–	(1)	(17)	(18)
At 31 December 2011	34,022	75	7	147	51	34,302
AMORTISATION AND IMPAIRMENT						
At 1 January 2011	441	57	5	45	45	593
Provided for the year	333	3	1	25	1	363
Eliminated on write-offs/other disposals	–	–	–	(1)	(7)	(8)
At 31 December 2011	774	60	6	69	39	948
CARRYING VALUES						
At 31 December 2011	33,248	15	1	78	12	33,354

20. Intangible Assets (continued)

The Group has entered into a number of service concession arrangements with certain government authorities in PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads upon completion for a specified concession period from 25 to 30 years (2011: from 25 to 30 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

The rights in respect of toll road income under seven (2011: seven) concession agreements with an aggregate carrying amount of RMB26,639 million (2011: RMB26,677 million) are pledged to obtain bank borrowings amounting to RMB16,702 million (2011: RMB17,186 million) (see Note 37).

Intangible assets are stated at cost less impairment. Service concession arrangements are amortised on a units-of-usage basis. Other intangible assets are amortised on a straight-line basis based on their estimated useful lives as follows:

Category	Estimated useful lives
Non-patented technologies	5 to 10 years
Patents	2 to 10 years
Computer software	2 to 10 years
Others	3 to 10 years

The Group is in the process of applying for the title certificates for certain of its intangible assets with an aggregate carrying value of RMB70 million (2011: nil) at 31 December 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these intangible assets.

21. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2012	**2,868**	**1,482**	**4,350**
Additions	**22**	**25**	**47**
At 31 December 2012	**2,890**	**1,507**	**4,397**
AMORTISATION			
At 1 January 2012	**23**	**–**	**23**
Provided for the year	**13**	**–**	**13**
At 31 December 2012	**36**	**–**	**36**
CARRYING VALUES			
At 31 December 2012	**2,854**	**1,507**	**4,361**

21. Mining Assets (continued)

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2011	2,841	1,465	4,306
Additions *(note)*	58	25	83
Acquisition of subsidiaries *(Note 43(b))*	1	–	1
Exchange adjustments	(32)	(4)	(36)
Disposal	–	(4)	(4)
At 31 December 2011	2,868	1,482	4,350
AMORTISATION			
At 1 January 2011	19	–	19
Provided for the year	4	–	4
At 31 December 2011	23	–	23
CARRYING VALUES			
At 31 December 2011	2,845	1,482	4,327

Note: The Group and the Qinghai Provincial Government signed a series of cooperative development agreements for projects in the Qinghai Province. Pursuant to the agreements, the Qinghai Provincial Government granted a mining right of coal to the Group. The Group recognised it as a non-monetary government grant related to assets at a nominal amount. During the year, the Group has been coordinating the cooperative development arrangements. The Group is in the process of applying the title certificate for mining rights at 31 December 2012.

The amounts represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Fujian, Qinghai, Guizhou, Mongolia, Australia and the Democratic Republic of the Congo. The Group did not have any attributable liabilities, income and expenses for both years. The investing cash outflows used in the exploration for and evaluation of mineral resources during the year are as follows:

	2012 RMB million	2011 RMB million
Investing cash outflows	**(106)**	(24)

The Group is in the process of applying for the title certificate for one of its mining rights with a carrying value of RMB87 million (2011: RMB67 million) at 31 December 2012. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use this mining right.

22. Interests In Jointly Controlled Entities

	31/12/2012 RMB million	31/12/2011 RMB million
Cost of unlisted investments	**712**	685
Share of post-acquisition profits (losses) and other comprehensive expenses, net of dividends received	**163**	102
Accumulated impairment loss recognised	**(5)**	(5)
	870	782

Details of Group's principal jointly controlled entities at 31 December 2012 and 2011 are set out in Note 49.

The summarised unaudited financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	31/12/2012 RMB million	31/12/2011 RMB million
Assets and liabilities		
Total assets	**4,334**	3,580
Total liabilities	**2,330**	2,014
Net assets	**2,004**	1,566
Group's share of net assets of jointly controlled entities	**875**	787

	2012 RMB million	2011 RMB million
Results		
Revenue	**2,166**	1,993
Profit before tax	**176**	216
Income tax expense	**(15)**	(14)
Profit for the year	**161**	202
Other comprehensive income (expense)	**6**	(30)
Group's share:		
Profit before tax	**106**	110
Income tax expense	**(8)**	(7)
Profit for the year	**98**	103
Other comprehensive income (expense)	**3**	(11)

23. Interests In Associates

	31/12/2012 RMB million	31/12/2011 RMB million
Cost of unlisted investments	**3,936**	3,157
Share of post-acquisition (losses) profits and other comprehensive expense, net of dividends received	**(317)**	(200)
Accumulated impairment loss recognised	**(1)**	(1)
	3,618	2,956

Details of Group's principal associates at 31 December 2012 and 2011 are set out in Note 50.

The summarised unaudited financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

	31/12/2012 RMB million	31/12/2011 RMB million
Assets and liabilities		
Total assets	**34,263**	30,159
Total liabilities	**26,405**	23,365
Net assets	**7,858**	6,794
Group's share of net assets of associates	**3,619**	2,957

	2012 RMB million	2011 RMB million
Results		
Revenue	**9,454**	9,445
Profit (loss) before tax	**19**	(147)
Income tax expense	**(111)**	(108)
Loss for the year	**(92)**	(255)
Other comprehensive expense	**–**	(28)
Group's share:		
Profit (loss) before tax	**15**	(184)
Income tax expense	**(37)**	(30)
Loss for the year	**(22)**	(214)
Other comprehensive expense	**–**	(9)

24. Goodwill

	2012 RMB million	2011 RMB million
At beginning of the year	**865**	865
Impairment loss recognised in the year	**(8)**	–
At end of the year	**857**	865

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 48) and sub-groups headed by these subsidiaries:

	2012 RMB million	2011 RMB million
China Railway NO.1 Engineering Group Co., Ltd.	**64**	64
China Railway NO.3 Engineering Group Co., Ltd.	**51**	51
China Railway NO.4 Engineering Group Co., Ltd.	**95**	95
China Railway NO.5 Engineering (Group) Co., Ltd.	**82**	82
China Railway NO.8 Engineering Group Co., Ltd.	**48**	48
China Railway NO.9 Engineering Group Co., Ltd.	**53**	61
China Railway NO.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**41**	41
China Railway Construction Group (CRCG) Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**48**	48
China Railway Trust Co., Ltd.	**206**	206
Other subsidiaries	**27**	27
	857	865

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust Co., Ltd., which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2011: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust Co., Ltd., have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11% (2011: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each subsidiary to exceed its recoverable amount.

25. Available-For-Sale Financial Assets

	31/12/2012 RMB million	31/12/2011 RMB million
Unlisted open-end equity funds, at market prices	**57**	36
Unlisted entrusted products	**2,128**	1,109
Listed equity investments in the PRC, at market prices	**514**	324
Unlisted equity investments, at cost less impairment	**3,198**	3,111
	5,897	4,580

The above unlisted entrusted products are investment products relating to property development projects and energy projects in Mainland China and are debt instruments. The fair value of the entrusted products is determined based on discounted cash flow analysis.

The above unlisted equity investments are equity securities issued by private entities established in Mainland China. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted entrusted products, listed equity investments and unlisted equity investments with a carrying amount of RMB1,210 million (2011: RMB570 million). A gain on disposal of RMB38 million (2011: RMB90 million) has been recognised in profit or loss for the current year.

26. Other Loans And Receivables

	31/12/2012 RMB million	31/12/2011 RMB million
Short-term loans and receivables	**2,296**	1,351
Long-term loans and receivables	**4,711**	4,594
	7,007	5,945
Less: Impairment on receivables	**(294)**	(296)
Total other loans and receivables	**6,713**	5,649
Less: Amount due within one year included in current assets	**(2,012)**	(1,055)
Amount due after one year	**4,701**	4,594

At 31 December 2012, other loans and receivables amounting to RMB1,309 million (2011: RMB243 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 1.52% to 36% (2011: 1.52% to 36%) per annum.

At 31 December 2012, other loans and receivables amounting to RMB867 million (2011: RMB815 million) are secured by equity investments, RMB577 million (2011: RMB684 million) are secured by property, plant and equipment, RMB80 million (2011: nil) are secured by lease prepayments, RMB30 million (2011: RMB5 million) are guaranteed by a third party and RMB2,591 million (2011: nil) are secured by the rights to collect cash flows in relation to certain construction projects. The remaining balances are unsecured.

26. Other Loans And Receivables (continued)

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012 RMB million	2011 RMB million
USD	**3,066**	1,682

Movements in impairment on receivables are as follows:

	2012 RMB million	2011 RMB million
At beginning of the year	**296**	185
Impairment losses (reversed) recognised during the year	**(2)**	111
At end of the year	**294**	296

27. Properties Held For Sale/Properties Under Development For Sale

Properties under development for sale amounting to RMB35,263 million (2011: RMB17,929 million) have been pledged to secure bank borrowings amounting to RMB16,119 million (2011: RMB10,610 million) granted to the Group (see Note 37).

Properties under development for sale amounting to RMB23,567 million (2011: RMB14,826 million) are expected to be recovered beyond 12 months.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at cost.

28. Inventories

	2012 RMB million	2011 RMB million
Raw materials and consumables	**35,825**	31,900
Work in progress	**2,883**	1,783
Finished goods	**3,198**	2,646
	41,906	36,329

29. 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.

	31/12/2012 RMB million	31/12/2011 RMB million
Trade and bills receivables	**109,128**	100,651
Less: impairment	**(1,894)**	(1,557)
	107,234	99,094
Other receivables (net of impairment)	**30,517**	22,816
Advance to suppliers	**28,576**	24,746
	166,327	146,656
Less: Amount due after one year included in non-current assets	**(6,678)**	(3,336)
Amount due within one year included in current assets	**159,649**	143,320

The Group's major customers are the PRC government agencies and other government-related 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. Trade receivables due from the PRC government-related enterprises are disclosed in Note 47.

Included in trade and bills receivables are retention receivables of RMB44,447 million (2011: RMB42,433 million). Retention receivables are interest-free and recoverable 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 receivables net of allowance for doubtful debts at the reporting date, presented based on the date of delivery of goods or the billing date of contract works:

	31/12/2012 RMB million	31/12/2011 RMB million
Less than six months	**47,076**	41,248
Six months to one year	**22,737**	28,943
One year to two years	**22,284**	18,766
Two years to three years	**9,684**	5,835
More than three years	**5,453**	4,302
	107,234	99,094

29. Trade And Other Receivables (continued)

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

	31/12/2012 RMB million	31/12/2011 RMB million
Less than six months	**3**	3
Six months to one year	**–**	9
	3	12

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:

	2012 RMB million	2011 RMB million
At beginning of the year	**2,321**	2,016
Impairment loss recognised during the year	**493**	334
Written-off	**(8)**	(29)
At end of the year	**2,806**	2,321
Attributable to:		
Trade and bills receivables	**1,894**	1,557
Other receivables	**912**	764
	2,806	2,321

29a. Tranfers Of Financial Assets

The following were the Group's financial assets as at 31 December 2012 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see Note 37). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	31/12/2012		
	Bills receivable discounted to bank with full recourse RMB million	Trade receivables discounted to bank with full recourse RMB million	Total RMB million
Carrying amount of transferred assets	**489**	**5,067**	**5,556**
Carrying amount of associated liabilities	**483**	**4,230**	**4,713**
Net position	**6**	**837**	**843**

In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB307 million have been discounted with recourse to secure short-term bank borrowings amounting to RMB307 million and these bills receivable have been eliminated in the consolidated financial statements (see Note 37).

30. Amounts Due From (To) Customers For Contract Work

	31/12/2012 RMB million	31/12/2011 RMB million
Contract costs incurred plus recognised profits less recognised losses	**1,917,321**	1,559,140
Less: progress billings	**(1,853,827)**	(1,516,999)
	63,494	42,141
Analysed for reporting purpose as:		
Amounts due from contract customers	**78,522**	56,747
Amounts due to contract customers	**(15,028)**	(14,606)
	63,494	42,141

31. Held-For-Trading Financial Assets (Liabilities)

Held-for-trading financial assets

	31/12/2012 RMB million	31/12/2011 RMB million
Unlisted PRC government bonds, at market prices	**2**	–
Equity securities listed in Mainland China, at quoted prices	**179**	35
Equity securities listed in Hong Kong, at quoted prices	**22**	22
Derivative financial instruments - interest rate swaps *(note)*	**2**	3
	205	60

Held-for-trading financial liabilities

	31/12/2012 RMB million	31/12/2011 RMB million
Derivative financial instruments – interest rate swaps *(note)*	**203**	142
	203	142

Note: *At 31 December 2012, the Group has two interest rate swap contracts. One Euro interest rate swap will mature in 2021 and one RMB interest rate swap will mature in 2017. Under the Euro contract, the Group will receive interest at fixed rates and pay interest at floating rates. Under the RMB contract, the Group will receive interest at fixed rates up to certain dates between December 2007 to December 2009 and then at floating rates thereafter, and pay interest at fixed rates.*

At 31 December 2011, the Group has three interest rate swap contracts. One Euro interest rate swap will mature in 2021 and two RMB interest rate swaps will mature in 2017. Under the Euro contract, the Group will receive interest at fixed rates and pay interest at floating rates. Under the RMB contracts, the Group will receive interest at fixed rates up to certain dates between June 2007 to December 2009 and then at floating rates thereafter, and pay interest at fixed rates.

32. Restricted Cash

	2012 RMB million	2011 RMB million
Restricted cash denominated in:		
RMB	**4,639**	3,235
USD	**49**	64
Other currencies	**65**	30
At end of the year	**4,753**	3,329

The restricted cash held in dedicated bank accounts under the names of the group entities are for the issue of performance bonds to customers and therefore classified as current assets. The restricted cash held in dedicated bank accounts carry interest at prevailing market interest rates.

Deposit certificate of USD35 million (approximately RMB223 million) (2011: nil) were pledged against bank borrowings amounting to USD14 million (approximately RMB87 million) (2011: nil) (see Note 37).

33. Cash And Cash Equivalents

	31/12/2012 RMB million	31/12/2011 RMB million
Bank balances and cash denominated in:		
RMB	**60,304**	56,156
USD	**5,424**	2,283
Other currencies	**2,010**	1,815
	67,738	60,254
Cash and cash equivalents classified as held for sale assets *(Note 34)*	**26**	–
	67,764	60,254

Bank balances carry interest at market rates which range from 0.35% to 7.7% (2011: 0.5% to 6.7%) per annum. The bank balances denominated in RMB are deposited with banks in Mainland China and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

34. Disposal Group Classified As Held For Sale

On 21 December 2012, China Railway Electrification Engineering Group Co., Ltd., a wholly subsidiary of the Group, signed a contract with a third party to dispose of a 100% interest in 南京中鐵電化投資管理有限公司 ("Nanjing Investment") and the disposal is expected to be completed within one year. The assets and liabilities of Nanjing Investment have been classified as a disposal group held for sale and are separately presented in the consolidated statement of financial position (see below). Nanjing Investment is included in the Group's infrastructure construction business activities for segment reporting purpose (see Note 3).

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The Directors do not consider that Nanjing Investment represented a major separate line of business for the Group and accordingly it is not disclosed as a "Discontinued Operation".

Major classes of assets and liabilities of Nanjing Investment as at the end of the current year are as follows:

	31/12/2012 RMB million
Trade and other receivables - non-current	**1,845**
Cash and cash equivalents	**26**
Total assets classified as held for sale	**1,871**
Borrowings	**109**
Trade and other payables	**366**
Borrowings - non-current	**758**
Total liabilities associated with assets classified as held for sale	**1,233**

35. Share Capital Of The Company

	At 1 January 2011, 31 December 2011 and 31 December 2012 Number of shares '000	At 1 January 2011, 31 December 2011 and 31 December 2012 Nominal value RMB million
Registered capital		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300
Issued and fully paid		
A Shares of RMB1.00 each	17,092,510	17,093
H Shares of RMB1.00 each	4,207,390	4,207
	21,299,900	21,300

The A Shares and H Shares in issue are the ordinary shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. A Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, or qualified foreign institutional investors and must be traded in Renminbi. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

There were no changes in the Company's registered, and issued and fully paid capital in both years.

36. Trade And Other Payables

	31/12/2012 RMB million	31/12/2011 RMB million
Trade and bills payables	**180,058**	159,090
Advance from customers	**49,685**	35,282
Accrued payroll and welfare	**2,629**	2,438
Other taxes	**8,444**	7,888
Deposit received in advance	**157**	164
Dividend payables	**184**	144
Other payables	**31,827**	26,893
	272,984	231,899
Analysed for reporting purposes as:		
Non-current	**450**	632
Current	**272,534**	231,267
	272,984	231,899

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB4,639 million (2011: RMB4,911 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 balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

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

	31/12/2012 RMB million	31/12/2011 RMB million
Less than one year	**158,072**	140,005
One year to two years	**13,884**	13,222
Two years to three years	**5,252**	3,877
More than three years	**2,850**	1,986
	180,058	159,090

37. Borrowings

	31/12/2012 RMB million	31/12/2011 RMB million
Bank borrowings:		
Secured	**36,587**	31,235
Unsecured	**90,199**	67,736
	126,786	98,971
Short-term debentures, unsecured	**539**	908
Long-term debentures, unsecured	**27,049**	24,221
Other short-term borrowings, unsecured	**4,157**	2,567
Other short-term borrowings, secured	**1,007**	–
Other long-term borrowings, unsecured	**710**	1,972
Other long-term borrowings, secured	**1,413**	1,457
	161,661	130,096
Analysed for reporting purposes:		
Non-current	**87,899**	73,606
Current	**73,762**	56,490
	161,661	130,096

On 17 February 2012, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the medium-term note, which was included in "Long-term debentures, unsecured", of a principal amount of RMB300 million with a maturity date of 17 February 2015. The note bears fixed interest at 6.35% per annum. Interest is payable annually in arrears.

On 28 June 2012, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the short-term financing bill, which was included in "Short-term debentures, unsecured", of a principal amount of RMB500 million with a maturity date of 28 June 2013. The bill bears fixed interest at 4.16% per annum. Interest is payable annually in arrears.

On 24 September 2012, the Company issued the first tranche of the private placement bond, which was included in "Long-term debentures, unsecured", of a principal amount of RMB1,000 million with a maturity date of 24 September 2017. The bond bears fixed interest at 5.53% per annum. Interest is payable annually in arrears.

On 23 November 2012, a wholly owned subsidiary of the Group, China Railway NO.2 Engineering Group Co., Ltd., issued the first tranche of the private placement bond, which was included in "Long-term debentures, unsecured", of a principal amount of RMB1,500 million with a maturity date of 23 November 2015. The bond bears fixed interest at 6.26% per annum. Interest is payable annually in arrears.

37. Borrowings (continued)

The exposure of the fixed-rate and floating-rate bank borrowings and the contractual maturity dates are as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Fixed-rate bank borrowings repayable		
Within one year	**103**	112
More than one year but within two years	**176**	548
More than two years but within three years	**90**	186
More than three years but within four years	**52**	101
More than four years but within five years	**14**	50
More than five years	**64**	65
	499	1,062

	31/12/2012 RMB million	31/12/2011 RMB million
Floating-rate bank borrowings repayable		
Within one year	**67,956**	52,903
More than one year but within two years	**23,281**	9,177
More than two years but within three years	**11,156**	8,747
More than three years but within four years	**3,537**	4,665
More than four years but within five years	**3,601**	3,523
More than five years	**16,756**	18,894
	126,287	97,909

The exposure of the fixed-rate long-term debentures, fixed-rate other long-term borrowings and floating-rate other long-term borrowings and the contractual maturity dates are as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Fixed-rate long-term debentures repayable		
More than one year but within two years	**400**	–
More than two years but within three years	**2,795**	400
More than three years but within four years	**–**	995
More than four years but within five years	**997**	–
More than five years	**22,857**	22,826
	27,049	24,221

37. Borrowings (continued)

	31/12/2012 RMB million	31/12/2011 RMB million
Fixed-rate other long-term borrowings repayable		
More than one year but within two years	**840**	2,673
More than two years but within three years	**694**	–
	1,534	2,673

	31/12/2012 RMB million	31/12/2011 RMB million
Floating-rate other long-term borrowings repayable		
More than one year but within two years	**557**	650
More than two years but within three years	**32**	59
More than three years but within four years	**–**	47
	589	756

Bank borrowings carry interest at rates which range from 2.24% to 13.6% (2011: 3.86% to 14.5%) per annum.

Short-term debentures were issued at fixed rate of 4.16% (2011: 5.92% to 7.11%) per annum.

Other short-term borrowings carry interest at variable rates which range from 6% to 13.5% (2011: 5.13% to 9.51%) per annum.

Long-term debentures were issued at fixed rates ranging from 4.34% to 6.65% (2011: 4.34% to 6.65%) per annum.

Other long-term borrowings carry interest at rates which range from 4.39% to 13.6% (2011: 4.39% to 13.6%) per annum.

The borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2012 RMB million	31/12/2011 RMB million
USD	**4,528**	2,874
EURO	**236**	389
Others	**10**	20
	4,774	3,283

As at 31 December 2012, the Group pledged its rights to collect cash flows in relation to certain construction projects to secure bank borrowings amounting to RMB1,017 million (2011: RMB882 million).

38. Obligations Under Finance Lease

It is the Group's policy to lease certain of its equipment under finance leases. The average lease term is 3 years (2011: 3 years). Interest rates underlying all obligations under finance lease are set as the interest rate quoted by People's Bank of China. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2012 RMB million	31/12/2011 RMB million	**31/12/2012 RMB million**	31/12/2011 RMB million
Amounts payable under finance lease				
Within one year	**681**	209	**632**	185
In more than one year but not more than two years	**514**	175	**476**	160
In more than two years but not more than five years	**282**	145	**257**	135
	1,477	529	**1,365**	480
Less: future finance charges	**(112)**	(49)	**–**	–
Present value of lease obligations	**1,365**	480	**1,365**	480
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(632)**	(185)
Amount due for settlement after twelve months			**733**	295

The Group's obligations under finance lease are secured by the lessors' charge over the leased assets.

39. Financial Guarantee Contracts

	2012 RMB million	2011 RMB million
At beginning of the year	**2**	33
Amortisation for the year	**–**	(2)
Eliminated due to acquisition of a subsidiary *(Note 43(a))*	**–**	(29)
At end of the year	**2**	2
Analysed for reporting purpose as:		
Non-current	**1**	2
Current	**1**	–
	2	2

The balances represent the unamortised fair value of financial guarantees, details of which are disclosed in Note 45.

40. Retirement And Other Supplemental Benefit Obligations

State-managed retirement plans

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute 20% of payroll costs, depending on the applicable local regulations, to the state-managed retirement plans. The only obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to profit or loss during the year is RMB3,111 million (2011: RMB2,827 million).

As at 31 December 2012, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and included in trade and other payables are RMB349 million (2011: RMB311 million).

Retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Present value of unfunded defined benefit obligations	**6,351**	7,174
Net actuarial losses not recognised	**(539)**	(789)
Net liability arising from defined benefit obligations	**5,812**	6,385
Less: Amount due within one year	**(701)**	(863)
Amount due after one year	**5,111**	5,522

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2012 RMB million	2011 RMB million
At beginning of the year	**7,174**	8,718
Interest cost	**269**	310
Actuarial losses recognised in the year	**60**	88
Benefits paid	**(902)**	(1,039)
Actuarial gains not recognised	**(250)**	(903)
At end of the year	**6,351**	7,174

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson & Co., using the projected unit credit method.

40. Retirement And Other Supplemental Benefit Obligations (continued)

Retirement and supplemental benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2012	2011
Discount rate	**3.50%**	3.50%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost trend rates	**8.00%**	8.00%

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

The effect of an increase of one percentage point in the assumed medical cost trend rates on:

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs amounted to RMB1 million (2011: RMB1 million).

(ii) the accumulated post-employment benefit obligation for medical costs amounted to RMB23 million (2011: RMB26 million).

41. Provisions

	2012 RMB million	2011 RMB million
At beginning of the year	**138**	78
Provided for the year	**126**	63
Utilisation for the year	**(21)**	(3)
At end of the year	**243**	138
Analysed for reporting purpose as:		
Non-current	**206**	138
Current	**37**	–
	243	138

The balance represents the provision recognised for the toll roads' repair and maintenance obligation and the probable losses to the Group on lawsuits when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

42. Deferred Taxation

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Tax losses RMB million	Impairment of assets RMB million	Excess of accounting depreciation over tax depreciation RMB million	Retirement and other supplemental benefit obligations RMB million	Fair value changes of available-for-sale financial assets RMB million	Mining assets RMB million	Others RMB million	Total RMB million
At 1 January 2011	209	429	18	1,397	(70)	(423)	555	2,115
Credit (charge) to profit or loss	(25)	124	(18)	(146)	–	–	394	329
Charge to other comprehensive income	–	–	–	–	19	–	–	19
Acquisition of subsidiaries *(Note 43(a))*	26	–	–	–	–	–	(232)	(206)
Effect of change in currency exchange rate charged to other comprehensive income	–	–	–	–	–	8	–	8
Effect of change in tax rate charged (credited) to profit or loss	75	20	(1)	11	–	–	29	134
Effect of change in tax rate charged to other comprehensive income	–	–	–	–	3	–	–	3
At 31 December 2011	285	573	(1)	1,262	(48)	(415)	746	2,402
Credit (charge) to profit or loss	55	109	(7)	(144)	–	1	304	318
Charge to other comprehensive income	–	–	–	–	(34)	–	–	(34)
Disposal of subsidiaries *(Note 44)*	–	–	–	–	–	–	25	25
Effect of change in tax rate charged to profit or loss	3	25	–	25	–	–	43	96
At 31 December 2012	343	707	(8)	1,143	(82)	(414)	1,118	2,807

Note: *Impairment of assets is mainly attributable to impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories.*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2012 RMB million	31/12/2011 RMB million
Deferred tax assets	**3,796**	3,284
Deferred tax liabilities	**(989)**	(882)
	2,807	2,402

42. Deferred Taxation (continued)

Details of the Group's unused tax losses and other deductible temporary differences are as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Tax losses recognised as deferred tax assets	**1,380**	1,191
Tax losses not recognised as deferred tax assets	**5,415**	3,937
Total tax losses	**6,795**	5,128
Other deductible temporary differences not recognised as deferred tax assets	**943**	939
Tax losses unrecognised as deferred tax assets that will expire in		
2012	**–**	52
2013	**105**	155
2014	**897**	973
2015	**951**	1,005
2016	**1,631**	1,752
2017	**1,831**	–
Total	**5,415**	3,937

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

43. Acquisition Of Subsidiaries

(a) Acquisition of businesses

During the year, the Group did not have business acquisition.

During 2011, in order to continue the expansion of the real estate business, the Group performed the following acquisitions:

- The Group acquired a 70% interest in 海南美傑投資有限公司 for a consideration of RMB7 million.
- The Group obtained control of 天津海濱旅遊度假建設開發有限公司 ("Tianjin Haibin") by signing the supplemental agreement with other shareholders to hold majority voting rights. Tianjin Haibin was previously an associate of the Group and was held as to 51% by the Group.
- The Group acquired a 97.44% interest in 南京中關村置業發展有限公司 for a consideration of RMB98 million.

43. Acquisition Of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

During 2011, the Group also obtained control of 雲南富硯高速公路有限公司 ("Yunnan Fuyan") by modifying the contractual agreement with another shareholder to hold majority voting rights. Yunnan Fuyan was previously an associate of the Group and was held as to 90% by the Group.

During 2011, the Group also acquired the remaining 52.67% interest in 北京燈塔電氣有限責任公司 ("Beijing Dengta") for a consideration of RMB1 million. Beijing Dengta was formerly held as to 47.33% by the Group in 2010. Beijing Dengta is principally engaged in the manufacturing of lighting equipment.

Consideration transferred

	2011					
	海南美傑投資有限公司 RMB million	北京燈塔電氣有限責任公司 RMB million	天津海濱旅游度假建設開發責任公司 RMB million	南京中關村置業發展有限公司 RMB million	雲南富硯高速公路有限公司 RMB million	Total RMB million
Cash	7	1	–	–	–	8
Carrying amounts of previously-held investment in associates	–	1	110	–	1,066	1,177
Financial guarantee to previously-held investment in an associate	–	–	–	–	(29)	(29)
Payment made in prior year	–	–	–	98	–	98
Excess (deficit) of fair value of the previously-held interests *(note)*	–	–	201	–	(212)	(11)
Total	7	2	311	98	825	1,243

Note: According to IFRS 3 (Revised 2008), an equity interest previously held in the acquiree which qualified as an associate under IAS 28 or a jointly controlled entity under IAS 31 is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount under IAS 28 or IAS 31 is recognised in profit or loss.

43. Acquisition Of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2011					
	海南美傑投資有限公司 RMB million	北京燈塔電氣有限責任公司 RMB million	天津海濱旅游度假建設開發有限公司 RMB million	南京中關村置業發展有限公司 RMB million	雲南富硯高速公路有限公司 RMB million	Total RMB million
Properties under development for sale	–	–	–	88	–	88
Properties held for sale	–	–	–	468	–	468
Inventories	–	4	–	–	–	4
Trade and other receivables	5	28	34	36	108	211
Cash and cash equivalents	5	–	184	16	53	258
Property, plant and equipment	–	1	21	2	37	61
Lease prepayments	–	–	820	2	22	844
Intangible assets	–	–	–	–	8,042	8,042
Interests in associates	–	–	2	–	–	2
Deferred tax assets	–	–	–	26	–	26
Other prepayment	–	–	–	–	3	3
Trade and other payables	–	(32)	(24)	(227)	(158)	(441)
Borrowings - current	–	–	(280)	(230)	(101)	(611)
Borrowings - non-current	–	–	–	–	(5,612)	(5,612)
Other payables	–	–	(21)	–	(59)	(80)
Provisions	–	–	–	–	(21)	(21)
Deferred tax liabilities	–	–	(126)	(27)	(79)	(232)
Net assets acquired	10	1	610	154	2,235	3,010

The trade and other receivables acquired with a fair value of RMB211 million had gross contractual amounts of RMB211 million.

Non-controlling interests

The non-controlling interests including 30% in 海南美傑投資有限公司, 49% in 天津海濱旅遊度假建設開發有限公司, 2.56% in 中關村置業發展有限公司 and 10% in 雲南富硯高速公路有限公司 recognised at the acquisition date were measured at the non-controlling interests' share of the fair value of the identifiable net assets of the acquired companies plus their exclusive interests, amounting to RMB3 million, RMB299 million, RMB4 million and RMB1,409 million respectively.

43. Acquisition Of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Goodwill/bargain purchase gain arising on acquisition:

	2011 RMB million
Consideration transferred	1,243
Plus: non-controlling interests	1,715
Less: net assets acquired	(3,010)
	(52)
Comprising:	
Bargain purchase gain arising on acquisition	(52)

The bargain purchase gain arose in 2011 on the acquisition of 南京中關村置業發展有限公司, which amounted to RMB52 million.

Net cash inflow (outflow) arising on acquisition:

	2011 RMB million
Cash consideration paid	(8)
Less: cash and cash equivalents acquired	258
	250

Impact of acquisition on the results of the Group

The contribution to the Group's revenue and profit by the above subsidiaries in the year of acquisition is as follows:

	2011 RMB million
Revenue	20
Loss for the year	(29)

43. Acquisition Of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Impact of acquisition on the results of the Group (continued)

Had the acquisitions been completed at the beginning of the respective years of the acquisitions, total group revenue and profit for the year would have been as follows:

	2011 RMB million
Revenue	442,637
Profit for the year	6,977

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year of acquisition, nor is intended to be a projection of future results.

(b) Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 100% interest in 呼和浩特市龍灣房地產開發有限公司 for a consideration of RMB28 million and a 60% interest in 天津金太房地產開發有限責任公司for a consideration of RMB18 million.

During the year, the Group also acquired the remaining 70% interest in 西安中鐵鉑豐置業有限公司 ("Xian Zhongtie") for a consideration of RMB14 million. Xian Zhongtie was held as to 30% by the Group in 2011.

The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

During 2011, the Group acquired certain assets through acquisition of a 100% interest in 包頭市時代金科房地產開發有限責任公司 for a consideration of RMB20 million, a 51% interest in 成都宏錦置業有限公司 for a consideration of RMB23 million, a 67% interest in 大連梓金發展有限公司 for a consideration of RMB555 million, a 67% interest in 大連梓元開發有限公司 for a consideration of RMB164 million and a 51% interest in 貴州睿邦建材有限公司 for a consideration of RMB5 million. The Group also acquired certain assets through acquisition of a 75% interest in 鐵力市盛京礦業有限公司, a 75% interest in 慶安徐老九溝礦業有限公司 and a 65% interest in 呼倫貝爾杰盛商貿有限公司 for a total consideration of RMB1 million. The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not business.

43. Acquisition Of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	2012 RMB million	2011 RMB million
Fair value of net assets acquired:		
Properties under development for sale	**1,488**	1,762
Inventories	**4**	–
Other receivables	**304**	1,074
Cash and cash equivalents	**44**	56
Property, plant and equipment	**–**	10
Mining assets	**–**	1
Other payables	**(1,687)**	(519)
Borrowings - non-current	**(76)**	(1,300)
Net assets acquired	**77**	1,084
Non-controlling interests	**(12)**	(316)
Total consideration	**65**	768
Satisfied by:		
Cash	**60**	498
Consideration payables (included in other payables) *(note)*	**–**	270
Fair value of the previously-held investments in an associate	**5**	–
Total consideration	**65**	768
Net cash outflows arising from acquisition:		
Cash consideration paid	**(60)**	(498)
Cash and cash equivalents acquired	**44**	56
	(16)	(442)

Note: The consideration payables at 31 December 2011 were fully settled in 2012.

44. Disposal Of Subsidiaries

During the year, the Group disposed of its entire interest in 成都中鐵名人置業發展有限公司 for a consideration of RMB481 million and its entire interest in 中鐵恒豐置業有限公司 for a consideration of RMB33 million.

In 2011, the Group disposed of a 100% interest in 大邑中鐵金山房地產開發有限責任公司 for a consideration of RMB50 million and a 100% interest in 陝西千層浪房地產開發有限公司 for a consideration of RMB98 million.

The net assets of these subsidiaries at the date of disposal were as follows:

	2012 RMB million	2011 RMB million
Consideration:		
Cash received	**481**	148
Consideration receivable	**33**	–
Total consideration	**514**	148
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	**128**	–
Lease prepayments	**398**	–
Investment property	**1,142**	–
Other receivables - non-current	**12**	–
Properties under development for sale	**190**	554
Trade and other receivables - current	**84**	31
Cash and cash equivalents	**8**	27
Borrowings - non-current	**(52)**	–
Deferred tax liabilities	**(25)**	–
Trade and other payables	**(260)**	(392)
Current income tax liabilities	**(15)**	–
Borrowings - current	**(1,530)**	(145)
Net assets disposed of	**80**	75
Gain on disposal of subsidiaries:		
Consideration received	**481**	148
Consideration receivable	**33**	–
Net assets disposed of	**(80)**	(75)
Non-controlling interests	**37**	–
Excess of fair value recognised in prior year's step acquisition and released to profit or loss	**166**	–
Gain on disposal	**637**	73
Net cash inflows arising on disposals:		
Cash consideration	**481**	148
Less: bank balances and cash disposed of	**(8)**	(27)
	473	121

45. Contingent Liabilities

	2012 RMB million	2011 RMB million
Pending lawsuits		
– arising in the ordinary course of business *(note (a))*	**761**	275
– overseas lawsuit *(note (b) & note (c))*	**1,121**	238
	1,882	513

Notes:

(a) *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 (see Note 41). No provision has been made for these 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.*

(b) *Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("COVEC") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków - Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland ("PGDNRM"). The Group's share of the total contract amount and performance bond are approximately Polish Zloty ("PLN") 1,160 million (approximately USD402 million or RMB2,741 million) and PLN116 million (approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium.*

On 29 September 2011, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and another independent party in the Consortium collectively or individually for penalties and interests of an aggregate amount of PLN129 million (approximately USD42 million or RMB263 million), whereas all parties in the Consortium bear jointly liabilities. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures. On 8 February 2012, the Poland Warsaw District Court commenced proceedings for this lawsuit according to the civil procedures and eight hearings have been conducted to testify the evidence given by the supervision engineer. There is no significant progress up to the date of issuance of these consolidated financial statements. At this stage, the Directors of the Company consider it premature to assess the outcome of this case.

(c) *Exploitations Artisanales Au Congo ("EXACO") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("MKM"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("CRRG") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (approximately RMB858 million). Currently, it is pending the court's ruling on the jurisdictional dispute. The Directors consider that it is premature to assess the outcome of this case.*

45. Contingent Liabilities (continued)

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 *Provision, Contingent Liabilities and Contingent Assets* and (ii) the unamortised fair value of these financial guarantees. The financial impact of the financial guarantees is disclosed in Note 39. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2012 RMB million	2012 Expiry period	31/12/2011 RMB million	2011 Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**1,838**	**2013–2025**	983	2012–2025
Other government-related enterprises	**55**	**2013**	55	2014
Property purchasers	**8,622**	**2013–2017**	5,831	2012–2015
Investees of the Group	**13**	**2016**	170	2012–2016
	10,528		7,039	

In addition to the above, as at 31 December 2012, 宜昌鴻銘置業有限公司, a subsidiary acquired by the Group in 2010, undertook to settle certain liabilities of 宜昌三峽鴻銘旅遊地產開發有限公司 ("Yichang Sanxia") to the extent of RMB50 million (2011: RMB181 million) (being the amount of liabilities of Yichang Sanxia on the date it was spun off from 宜昌鴻銘置業有限公司) if Yichang Sanxia failed to repay those liabilities in the future.

46. Commitments

Capital expenditure

	31/12/2012 RMB million	31/12/2011 RMB million
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**2,176**	4,599

Investment commitment

According to relevant agreements, the Group has the following commitments:

	31/12/2012 RMB million	31/12/2011 RMB million
Investment commitment to an associate	**15,509**	17,899

The above amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of these consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change as the project and the negotiation progress in the future.

46. Commitments (continued)

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 13. The investment properties held for rental purposes are expected to generate rental yields of 2.17% to 11.16% (2011: 5.24% to 9.51%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2012 RMB million	31/12/2011 RMB million
Within one year	**135**	237
In the second to fifth year inclusive	**434**	446
After five years	**333**	324
	902	1,007

The Group as lessee

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	2012 RMB million	2011 RMB million
Minimum lease payments paid under operating leases during the year:		
Plant and machinery	**22,966**	23,858
Premises	**505**	499
	23,471	24,357

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
Within one year	**168**	90
In the second to fifth year inclusive	**114**	75
After five years	**25**	29
	307	194

47. Related Party Transactions

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRECG (CRECG and its subsidiaries are referred to as the "CRECG Group") which is controlled by the PRC government.

During the year, the Group conducts business with government-related entities, including the provision of infrastructure construction services to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The Directors consider that transactions with these government-related entities are within normal business operations and are carried out on market terms. The Group has also developed service and product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

The following is a summary of significant related party transactions between the Group and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the year and balances arising from related party transactions at the end of the reporting period.

Significant related party transactions

The Group had the following significant transactions with related parties:

	2012 RMB million	2011 RMB million
Transactions with the CRECG Group		
Service expenses paid	**46**	51
Rental expense	**31**	29
Purchases	**35**	178
Transactions with jointly controlled entities		
Revenue from construction contracts	**37**	17
Revenue from sales of goods	**2**	4
Interest income	**1**	4
Purchases	**–**	3
Transactions with associates		
Revenue from construction contracts	**130**	171
Revenue from sales of goods	**7**	11
Interest income	**25**	32
Rental income	**1**	4
Purchases	**7**	48
Transactions with other government-related entities		
Revenue from construction contracts	**297,309**	282,708
Revenue from design and other services	**17,815**	17,436
Revenue from sales of goods	**10,043**	8,889
Purchases	**108,427**	88,578
Interest income on bank balances	**688**	572
Interest expenses on bank borrowings	**4,145**	2,737

47. Related Party Transactions (continued)

Balances with related parties

	31/12/2012 RMB million	31/12/2011 RMB million
Balances with the CRECG Group		
Trade receivables	–	6
Trade payables	12	8
Other payables	75	52
Advance to suppliers	–	8
Borrowings - current	626	–
Balances with jointly controlled entities		
Trade receivables	63	72
Trade payables	–	1
Other receivables	61	35
Other payables	4	–
Advance from customers	163	36
Dividend receivables	53	39
Balances with associates		
Trade receivables	150	255
Other receivables	516	492
Advance to suppliers	–	17
Trade payables	6	3
Other payables	58	83
Advance from customers	18	79
Loans receivable	2,601	1,209
Dividends receivable	3	1
Balances with other government-related entities		
Trade receivables	80,944	66,356
Other receivables	23,683	21,026
Bank balances	33,450	35,398
Trade payables	42,974	31,964
Other payables	44,745	34,915
Bank borrowings	66,232	63,490
Other borrowings	34,876	31,110

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by two associates, an investee of the Group and a government-related entity, the maximum exposure of which are disclosed in Note 45.

47. Related Party Transactions (continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2012 RMB'000	2011 RMB'000
Basic salaries, allowances and other benefits-in-kind	**5,098**	5,028
Contributions to pension plans	**394**	359
Discretionary bonus	**3,459**	3,665
	8,951	9,052

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Guarantees and security

At the end of the reporting period, details of amount of borrowings of the Group guaranteed by a related party were as follows:

	31/12/2012 RMB million	31/12/2011 RMB million
CRECG	**12,000**	12,000

48. Particulars Of Principal Subsidiaries

As at 31 December 2012 and 2011, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2012 %	2011 %	Principal activities
中國海外工程有限責任公司 China Overseas Engineering Group Co., Ltd.	PRC	RMB978,537	Registered	**100**	100	Infrastructure construction
中鐵一局集團有限公司 China Railway NO.1 Engineering Group Co., Ltd.	PRC	RMB2,463,223	Registered	**100**	100	Infrastructure construction
中鐵二局集團有限公司 China Railway NO.2 Engineering Group Co., Ltd.	PRC	RMB1,643,820	Registered	**100**	100	Infrastructure construction
中鐵三局集團有限公司 China Railway NO.3 Engineering Group Co., Ltd.	PRC	RMB2,210,690	Registered	**100**	100	Infrastructure construction
中鐵四局集團有限公司 China Railway NO.4 Engineering Group Co., Ltd.	PRC	RMB1,727,586	Registered	**100**	100	Infrastructure construction
中鐵五局(集團)有限公司 China Railway NO.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	**100**	100	Infrastructure construction
中鐵六局集團有限公司 China Railway NO.6 Engineering Group Co., Ltd.	PRC	RMB1,560,986	Registered	**100**	100	Infrastructure construction
中鐵七局集團有限公司 China Railway NO.7 Engineering Group Co., Ltd.	PRC	RMB1,442,542	Registered	**100**	100	Infrastructure construction
中鐵八局集團有限公司 China Railway NO.8 Engineering Group Co., Ltd.	PRC	RMB1,564,285	Registered	**100**	100	Infrastructure construction
中鐵九局集團有限公司 China Railway NO.9 Engineering Group Co., Ltd.	PRC	RMB1,582,797	Registered	**100**	100	Infrastructure construction
中鐵十局集團有限公司 China Railway NO.10 Engineering Group Co., Ltd.	PRC	RMB1,333,943	Registered	**100**	100	Infrastructure construction

48. Particulars Of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2012 %	2011 %	Principal activities
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB1,668,906	Registered	**100**	100	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB1,584,932	Registered	**100**	100	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB2,000,000	Registered	**100**	100	Infrastructure construction
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB1,648,347	Registered	**100**	100	Infrastructure construction
中鐵國際經濟合作有限公司 China Railway International Economic Cooperation Co., Ltd.	PRC	RMB900,000	Registered	**100**	100	Infrastructure construction
中鐵港航局集團有限公司 China Railway Port Channel Engineering Group Co., Ltd.	PRC	RMB1,187,200	Registered	**100**	100	Infrastructure construction
中鐵上海工程局有限公司 Shanghai Civil Engineering Co., Ltd. of China Railway Engineering Corporation	PRC	RMB500,000	Registered	**100**	100	Infrastructure construction
中國中鐵航空港建設集團有限公司 China Railway Airport Construction Group Co., Ltd.	PRC	RMB500,000	Registered	**100**	100	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB554,208	Registered	**100**	100	Survey and design
中鐵工程設計諮詢集團有限公司 China Railway Engineering Consulting Group Co., Ltd.	PRC	RMB329,860	Registered	**100**	100	Engineering consulting

48. Particulars Of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2012 %	2011 %	Principal activities
中鐵大橋勘察設計院集團有限公司 China Railway Major Bridge Reconnaissance & Design Institute Group Co., Ltd. (Formerly known as 中鐵大橋勘察設計院有限公司)	PRC	RMB112,138	Registered	100	100	Survey and design
中鐵西北科學研究院有限公司 China Railway Northwest Research Institute Co., Ltd.	PRC	RMB130,790	Registered	100	100	Construction and survey supervision
中鐵西南科學研究院有限公司 China Railway Southwest Research Institute Co., Ltd.	PRC	RMB144,318	Registered	100	100	Construction and survey supervision
華鐵工程諮詢有限責任公司 Huatie Engineering Consulting Co., Ltd.	PRC	RMB197,700	Registered	100	100	Construction management
中鐵山橋集團有限公司 China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB1,104,903	Registered	100	100	Bridge steel structure manufacturing
中鐵寶橋集團有限公司 China Railway Turnout & Bridge Group Co., Ltd.	PRC	RMB853,000	Registered	100	100	Railway specialised equipment manufacturing
中鐵科工集團有限公司 China Railway Science and Technology Engineering Group Co., Ltd.	PRC	RMB550,000	Registered	100	100	Railway specialised equipment manufacturing
中鐵隧道裝備製造有限公司 China Railway Tunnel Equipment Manufacturing Co., Ltd.	PRC	RMB200,000	Registered	100	100	Tunnel equipment manufacturing
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB2,100,000	Registered	100	100	Property development

48. Particulars Of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2012 %	2011 %	Principal activities
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB3,000,000	Registered	**100**	100	Mining
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**85**	85	Investment and management
廣西全興高速公路發展有限公司 Guangxi Quanxing Expressway Development Co., Ltd.	PRC	RMB100,000	Registered	**75**	75	Investment and management
中中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd. (Formerly known as 中鐵西南投資管理有限公司)	PRC	RMB2,800,000	Registered	**100**	100	Investment and management
中鐵珠三角投資發展有限公司 China Railway Zhusanjiao Investment Development Co., Ltd. (Formerly known as 中鐵佛山投資發展有限公司)	PRC	RMB150,000	Registered	**100**	100	Investment and management
中鐵南方投資發展有限公司 China Railway South Investment Development Co., Ltd.	PRC	RMB1,000,000	Registered	**100**	100	Investment and management
中鐵信托有限責任公司 China Railway Trust Co., Ltd.	PRC	RMB2,000,000	Registered	**93**	93	Financial trust management
中鐵海西投資發展有限公司 China Railway Haixi Investment Development Co., Ltd.	PRC	RMB200,000	Registered	**100**	100	Investment and management
中鐵中原投資發展有限公司 China Railway Zhongyuan Investment and Development Co., Ltd	PRC	RMB100,000	Registered	**100**	100	Investment and management
中鐵物貿有限責任公司 China Railway Materials Trading Co., Ltd	PRC	RMB180,000	Registered	**100**	100	Material trading

48. Particulars Of Principal Subsidiaries (continued)

Name of subsidiary	Country/place of incorporation and operation	Issued or paid in capital '000	Class of capital	Attributable equity interests held by the Group 2012 %	2011 %	Principal activities
中鐵東北投資發展有限公司 China Railway Dong Bei Investment Development Co., Ltd.	PRC	RMB300,000	Registered	**100**	100	Investment and management
中鐵貴州旅遊文化發展有限公司 China Railway Guizhou Tourism Culture Development Co., Ltd.	PRC	RMB300,000	Registered	**80**	80	Investment and management
中鐵中南投資發展有限公司 China Railway Zhong Nan Investment Development Co., Ltd.	PRC	RMB150,000	Registered	**100**	100	Investment and management
中鐵(平潭)投資發展有限公司 China Railway Ping Tan Investment Development Co., Ltd.	PRC	RMB300,000	Registered	**100**	100	Investment and management
中鐵昆明建設投資有限公司 China Railway Kunming Construction Investment Co., Ltd.	PRC	RMB200,000	Registered	**100 *(note (a))***	–	Investment and management
中鐵成都投資發展有限公司 China Railway Chengdu Investment Development Co., Ltd.	PRC	RMB200,000	Registered	**100 *(note (a))***	–	Investment and management
中國中鐵印尼有限責任公司 PT. China Railway Engineering Indonesia.	Republic Indonesia	RMB9,530	Registered	**100 *(note (a))***	–	Infrastructure construction
中國鐵路工程(馬來西亞)有限公司 China Railway Engineering Corporation (M) SDN BHD	Malaysia	RMB1,074	Registered	**100 *(note (b))***	–	Infrastructure construction

48. Particulars Of Principal Subsidiaries (continued)

Notes:

(a) *These subsidiaries were newly set up by the Company during the year ended 31 December 2012.*

(b) *This subsidiary was a wholly owned subsidiary of China Railway International Economic Cooperation Co., Ltd. and was acquired by the Company during the year.*

All the above subsidiaries were incorporated as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance, except PT. China Railway Engineering Indonesia and China Railway Engineering Corporation (M) SDN BHD which were incorporated in Republic Indonesia and Malaysia, respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At 31 December 2012, the Group had outstanding issued debt securities as follows:

Name	**Face value of debt securities RMB million**	**Maturity date**
China Railway Group Limited	**1,000**	**27/01/2015**
	5,000	**27/01/2020**
	2,500	**19/10/2020**
	3,500	**19/10/2025**
	8,000	**23/03/2021**
	4,000	**17/10/2018**
	1,000	**24/09/2017**
China Railway NO.2 Engineering Group Co., Ltd.	**1,500**	**23/11/2015**
	400	**23/11/2014**
	500	**28/06/2013**
	300	**17/02/2015**

At 31 December 2011, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB million	Maturity date
China Railway Group Limited	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	8,000	23/03/2021
	4,000	17/10/2018
China Railway NO.2 Engineering Group Co., Ltd.	500	23/11/2012
	400	23/11/2014
China Railway NO.8 Engineering Group Co., Ltd.	200	19/07/2012
	200	16/09/2012

49. Particulars Of Principal Jointly Controlled Entities

At 31 December 2012 and 2011, particulars of the Group's principal jointly controlled entities, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
		2012 %	2011 %	
重慶渝鄰高速公路有限公司 Chongqing Yuling Expressway Co., Ltd.	PRC	**50**	50	Build-operate-transfer service concession arrangement
新鐵德奧道岔有限公司 Chinese New Turnout Technologies Co., Ltd.	PRC	**50**	50	High-speed turnout manufacturing

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

50. Particulars Of Principal Associates

At 31 December 2012 and 2011, particulars of the Group's principal associates, incorporated with limited liability, are as follows:

Name of company	Place/country of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
		2012 %	2011 %	
臨策鐵路有限責任公司 Lince Railway. Co., Ltd.	PRC	**29**	29	Railway construction, operations and maintenance
鐵道第三勘察設計院集團有限公司 The Third Railway Survey And Design Institute Group Corporation	PRC	**30**	30	Engineering survey and design
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** ***(note)***	80 *(note)*	Build-operate-transfer service concession arrangement

50. Particulars Of Principal Associates (continued)

Note: Pursuant to contractual agreements between the shareholders, the Group does not have control of 重慶墊忠高速公路有限公司 but still retain significant influences in this entity.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

51. Events After The Reporting Period

Subsequent to 31 December 2012, the following significant events took place:

1) The final dividend of RMB0.052 in respect of the year ended 31 December 2012 per share amounting to approximately RMB1,108 million in aggregate has been approved at the meeting of board of directors held on 28 March 2013, which is subject to approval by the shareholders in general meeting.

2) On 5 February 2013, an indirect wholly owned subsidiary of the Group, China Railway Resources Huitung Limited ("Huitung") which is incorporated in Hong Kong, issued notes in the aggregate principal amount of USD500,000,000 which are guaranteed by the Company. The notes, bearing interest at the rate of 3.85% per annum, will mature on 5 February 2023 unless early redeemed or purchased and cancelled in accordance with the conditions. The interest will be paid semi-annually.

52. The Statement Of Financial Position Of The Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 RMB million	2011 RMB million
Bank balances and cash	**8,637**	9,702
Amount due from subsidiaries - current	**24,440**	13,889
Other current assets	**6,900**	3,982
Unlisted investments in subsidiaries	**66,573**	63,456
Amount due from subsidiaries - non-current	**17,762**	20,392
Other non-current assets	**4,357**	5,804
Total assets	**128,669**	117,225
Total liabilities	**56,046**	46,428
Share capital *(see Note 35)*	**21,300**	21,300
Share premium and reserves	**51,323**	49,497
Total equity	**72,623**	70,797

52. The Statement Of Financial Position Of The Company (continued)

Movement in share premium and reserves

	2012 RMB million	2011 RMB million
At beginning of the year	**49,497**	46,997
Profit for the year	**2,840**	3,678
Other comprehensive income (expense) for the year	**2**	(7)
Total comprehensive income for the year	**2,842**	3,671
Dividend recognised as distribution *(Note 15)*	**(1,022)**	(1,171)
Acquisition of a subsidiary under common control	**6**	–
At end of the year	**51,323**	49,497

SIGNIFICANT EVENTS

1. Material Litigation, Arbitration And Matters Generally Concerned By Media

1 Litigation, arbitration and matters generally concerned by media which were disclosed in a provisional announcement without subsequent progress

Outline and category	Query Link
Poland A2 Highway construction disputes: The consortium comprising China Overseas Engineering Group Co., Ltd. (subsidiary of the Company), China Railway Tunnel Group Co., Ltd., two third-party companies terminated the contact and had dispute with GDDKiA, the project owner, in respect of the bid won for sections of A and C of Poland A2 Highway.	Third Quarter Report of 2012 of China Railway Group Limited is available at Shanghai Stock Exchange http://www.sse.com.cn

2 Litigation, arbitration which were not disclosed in a provisional announcement and might have subsequent progress

Not applicable

3 Matters generally concerned by media which were not disclosed in a provisional announcement and might have subsequent progress

Not applicable

2. Defalcation And Debt Repayment During The Reporting Period

Not applicable

3. Events Regarding Bankruptcy And Restructuring

Not applicable

4. Assets Transactions And Merger

1 Acquisition, assets disposal and merger by the Company which were disclosed in a provisional announcement with subsequent progress

Not applicable

4. Assets Transactions And Merger (continued)

2 Matters which were not disclosed any may have subsequent progress

(1) Acquisition of assets

Unit: Thousand Currency: RMB

Counterparty or ultimate controller	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 (applicable to merger under common control)	Related party Transaction?	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 other party?	Contribution to the net profit as a percentage of total net profit of the listed company (%)	Related party relationship
China Railway Union China Railway First Group Committee	Xi'an China Railway Bofeng Real Estate Co., Ltd.	2012-9-30	14,000	5,518	N/A	No	Asset Valuation	Yes	Yes	Less than 1%	N/A
Tianjin Innovative Finance Investment Co., Ltd.	Tianjin Jintai Real Estate Development Co., Ltd.	2012-01-01	18,000	2	N/A	No	Asset Valuation	Yes	Yes	Less than 1%	N/A
MA Gang, WANG Yuhai, ZHANG Guojie, SHANG Deming, XU Zhida, and ZHANG Chaoyuan	Honhot Longuan Real Estate Development Co., Ltd.	2012-10-24	28,042	2	N/A	No	Asset Valuation	Yes	Yes	Less than 1%	N/A

(2) Disposal of assets

Unit: Thousand Currency: RMB

Counterparty	Assets 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 method)	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 other party?	Contribution of the net profit arising from sale of concerning assets as a percentage of the net profit of the listed company (%)	Related party relationship
Jindian Yinqiao International Investment Co., Ltd.	China Railway Hengfeng Real Estate Co., Ltd.	2012-12-31	33,307	–57,521	94,034	No	Asset Valuation	Yes	Yes	Less than 1%	N/A
Hubei Jinmaoyuan Investment Co., Ltd.	Chengdu China Railway Mingren Real Estate Development Co., Ltd.	2012-9-28	480,868	–211	542,852	No	Asset Valuation	Yes	Yes	Less than 1%	N/A

(3) Asset swap

During the reporting period, there was no swap of assets by the Company.

(4) Merger

During the reporting period, there was no merger by the Company.

5. Implementation Of Share Incentive Scheme Of The Company And Its Effects

During the reporting period, there was no share incentive scheme implemented by the Company

6. Significant Related Party Transactions

1 Related party transaction in ordinary course of business

(1) Matters which were disclosed in a provisional announcement without subsequent progress or changes

Not applicable

(2) Matters which were disclosed in a provisional announcement with subsequent progress or changes

Not applicable

(3) Matters which were not disclosed in a provisional announcement

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of the related transaction	Amount of party related transaction	Percentage of transaction value to the same type of Transactions (%)
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease office premises	Contract price	31,018	31,018	Less than 1%
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	45,987	45,987	Less than 1%
Total				/	77,005	77,005	/
Description of related party transactions				The implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 26 April 2010 were set out above. The terms of both agreements are three years. The total transaction amount involved was within the decision-making limit of the Board and was approved in the 29th meeting of the first session of the Board, which complied with the relevant requirements of "The Rules Governing the Listing of stock on Shanghai Stock Exchange". Meanwhile, these two transactions were exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of these two transactions are within the de minimis exemption under the Listing Rules.			

2 Related party transactions in relation to acquisition and disposal of asset

(1) Matters which were disclosed in a provisional announcement with no subsequent progress or changes

Not applicable

6. Significant Related Party Transactions (continued)

2 Related party transactions in relation to acquisition and disposal of asset (continued)

(2) Matters which were disclosed in a provisional announcement with subsequent progress or changes

Not applicable

(3) Matters not disclosed in the provisional announcement

Unit: Thousand   Currency: RMB

Related parties	Related party relationship	Nature of related party transaction	Particulars of related party transaction	Pricing method of related party transaction	Carrying value of assets transferred	Assessed value of assets transferred	Market fair value	Transfer price	Payment method of related party transaction	Gain from transfer of assets	Effect on the operation and financial position of the Company form the transaction	Reason for the difference between the transaction price, carrying value, assessed value and market fair value
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	Wholly-owned subsidiary of parent company	Buildings and lands	Asset Valuation	16,324	34,511	35,434	35,439	cash	19,115	No material effect	No material difference

3 Significant related party transactions in relation to joint external investment

During the reporting period, there was no significant related party transactions in relation to joint external investment by the Company.

4 Amounts due from/to related parties

(1) Matters which were disclosed in a provisional announcement with no subsequent progress or changes

Not applicable

(2) Matters which were disclosed in a provisional announcement with subsequent progress or changes

Not applicable

6. Significant Related Party Transactions (continued)

4 Amounts due from/to related parties (continued)

(3) Matters which were not disclosed in a provisional announcement

Unit: Thousand Currency: RMB

Related parties	Related party relationship	Funds provided to related party: Balance at the beginning of the period	Funds provided to related party: Balance at the end of the period	Funds provided to listed company by related party: Balance at the beginning of the period	Funds provided to listed company by related party: Balance at the end of the period
China Railway Engineering Corporation	Controlling shareholder			4,067	3,378
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company			56,708	83,672
China Railway Hongda Asset Management Center	Wholly-owned subsidiary of parent company	13,639			
Total		13,639		60,775	87,050

Reason for amounts due from/to related parties: Amounts due from/to related parties between the Company and related parties are operational in nature.

5 Other related party transactions

(1) Related party guarantees

RMB'000

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
CRECG *(Note)*	China Railway Group Limited	1,000,000	January 2010	January 2015	No
CRECG *(Note)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG *(Note)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No
CRECG *(Note)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No

Note: These are the unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 5-year and 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 31 December 2012, the total amount of above-mentioned corporate bonds was RMB11,945.267 million (31 December 2011: RMB11,939.182 million).

6. Significant Related Party Transactions (continued)

5 Other related party transactions (continued)

(2) Fund Borrowing by Related Party

RMB'000

Related Party	Related Party Relationship	Particulars of transaction	Party accounting category	Borrowing amount	Starting date	Due date	Interest rate (%)	Balance of the year
CRECG	Controlling shareholder	Fund borrowing	Short-term borrowing	626,160	December 2012	December 2013	4.20	626,160

Notes: The resolution of "joint stock company applied for entrusted loan in the amount not exceeding RMB2 billion from its parent company" was resolved in the 16th meeting of the second session of the Board of Directors of the Company, and was exempted from disclosure by the Shanghai Stock Exchange. According to this resolution, by the end of year of 2012, the Company applied to CRECG for entrusted loan amounted to RMB626,160,000 based on its operational needs.

7. Material Contracts And Their Performances

1 Trusteeship, contracting and leasing

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

2 Guarantees

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Related party relationship
China Railway Group Limited	The same entity	Lince Railway Co., Ltd.	783,000,000.00	2008-6-30	2008-6–30	2025-6–20	Suretyship of joint and several liability	No	No	–	No	Yes	Joint venture
China Railway No.2 Engineering Group Co. Ltd.	Wholly-owned subsidiary	China Railway Bohai Train Ferry Co., Ltd.	12,683,100.00	2004-12-24	2004-12-24	2016-12-23	Suretyship of joint and several liability	No	No	–	No	No	
Daxin Cuiping Mountain Real Estate Development Company	Wholly-owned subsidiary	Property owners of Dazhou Longjun Project	141,430,900.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Badeng Badeng Hot Spring Investment Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueli Bay Phase I Project and Xiangxueling Phase I Project	14,020,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Xinchuanzang Road Construction Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xinjie Project	158,580,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway No.2 Hongyuan Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Shujun Project	11,470,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Ruicheng Real Estate Co., Ltd. Zigong Tanmulin Branch	Wholly-owned subsidiary	Property owners of Tanmulin Guobinfun Project	218,297,200.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruicheng Xijun Yinghua Hongyuan Project	319,569,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material Contracts And Their Performances (continued)

2 Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Related party relationship
Chengdu Yingting Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Yueying Long Beach Project	195,553,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Huaxintianyu Industrial Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongshan International New City Project District H Project	170,008,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Dujiangyan Qingcheng Tourism Development Co. Ltd	Wholly-owned subsidiary	Property owners of Qingcheng 365 Zhaiyuan Project of Dujiang Yan Holiday	12,340,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.2 Engineering Real Estate Group Co., Ltd	Wholly-owned subsidiary	Property owners of Shanghe New Town Project	32,800,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Huainan Yangguangcheng Development Co., Ltd	Wholly-owned subsidiary	Property owners of Huainan Yangguangcheng International Project	13,567,339.21	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Feidong Rainbow New City District Project	11,968,263.65	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.4 Engineering Group Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Binhumingdi Project	1,717,212.32	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guiyang Tiewujian Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Xinlong Zhujiang Wanpan	1,369,118.80	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Wuhai City Bolin Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Bolin Community Project	45,050,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Xizi Xianghe Project	17,000,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Qishigongguan Project	104,536,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Tamiya Project	341,521,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Tongxin Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Aonceier Project	20,540,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase I Project	207,229,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Mingcheng Phase II Project	240,829,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material Contracts And Their Performances (continued)

2 Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Related party relationship
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway • Ruijing Lanting Project	206,216,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.8 Engineering Chengdu Zhongtai Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Ruijingyicheng Project	36,663,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu Jiansheng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Lijing Shuxiang Project	164,095,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Sichuan jiansheng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Yanlanshan Project	24,049,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No					
China Railway No. 10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Hua Yang Nian Hua Project	2,142,018.13	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No. 10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Dongying Sheng Shi Long Cheng Project	118,415,744.20	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No. 10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Hui Zhan International Project	106,382,758.58	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No. 10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Dong Hai Chuan Cheng International Apartment Project	8,370,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No. 10 Engineering Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Huiynan Project	48,379,076.01	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	1,055,000,000.00	2012-2-13	2012-2-13	2013-11-15	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic Technological Cooperation	55,312,400.00	2011-12-29	2011-12-29	2013-9-30	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly-owned subsidiary	Property owners of Qingdao Nobel Center Project	201,910,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Huasheng Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Baotou Nobel International Garden Project	87,490,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly-owned subsidiary	Property owners of Guangzhou Nobel Mingdu Project City	626,786,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly-owned subsidiary	Property owners of Qingdao Nobel Plaze Project	32,500,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Construction Engineering Group Shenzhen Investment Co., Ltd	Wholly-owned subsidiary	Property owners of Nobel Mingcheng Project	22,369,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	

7. Material Contracts And Their Performances (continued)

2 Guarantees (continued)

Unit: Yuan Currency: RMB

Guarantee granted by the Company (excluding those to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to the related parties	Related party relationship
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Shengshi Changan Project	321,340,716.28	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshanbin Project	323,750,833.60	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Beijing Jingxu Property Development Co., Ltd.	Wholly-owned subsidiary	Property owners of Zhongjing Jiangshanbin Project	232,838,853.82	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Hengshui Jingxu Project Development Co., Ltd.	Wholly-owned subsidiary	Property owners of the Zhongjing Tianxi Xiangyuan project	59,954,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Xi'an China Railway Changfeng Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Xi'an Binfen South County Project	773,999,282.46	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Hunan Qingzhuhu Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Changsha Lakeshore Jiazhou Garden	141,069,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Guiyang China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Yidu	631,912,972.37	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Shenyang China Railway Shengfeng Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Shengyang Shengfeng Renjie Lakeshore Project	387,524,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Chengdu China Railway Rongfeng Real Estate Co., Ltd	Non-wholly owned subsidiary	Property owners of Chengdu China Railway West City	323,465,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Qingdao China Railway Xiangfeng Real Estate Co., Ltd	Wholly-owned subsidiary	Property owners of China Railway Huaxu Meibang Project	30,000,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Shanghai China Railway City North Investment Development Co., Ltd.	Non-wholly owned subsidiary	Property owners of China Railway Central Times Square Project	7,364,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Beijing China Railway Runfeng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Property owners of China Railway Huaxidu Project	47,540,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Jinan China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Ji'nan China Railway Shanhe City Project	53,593,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Qinhuangdao China Railway Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Qinhuangdao Guitizhai Project	20,178,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Qingdao Zhongjin Yuneng Property Co., Ltd	Non-wholly owned subsidiary	Property owners of Qingdao International Trade Centre Project	208,880,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Sanya China Real Estate Co., Ltd.	Wholly-owned subsidiary	Property owners of Sanya Ziyuechuan Project	16,750,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Yantai China Railway Real Estate Co., Ltd.	Non-wholly owned subsidiary	Property owners of Yantai China Railway Yidu Project	69,070,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
Sichuan Xinrui Industry Investment Co., Ltd.	Non-wholly owned subsidiary	Property owners of Shuiyingqingcheng Project	1,440,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway No.2 (Chengdu) Real Estate Development	Wholly-owned subsidiary	Property owners of Isabella Project	135,960,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Real Estate Co., Ltd	Wholly-owned subsidiary	Property owner of Hanlanting Jinshnnanli Project	217,853,106.08	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of jointly and several liability	No	No	–	No	No	
Xiamen China Railway Yuanchang Real Estate Co., Ltd	Non-wholly owned subsidiary	Property owner of Xiamen China Railway Yuanwan Project	165,959,000.00	Release date of bank mortgage	Release date of bank mortgage	Completion date of household ownership certificate application	Suretyship of jointly and several liability	No	No	–	No	No	

7. Material Contracts And Their Performances (continued)

2 Guarantees (continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	4,806,491,744.09
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	10,041,599,895.51
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	7,587,300,000.00
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	12,366,831,700.00
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	22,428,431,595.51
Percentage of aggregate guarantee to net assets of the Company (%)	25.32%
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	12,393,403,843.00
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	12,393,403,843.00
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	

7. Material Contracts And Their Performances (continued)

3 Other material contracts

Material contracts executed 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	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	2007–09	2,187,104	66 months
2	China Railway No. 4 Engineering	Lanzhou-Xinjiang Railway Co., Ltd.	Section LXTJ4 of Lanzhou-Xinjiang Railway	2010–03	868,769	36 months
3	China Railway No. 2 Engineering	Datong-Xian Passenger Railway Line Co., Ltd.	Line Section 9 of Datong-Xi'an Passenger Railway	2010–03	636,953	42 months
Highway						
1	China Railway No. 3 Engineering	Shanxi Xiyan Highway Investment Co., Ltd.	Xi County-Yonghe Guan of Huozhou-Yonghe Guan Highway	2011–03	265,834	21 months
2	China Railway No. 1 Engineering	Xinjiang Uygur Autonomous Region Communications Construction Administrative Bureau	Divergence of S215-SS-3 of Shache Highway	2011–06	208,669	29 months
3	China Railway Major Bridge Engineering	Hubei Exi Highway Co., Ltd.	Section TJ-6 of the First Civil Engineering Construction of Xuanen-Xianfeng (boundary between Hubei and Chongqing) Hubei Enshi-Laifeng Highway and Hubei Enshi-Chongqing Qiongjiang Highway	2011–06	190,775	33 months
Municipal Works						
1	China Railway No. 4 Engineering	Angola Oil and Real Estate Company	Municipal Works related to the First Phase Construction of Social Housing and 5000 Sets of the Second Phase Construction of Social Housing	2011–12	723,956	12 months
2	China Railway	Shenyang Department of Transportation	Construction of Shenyang Fourth Ring Highway - BT Project	2011–05	650,000	23 months
3	China Railway Major Bridge Engineering	Wuhan Construction and Investment Development Group Co., Ltd.	Construction of Yangtze River Bridge of Wuhan Yingwuzhou - BT Project	2011–04	247,500	44 months

7. Material Contracts And Their Performances (continued)

3 Other material contracts (continued)

(2) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Ethiopian Railway Corporation	Turnkey Contract of Sebeta-Adama-Mieso EPC for Addis Ababa-Djibouti Railway Project (Sections 1 and 2)	2011–10	208,153	48 months
2	China Railway Eryuan Engineering	Bangladesh Railway Administration	Construction of the second railway line project of Dongji-Paibuluobazhaer Bengal, including the main track signal project EPC of Dhaka-Chittagong	2011–07	130,597	36 months
3	China Railway Eryuan Engineering	Yunnan-Guizhou Railway YunnanCo., Ltd	The new Yuangaui Railway (Yuannansection) Project Survey and Design	2011–05	81,000	72 months
4	China Railway Eryuan Engineering	Chengyu Passenger Railway Line Co., Ltd	New Chengdu-Chongqing Passenger Line, survey and design	2010–10	52,000	48 months
5	China Railway Eryuan Engineering	The Construction Headquarter of Nanning Railway Bureau for reconstruction works of Hunan-Guangxi Line for speeding up and capacity improvement	Reconstruction works for improvement of capacity of Yongzhou-Liuzhou Section of Hunan-Guangxi Railway	2010–02	50,746	43 months

7. Material Contracts And Their Performances (continued)

3 Other material contracts (continued)

(3) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Shanhaiguan Bridge	Liaoning Province Communications Department of the Highway Bureau	China-Korea Yalu River Border Highway Bridge	2011–12	36,340	31 months
2	China Railway Turnout & Bridge	Chongqing Quantong Engineering Construction Management Co., Ltd	Construction of steel truss girder of Chongqing Dongshuimen Yangtze River Bridge	2011–09	24,449	27.5 months
3	China Railway Shanhaiguan Bridge	Tianjin Urban Construction Group Co., Ltd	Purchase Contract of steel box grider and steel tower for No.4 Bridge of Wulanmulun River, Kangbashi District, Erdos	2011–04	23,583	15 months
Turnout						
1	China Railway Shanhaiguan Bridge	Foreign Capital & Technical Import Centre, Ministry of Railways	Purchasing contract of turnouts for the Nanning-Guangzhou Railway Line project (123 high speed turnouts)	2011–02	27,798	16 months
2	China Railway Turnout & Bridge	Nanning Railway Bureau	Nanning Railway Hub, 493 normal speed turnouts	2011–04	19,062	20 months
3	China Railway Turnout & Bridge	Hubei Intercity Railway Co., Ltd	New Wuhan to Xiaogan, Huangshi and Xianning Railway (station construction)	2011–01	17,076	24 months
Construction (Track) Machinery						
1	China Railway Turnout & Bridge	Xian Qujiang Shengtang Material Supply Co. Ltd.	Processing and manufacturing of steel rail beams, uprights, bearing, and Foundation embedment parts for Qujiang district tourist track project	2011–10	7,699	3.5 months
2	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd	Manufacturing of turnouts for extension line of Rail Line 2 of Chongqing	2010–12	4,136	24 months
3	China Railway Turnout & Bridge	Chongqing Monorail Transit Engineering Co., Ltd	Manufacturing of turnouts for extension line of Rail Line 3 of Chongqing	2010–12	2,882	24 months

7. Material Contracts And Their Performances (continued)

3 Other material contracts (continued)

(4) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 sq.m.)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.6
2	Bairuijing Central Living Area	Wuhan, Hupei	Residential	105.5
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	Xi'an Binfen South County	Xi'an, Shaanxi	Residential	62.7
5	China Railway • Huaxu Meibang	Qingdao, Shandong	Residential	53.45

(5) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period	Operation (Repurchase) term
BOT							
1	China Railway No.2 Engineering	Yulin Bureau of communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007–10	517,000	36 months	30 years
2	China Railway	Guangxi Department of communications	BOT Project of the Guangxi Cenxi-Xingye Expressway	2005–08	516,361	36 months	28 years
3	China Railway	Yunan Department of communications	BOT Project of the Yunan Funing-Guangnan, Guangnan-Yanshan Expressway	2005–12	644,000	36 months	27 years

7. Material Contracts And Their Performances (continued)

3 Other material contracts (continued)

(5) Other businesses (continued)

Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway	Cambodia Iron and Steel Mining Industry Group	Phom Penh Railway and Sihanoukville Port Project of Cambodia	2012-12-31	6,024,126	72 months
2	China Railway No. 1 Engineering	Zhengxi Passengers Railway Co., Ltd.	New Zhengzhou - Xuzhou passenger railway line ZXZQ-6 Section	2012-12-24	367,356	48 months
3	China Railway	Jingyue Railway Co., Ltd.	Mengxi-Huazhong railway Jing Yue section Gongan Changjiang public railway two-way major bridge and Dongting Lake major bridge construction MHQS-01	2012-11-26	342,141	60 months
Highway						
1	China Railway Major Bridge Engineering	Hong Kong-Zhuhai-Macao Bridge Authority	Section CB05 of the Main Project, Bridge Engineering, Civil Engineering and Construction Of Composite Beams Of Hong Kong-Zhuhai-Macao Bridge	2012-06	373,885	36 months
2	China Railway Overseas Engineering	Government of Papua New Guinea	Contract of Upgrade and Maintenance of Laiagam, Enga - Porgera Highway and Mendi, Southern Highlands-Kandep Highway	2012-02	134,742	30 months
3	China Railway No. 5 Engineering	China Railway Guizhou Tourism and Culture Development Co., Ltd	Highway Project of First Construction of China Railway Guizhou International Tourism and Leisure Center	2012-03	100,000	Till the completion of performance of the contract terms
Municipal Works						
1	China Railway	Shenzhen Metro Group Co., Ltd.	BT Project of Shenzhen City Railway Line 11	2012-06	2,555,000	48 months
2	China Railway NO.2 Engineering	Guizhou Zhongjian Nanming Investment Co., Ltd.	Project of municipal road network of Wu Li Chong Pian Qu Hua Guo Yuan Da Jie extended section, Jie Fang Xi Lu interchange, Gong Yuan Zhong Lu in Shinan míng district, Gui Yang city	2012-09	447,012	16 months
3	China Railway NO. 4 Engineering	Nanjing City Construction Investment Holding Group	Reconstruction works of part of Nan Jing Jiang Dong Lu (Xia Guan Da Qiao - Ying Tian Da Jie), reconstruction works of part of Qing Liang Men - Han Zhng Men	2012-08-10	160,819	20 months

7. Material Contracts And Their Performances (Continued)

3 Other material contracts (continued)

(5) Other businesses (continued)

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway Consultancy	Changji Intercity Railway Corporation	Jilin-Huichun Passenger Railway Line Survey and Design	2012-02	56,330	37 months
2	China Railway Eryuan Engineering	Pucheng Clean Energy Chemical Co., Ltd	EPC Contracting Contract of Station Construction of Railway Special Line for 1.8 million tons methanol and 0.7 million tons polyolefin Project of Pucheng Clean Energy Chemical Co., Ltd	2012-02	13,064	10 months
3	China Railway Major Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Hong Kong-Zhuhai-Macao Bridge Main Project Bridge Engineering (Section DB02) Design of Construction	2012-01	7,770	Till the completion of performance of the contract terms

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Shanhaiguan Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Purchasing and Manufacturing Contract CB01 of steel box girder for the Bridge Project of Main Project of Hong Kong-Zhuhai-Macao Bridge	2012-04	283,912	36 months
2	China Railway Shanhaiguan Bridge	Dalian Southern Binhai Avenue Development Construction Investment Co., Ltd.	Processing of steel truss girder and bridge deck of Bin Hai Da Dao construction in south of Dalian city	2012-05	45,998	15.5 months
Turnout						
1	China Railway Shanhaiguan Bridge	Daxi Railway Passenger Dedicated Line Co., Ltd	Purchasing contract of turnouts for the Daxi Line Railway Project	2012-05	42,774	17 months
2	China Railway Turnout & Bridge	Lanzhou-Xinjiang Railway Co., Ltd.	Lanzhou-Xinjiang Railway 2nd double line (Gan Qing section) turnout purchase contract	2012-11	38,964	36 months
Construction (Track) Machinery						
1	China Railway Tunneling Equipment Co., Ltd	MMC-GAMUDA Company	Malaysia CTE6630 model shield production contract	2012-07	10,280	7 months
2	China Railway Tunneling Equipment Co., Ltd	Taiwan New Taipei Qiang Quan Co., Ltd	Manufacturing Contract of Steel Fiber	2012-03	5,800	36 months

7. Material Contracts and Their Performances (continued)

3 Other material contracts (continued)

(5) Other businesses (continued)

(iv) Property development business

No.	Project Name	Project location	Project type	Planning area ('0,000 sq.m.)
1	Guiyang Shier Tan	Guiyang, Guizhou	Residential/Office	162
2	China Railway Gongqing Lake Project	Zunyi, Guiyang	Residential	133.6
3	China Railway Rail Track Transportation Property Area	Chengdu, Sichuan	Residential/office	83.8
4	Jizhou Road Area of Taizhou Higher Education Zone	Taizhou, Jiangsu	Residential	34.7
5	Party School Area of Xiayanghu Street of Qingpu	Shanghai	Residential	20

4 Material Property Information

(1) Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries (%)
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term lease	100%
Huaxi Changan Center Building A1, Floor 1–2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term lease	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term lease	100%
Huilong Bay Yichulianghua Mall	No.1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term lease	100%
Beijing Chaowai Research Building and Anciliary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term lease	100%
Tianyu Shopping Center	No. 1 North Part of Yanta Road, Xi'an City	Commercial	Medium term lease	100%
Celebrity Resort Huashuiwan	Wu Cheng Street, Huashuiwan Town Dayi County, Chengdu, Sichuan	Hotel	Medium term lease	100%
15–17/F, Jingxin Building	A2 Dongsanhuanbei Road, Chaoyang District, Beijing	Commercial	Medium term lease	100%
China Railway Consultation Mansion	15 Guang An Lu, Fengtai District, Beijing	Commercial	Medium term lease	100%

7. Material Contracts and Their Performances (continued)

4 Material Property Information (continued)

(2) Properties held for development and/or for sale

Name of building or project	Location	Existing land use	Site area (sq. m.)	Floor area (sq. m.)	Stage of completion	Expected completion date	Interest of the Company and subsidiaries
China Railway Ziyuetai	No. 165 Shi Ying Bin Lu, Sanya	Residential, Commercial	74,670	237,700	Under construction (already sold)	2015	100%
China Railway West City	Hua Dong San Lu, Qing Yang District, Chengdu	Residential	192,010	526,119	Under construction (already sold)	2015	80%
China Railway Nobel Seashore Garden	Gaoxin District, Dalian	Residential	231,900	520,900	Under construction (already sold)	2014	100%
China Railway • Yidu International	No.1 North Part Jinyang Avenue, Jinyang District, Guiyang	Residential	1,060,000	2,306,000	Under construction (already sold)	2015	80%
Jinan Hanyu	East of Feng Huang Lu, Dahanyu Neigbourhood, Gaoxin District, Jinan	Residential,	192,517	960,800	Under construction (already sold)	2015	100%

8. Performance Status Of Undertakings

1 Undertakings by the listed company or shareholders with more than 5% of the Company's shares, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the report period

Undertaking	Details of undertaking	Performance status
Undertaking made by CRECG upon the issuance of shares	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will 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 China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and warrants that priority and a preemptive 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 China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	CRECG has strictly complied with the above undertaking

8. Performance Status Of Undertakings (continued)

2 Profit forecast exists in assets or projects of the Company and they are still under the period of profit forecast during the report period. Whether the Company's assets or projects meet the original profit forecast and state its reason with description.

Not applicable

9. Appointment And Removal Of Auditors

Unit: Ten Thousand Currency: RMB

	Former appointment	Recent appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA Ltd.	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	4,050	4,050
Term of domestic auditors	6 years	6 years
Name of international auditors	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Remuneration of international auditors	347	250
Term of international auditors	6 years	6 years

	Name	Remuneration
Auditor for internal control audit	Deloitte Touche Tohmatsu CPA LLP	270

10. Penalty And Rectification Order Against Listed Companies And Its Directors, Supervisors, Senior Management, The Company's Shareholders With 5% Or Above Shares Held, Ultimate Controller And Acquirer

Not applicable

11. Risks Of Suspension Of Listing And Delisting

1 Reasons for suspension and delisting and the measures taken by the Company apply for suspension or delisting

Not applicable

2 Detailed arrangement and plan of investor relations management work after delisting

Not applicable

12. Convertible Corporate Bonds

Not applicable

13. Other Significant Events

There was no significant event during the report period.

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1.	Articles of Association:	articles of association of China Railway Group Limited
2.	the Company, China Railway:	China Railway Group Limited
3.	the Group:	the Company and its subsidiaries
4.	CRECG:	China Railway Engineering Corporation
5.	BT:	"Build-Transfer" mode
6.	BOT:	"Build-Operate-Transfer" mode
7.	Hong Kong Stock Exchange:	The Stock Exchange of Hong Kong Limited
8.	Listing Rules:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
9.	Turnout:	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin *(Chairman)*
BAI Zhongren
YAO Guiqing

Non-executive Director

HAN Xiuguo

Independent Non-executive Directors

HE Gong
GONG Huazhang
WANG Taiwen
SUN Patrick

Supervisors

WANG Qiuming *(Chairman)*
LIU Jiangyuan
ZHANG Xixue
LIN Longbiao
CHEN Wenxin

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

BAI Zhongren
TAM Chun Chung *CPA, FCCA*

Audit Committee

GONG Huazhang *(Chairman)*
WANG Taiwen
SUN Patrick

Remuneration Committee

HE Gong *(Chairman)*
WANG Taiwen
SUN Patrick

Strategy Committee

LI Changjin *(Chairman)*
BAI Zhongren
YAO Guiqing
HAN Xiuguo
GONG Huazhang

Nomination Committee

LI Changjin *(Chairman)*
BAI Zhongren
HE Gong
GONG Huazhang
WANG Taiwen

Safety, Health And Environmental Protection Committee

BAI Zhongren *(Chairman)*
YAO Guiqing
HAN Xiuguo
HE Gong
SUN Patrick

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1 East Chang An Avenue
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International
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35/F, One Pacific Place
88 Queensway
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Legal Advisors

For PRC Law
Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law
Linklaters
10/F, Alexandra House
Chater Road Hong Kong

Shares Registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
Floor 17M, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares

Place of listing:	Shanghai Stock Exchange
Stock name:	China Railway
Stock code:	601390

H Shares

Place of listing:	The Stock Exchange of Hong Kong Limited
Stock name:	China Railway
Stock code:	00390

Principal Bankers

The Export-Import Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank

Company Website

http://www.crec.cn

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